

- A. By order approve such proposed rule change; or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filings will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-2002-21 and should be submitted by July 3, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46042; File No. SR-NASD-2002-74]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Amendment to Correct Research Analyst Rule Language

June 6, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 5, 2002, the National Association of Securities Dealers, Inc. ("NASD"),

through its wholly-owned subsidiary, NASD Regulation, Inc. ("NASDR"), filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASDR. The proposed rule change is effective upon filing pursuant to section 19(b)(3)(A)³ of the Act and paragraph (f)(6) of Rule 19b-4 thereunder,⁴ in that the proposed rule change (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative until more than 30 days from the date on which it was filed. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASDR is amending NASD Rule 2711 to correct certain language that was inadvertently included in NASD Rule 2711 when it was submitted for Commission approval. Proposed new language is in italics; proposed deletions are in brackets.

Rule 2711. Research Analysts and Research Reports

Paragraphs (a) through (g): No change.

(h) Disclosure Requirements

(1) Ownership and Conflicts of Interest

A member must disclose in research reports and a research analyst must disclose in public appearances:

(A) if the research analyst or a member of the research analyst's household has a financial interest in the securities of the subject company, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position);

(B) if, as of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), the member or its affiliates beneficially own 1% or more of any class of common equity securities of the subject company. Computation of beneficial ownership of securities must be based upon the same standards used to compute ownership for purposes of the reporting requirements under

Section 13(d) of the Securities Exchange Act of 1934; and

(C) any other actual, material conflict of interest of the research analyst or member of which the research analyst [or member] knows or has reason to know at the time of publication of the research report[,] or [of which the research analyst knows or has reason to know] at the time of the public appearance.; and] [(D) any other actual, material conflict of interest of the member of which the member knows or has reason to know at the time of publication of the research report, or of which the research analyst knows or has reason to know at the time of the public appearance.]

Paragraphs (h)(2) through (h)(11) and paragraph (i): No change.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, NASDR included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. NASDR has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(1) Purpose

On May 10, 2002, the Commission approved NASD Rule 2711, which is a new NASD rule intended to address research analyst conflicts of interest ("Rule 2711").⁵ The provisions of Rule 2711 become effective on a staggered basis, beginning on July 9, 2002. Among other things, Rule 2711 imposes a number of disclosure requirements on members that issue research reports concerning equity securities and on research analysts that make public appearances in which they recommend or offer an opinion concerning an equity security.

Rule 2711(h)(1)(A) requires members to disclose in research reports and research analysts to disclose in public appearances if the research analyst or a member of the analyst's household has a financial interest in the securities of the subject company and the nature of the financial interest. Rule 2711(h)(1)(B) requires disclosure if the member or its

²⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 315 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ See Securities Exchange Act Release No. 45908 (May 10, 2002), 67 FR 34968 (May 16, 2002).

affiliates own 1% or more of any class of common equity securities of the subject company. Rule 2711(h)(1)(C) requires disclosure of any other actual, material conflict of interest of the research analyst or member of which the research analyst knows or has reason to know at the time of the publication of the research report or at the time of the public appearance.

The purpose of this filing is to correct an unintentional error that appeared in Amendment No. 2 to the initial proposed rule change seeking Commission approval of Rule 2711, which was filed with the Commission on May 2, 2002.⁶ Page 6 of Exhibit A to Amendment No. 2 incorrectly quotes the provisions of Rule 2711(h)(1)(C) and includes a paragraph (D) of Rule 2711(h)(1) which was not intended to be part of the final rule. Page 6 of Exhibit A to Amendment No. 2 shows the versions of paragraphs (h)(1)(C) and (D) as they were originally filed with the Commission on February 13, 2002. However, NASDR revised these provisions in Amendment No. 1 to the proposed rule change, which NASDR filed with the Commission on March 7, 2002.⁷ In Amendment No. 1, NASDR changed the wording of paragraph (h)(1)(C) and deleted paragraph (h)(1)(D) to conform these provisions to comparable provisions in the New York Stock Exchange ("NYSE") proposed rule change relating to research analyst conflicts of interest.⁸ The Commission published the correct version of Rule 2711(h)(1) for comment in the **Federal Register** on March 14, 2002.⁹

Unfortunately, Exhibit A to Amendment No. 2 showed the version of Rule 2711(h)(1)(C) and (D) as they were originally filed with the Commission, rather than the version of Rule 2711(h)(1)(C) as amended by Amendment No. 1 and published for comment in the **Federal Register**. NASDR submitted the incorrect language by mistake, and did not intend to revert Rule 2711(h)(1)(C) back to its original form or to reintroduce old paragraph (h)(1)(D).

Accordingly, NASDR is making this filing to correct this error so that the

language of Rule 2711(h)(1) is consistent with the comparable NYSE rule language and reflects NASDR's true intent.

(2) Statutory Basis

NASDR believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general to protect investors and the public interest. NASDR believes that correcting the language of Rule 2711(h)(1) to reflect the language that was published for comment and that NASDR intended to adopt is consistent with the protection of investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

NASDR believes that the proposed rule change would not result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change is effective upon filing pursuant to section 19(b)(3)(A)¹⁰ of the Act and paragraph (f)(6) of Rule 19b-4¹¹ thereunder,¹² in that the proposed rule change (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms, does not become operative for 30 days after the date of filing.¹³ At any time within 60 days of this filing, the Commission may summarily abrogate this proposal if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of

investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to file number SR-NASD-2002-74 and should be submitted by July 3, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46029; File No. SR-PCX-2002-30]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Change by the Pacific Exchange, Inc. Relating to the Firm Quote Size for Disseminated Market Quotes for Customer Orders Entered on the Exchange

June 4, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 30, 2002, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II

⁶ See Letter from Philip Shaikun, Assistant General Counsel, NASDR, to James A. Brigagliano, Assistant Director, Division of Market Regulation ("Division"), Commission (May 2, 2002) ("Amendment No. 2").

⁷ See Letter from Thomas M. Selman, Senior Vice President, Investment Companies, Corporate Financing, NASDR, to Katherine A. England, Assistant Director, Division, Commission (March 7, 2002) ("Amendment No. 1").

⁸ See NYSE Rule 472(k)(1)(i)(c).

⁹ See Securities Exchange Act Release No. 45526 (March 8, 2002), 67 FR11526, 11528 (March 14, 2002).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² As required under Rule 19b-4(f)(6)(iii), the NASDR provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date or such shorter time as designated by the Commission.

¹³ The NASD notes that the proposed rule change does not alter the effective dates of Rule 2711 (as amended by this proposed rule change) that the Commission approved on May 10, 2002.

¹⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.