

*the remaining initial term of the Exchange's contractual commitment.*

\* \* \* \* \*

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

In its filing with the Commission, the Exchange 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. The Exchange 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**

The CHX proposes to amend the Schedule by incorporating an OTC Access and Connection Charge that will apportion among CHX OTC specialist firms the incremental technology costs associated with accessing OTC market participants.

As the OTC market prepares for full implementation of Nasdaq's SuperMontage system and the NASD's Alternative Display Facility (which will not be accessible by CHX specialists), many CHX OTC specialists consider it imperative that the CHX enter into access arrangements with various OTC market participants and procure certain proprietary technological enhancements that will permit CHX OTC specialists to obtain ready access to various pools of liquidity in the OTC market. Given the substantial technology costs that the CHX has incurred and continues to incur relating to the transitions in the OTC market, including development costs associated with the independent securities information processor that will be operational next year, the CHX believes it is appropriate for CHX OTC specialists to bear a proportionate share of the technology costs associated with accessing the OTC market.

Accordingly, the CHX Finance Committee and Board of Governors approved institution of the proposed OTC Access and Connection Charge, as what the CHX believes is a reasonable means of allocating such technology costs among the CHX OTC specialist firms that benefit from such CHX expenditures. The Exchange believes that its OTC specialist firms are in agreement with this proposal.

#### **2. Statutory Basis**

The Exchange believes the proposed rule change is consistent with section 6(b)(4) of the Act<sup>4</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No written comments were solicited or received.

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

The proposed rule change has become effective pursuant to section 19(b)(3)(A)(ii) of the Act<sup>5</sup> and subparagraph (f)(2) of rule 19b-4 thereunder,<sup>6</sup> because it involves a due, fee, or other charge. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change 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

<sup>4</sup> 15 U.S.C. 78f(b)(4).

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>6</sup> 17 CFR 240.19b-4(f)(2).

the principal office of the Exchange. All submissions should refer to file number SR-CHX-2002-35, and should be submitted by December 18, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-46855; File No. SR-GSCC-2002-12]

### **Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Government Securities Clearing Corporation Relating to the Schedule of Timeframes for Submitting Repo Collateral Substitution Notifications**

November 20, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on October 22, 2002, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which items have been prepared primarily by GSCC. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested parties and to grant accelerated approval of the proposed rule change.

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

The proposed rule change would allow GSCC to amend its schedule of timeframes to extend its repo collateral substitution deadline by one hour on days that GSCC determines to be high volume days.

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

In its filing with the Commission, GSCC 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

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

in Item IV below. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

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

GSCC's Schedule of Timeframes ("Schedule") contains two deadlines that are applicable to requests for repo collateral substitutions: (i) A deadline of noon (12:00 p.m.) after which a member that initiated the substitution will be subject to a late fee of five hundred dollars (\$500.00) per substitution imposed and (ii) an absolute deadline of 12:30 p.m. after which GSCC will reject the substitution request.<sup>2</sup> The Schedule provides that GSCC may extend these deadlines by one hour on days that The Bond Market Association ("BMA") announces in advance will be "high volume days."<sup>3</sup>

Given the unpredictable occurrence of days on which a large number of collateral substitution requests occur, the BMA recently supplemented its guidelines to provide a process for the same-day designation of high volume days and extension of repo collateral substitution deadlines.<sup>4</sup> Specifically, the BMA has recommended that prior to 10:05 a.m. on each day on which the markets are open for trading, GSCC's inter-dealer broker netting members should notify GSCC of the number of collateral substitution requests they have received for that trading day. If the number of such collateral substitution requests exceeds 150 in the aggregate, GSCC will extend its repo collateral substitution deadlines by one hour and will notify the BMA which will issue a notice to market participants.<sup>5</sup> In effect, under the new trading practice

guidelines, it will be GSCC that determines when a trading day is a high volume day.

The Schedule currently permits GSCC to extend its repo collateral substitution deadlines only after the BMA has designated a high volume day. The proposed rule change would permit GSCC to determine when a trading day is a high volume day and therefore to institute a same-day extension of its deadlines without having the BMA designation.

The proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will provide members with additional time to submit their repo collateral notification requests on days that develop into high volume days.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

GSCC does not believe that the proposed rule change will have any impact or impose any burden on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received. GSCC will notify the Commission of any written comment received by GSCC.

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

The Commission finds that the proposal, which allows GSCC to react in a timely manner to volume increases by extending submission deadlines for repo collateral substitution requests by GSCC members, is consistent with Section 17A(b)(3)(F) because it should help perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions. Allowing GSCC to designate high volume days independently of the BMA will enable GSCC to better serve its members because GSCC will be able to respond in real-time to market conditions affecting its clearance and settlement of repos.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing because approval prior to the thirtieth day of publication will give GSCC the ability to immediately handle any high volume day that might occur.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change 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, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to File No. SR-GSCC-2002-12 and should be submitted by December 18, 2002.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change is hereby approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-46860; File No. SR-ISE-2001-15]

**Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the International Securities Exchange LLC, Relating to a Pilot Program for Quotation Spreads**

November 20, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 25, 2001, the International Securities Exchange LLC ("ISE" or "Exchange")

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>2</sup> All times in GSCC's rules are New York time. GSCC's repo substitution notification deadlines were based upon guidelines issued by The Bond Market Association ("BMA") that provide that on each business day market participants should notify their inter-dealer broker of any collateral substitutions by 9:55 a.m. and should provide such brokers with the description of the substituted collateral by 11:00 a.m. GSCC provides members with an additional hour in which to send the request to GSCC.

<sup>3</sup> Pursuant to BMA's trading practices guidelines, high volume days are the first and last business day of each calendar quarter on which markets are open for trading and such other days as the BMA may announce no later than 24 hours prior to the occurrence of such day.

<sup>4</sup> The BMA issued this supplement on an interim basis pending the approval of this rule change.

<sup>5</sup> GSCC, the BMA, and industry representatives have established 150 as the number of requests that will trigger GSCC's determination that a trading day is a high volume day. This will be incorporated into the BMA's trading practice guidelines. Should this change, GSCC will file a proposed rule change under Section 19(b)(3)(A) with the Commission.