

Portfolio's *Total Assets* (or, in the case of a Portfolio that is not subject to rule 2a-7, the percentage of the total of its cash, cash items and *Eligible Securities*) represented by *Second Tier Securities* acquired from JPMSI.

(c) Each Portfolio will maintain records sufficient to verify compliance with the volume limitations contained in condition (3), above. JPMSI will provide the Portfolios with all records and information necessary to implement this requirement.

(d) Each Portfolio will maintain records sufficient to verify compliance with the repurchase agreement requirements contained in condition (2), above.

The records required by this condition (8) will be maintained and preserved in the same manner as records required under rule 31a-1(b)(1).

9. Guidelines—Each of the compliance departments of the Advisers and of JPMSI (the "Compliance Departments") will prepare and, as necessary update guidelines for personnel of the Advisers or JPMSI, as the case may be, to make certain that transactions conducted pursuant to the exemption comply with the conditions of the exemption, and that the parties generally maintain arm's length relationships. In training personnel of JPMSI, particular emphasis will be given to the fact that the Portfolios are to receive rates as favorable as other institutional purchasers buying the same quantities. The Compliance Departments will periodically monitor the activities of JPMSI and the Advisers to make certain that the conditions set forth in the exemption are adhered to.

10. Audit Committee Review—The Audit Committees, consisting of Trustees who are not "interested persons" as defined in section 2(a)(19) of the Act ("Independent Trustees"), will prepare, periodically review and update the guidelines for the Advisers and JPMSI to ensure that transactions conducted pursuant to the exemption comply with the conditions set forth therein and that the above procedures are followed in all respects. The respective Audit Committees will periodically monitor the activities of the Portfolios, the Advisers and JPMSI in this regard to ensure that these matters are being accomplished.

11. Scope of Exemption—Applicants expressly acknowledge that any order issued on the application would grant relief from section 17(a) of the Act only, and would not grant relief from any other section of, or rule under, the Act including, without limitation, rule 2a-7.

12. Board Review—The Trustees, including a majority of the Independent

Trustees, have approved the Portfolio's participation in transactions conducted pursuant to the exemption and have determined that such participation by the Portfolios is in the best interests of the Portfolios and their investors. The minutes of the meetings of the Trustees at which this approval was given reflect in detail the reasons for the Trustees' determinations. The Trustees will review no less frequently than annually the Portfolios' participation in transactions conducted pursuant to the exemption during the prior year and determine whether the Portfolios' participation in such transactions continues to be in the best interests of the Portfolios and their investors. Such review will include (but not be limited to) (a) a comparison of the volume of transactions in each type of security conducted pursuant to the exemption to the market presence of JPMSI in the market for that type of security, and (b) a determination that the Portfolios are maintaining appropriate trading relationships with other sources for each type of security to ensure that there are appropriate sources for the quotations required by condition (4) above. The minutes of the meetings of the Trustees at which such determinations are made will reflect in detail the reasons for the Trustees' determinations.

For the Commission, by the Division of Investment Management, under delegated authority.

**Jill M. Peterson,**

*Assistant Secretary.*

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**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission held the following additional meeting during the week of May 13, 2002:

An additional closed meeting was held on Tuesday, May 14, 2002, at 11 a.m.

Commissioner Glassman, as duty officer, determined that no earlier notice thereof was possible.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries attended the closed meeting. Certain staff members who had an interest in the matter were also present.

The General Counsel of the Commission, or his designee, certified

that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(5), (7), (9)(B), and (10) and 17 CFR 200.402(a), (5), (7), 9(ii) and (10), permit consideration of the scheduled matter at the closed meeting.

The subject matter of the closed meeting held on Tuesday, May 14, 2002, was:

Institution and settlement of an administrative proceeding of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

Dated: May 15, 2002.

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 02-12638 Filed 5-15-02; 4:15 pm]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45921; File No. SR-CHX-2002-12]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated to Amend the Rules Relating to the Composition of the CHX's Minor Rule Violation Panel

May 14, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 26, 2002, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. 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

The CHX proposes to amend the rules relating to the composition of the CHX's Minor Rule Violation Panel ("Panel"). The text of the proposed rule change is below. Proposed additions are in *italics*; proposed deletions are in *brackets*.

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

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

**Article XII**

## Discipline and Trial Proceedings

\* \* \* \* \*

## Minor Rule Violations

RULE 9.(a) No change in text.

(b) Procedure for Imposing Fines. In the event that the staff of the Exchange determines that a member, member organization, associated person or registered or non-registered employee of a member or member organization has violated a rule of the Exchange set forth in paragraph (h) of this Rule, and the Exchange staff desires to take action under this Rule 9, the staff shall present the facts supporting the violative conduct to [the] a Minor Rule Violation Panel. The accused shall not have the right to attend such presentation nor shall the accused have the right to present any evidence or testimony at such presentation. [The] A Minor Rule Violation Panel may (i) accept the staff's recommendation and impose sanctions on behalf of the Exchange in accordance with this Rule 9, (ii) reject the staff's recommendation, or (iii) recommend that the Exchange commence a formal disciplinary proceeding. [The] A Minor Rule Violation Panel shall have no authority, however, to authorize the initiation of a formal disciplinary proceeding. In the event [the] a Minor Rule Violation Panel recommends that the Exchange commence a formal disciplinary proceeding, the staff shall either (i) issue a report to the Chief Executive Officer in accordance with Article XII, Rule 1(a), recommending that formal charges be brought or (ii) advise the Minor Rule Violation Panel that the staff will not recommend that the Exchange commence a formal disciplinary proceeding. In the event that the staff chooses alternative (ii) from the preceding sentence, the matter shall be returned to the Minor Rule Violation Panel *that recommended the commencement of the formal disciplinary proceeding*, which shall then impose a fine in accordance with the provisions of this Rule 9.

[The] *One or more* Minor Rule Violation Panels shall be appointed, from time to time, by the Chief Executive Officer and shall *each* consist of three persons—one member of the Rules Subcommittee of the Committee on Floor Procedure, one member of the Committee on Floor Procedure [who is not a member of the Rules Subcommittee], and one floor member who is not a member of the Committee on Floor Procedure or *the Rules Subcommittee* [any of its subcommittees].

Notwithstanding anything in this paragraph (b) to the contrary, the Committee on Floor Procedure shall have jurisdiction to impose a fine pursuant to this Rule for violations of (h)(ii)(7) and (8) of this Rule relating to decorum on the trading floor. However, the Committee on Floor Procedure and [the] a Minor Rule Violation Panel shall not, collectively, impose more than one fine pursuant to this Rule 9 relating to the same underlying violation and incident.

(c)–(h) No change in text.

\* \* \* \* \*

## **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 its proposal and discussed any comments it received regarding the proposal. 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 Exchange proposes to amend the rules relating to the composition of the Panel. The Panel is a three-person group charged with evaluating rule violations that fall under the Exchange's Minor Rule Violation Plan and assessing fines in response to that conduct.

The proposed rule change would allow the appointment of additional Panels. In recent months, it has become increasingly difficult for Panel members to balance their responsibilities as Panel members with their responsibilities as active members of the trading floor community. The ability to appoint additional Panels would relieve some of the workload of the current Panel members and ensure that potential minor rule violations are heard by a Panel as soon as possible. The Exchange's Market Regulation staff will work with each Panel to ensure that their decisions provide consistent sanctions for similar offenses.

The proposed rule change also would remove a current restriction on the composition of the Panel that makes it difficult to find a sufficient number of persons to serve as a member of this group. Under the current rules, the Panel consists of: (1) One member of the

Rules Subcommittee; (2) one member of the Committee on Floor Procedure who is not on the Rules Subcommittee; and (3) one floor member who is not on the Committee on Floor Procedure or on any of its subcommittees (such as the Rules Subcommittee).<sup>3</sup>

The proposed rule change would modify this composition so that the Panel would consist of: (1) One member of the Rules Subcommittee; (2) one member of the Committee on Floor Procedure (whether or not he or she is on the Rules Subcommittee); and (3) one floor member who is not on the Committee on Floor Procedure, but could be on one or more of its subcommittees (but not the Rules Subcommittee).

In recent years, the Exchange's floor members have become more active on various Exchange committees, including on the various subcommittees of the Committee on Floor Procedure. As a result, they often are not eligible to fill the second or third positions on the Panel. The proposed rule change would help ensure that a sufficient number of members are eligible to be selected to serve on the Panel.

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

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange and, in particular, with the requirements of Section 6(b).<sup>4</sup> In particular, the CHX believes the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>5</sup> in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest by ensuring that potential minor rule violations are addressed as soon as possible.

### *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.

<sup>3</sup> The Committee on Floor Procedure has several subcommittees, including the Rules Subcommittee, the Floor Broker Technical Subcommittee, the Specialist Technical Subcommittee and the Space Allocation Subcommittee.

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

<sup>5</sup> 15 U.S.C. 78(f)(b)(5).

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

No written comments were either solicited or received.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the CHX consents, the Commission will:

(A) By order approve the 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 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 at 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-CHX-2002-12 and should be submitted by June 10, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 02-12568 Filed 5-17-02; 8:45 am]

**BILLING CODE 8010-01-U**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-45924; File No. SR-CHX-2002-13]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to Membership Dues and Fees**

May 14, 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 hereby is given that on April 26, 2002, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. 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**

The Exchange proposes to amend a provision of its membership dues and fees schedule (the "Schedule") governing assessment of transaction fees. The text of the proposed rule change follows. Proposed new language is italicized; proposed deletions are in brackets.

**Membership Dues and Fees**

\* \* \* \* \*

**F. Transaction and Order Processing Fees**

\* \* \* \* \*

**6. Transaction Fees**

\* \* \* \* \*

e. *In Nasdaq/NM securities, a[A]gency executions [orders in NASDAQ/NM securities] executed through a floor broker and market maker executions.*

f. *In Dual Trading System issues, a[A]gency executions [orders in Dual Trading System Securities] executed through a floor broker and market maker executions.*

g. All other MAX orders.

**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 Exchange proposes to amend a provision of the Schedule governing assessment of transaction fees. The Schedule contains provisions assessing various transaction fees and order processing fees. Transaction fees are assessed based on factors including (a) the type of order executed on the Exchange, and (b) the type of member that facilitates execution of the order on the Exchange.

A previous change to the provisions governing transaction fees was intended to provide for a transaction fee applicable to certain manual orders that are not executed by a specialist, *i.e.*, agency orders executed through a floor broker or executions by a market maker. The Exchange believes that it is appropriate to edit this provision to reflect the intent that the provision applies to all manual orders not executed by a specialist (other than executions by floor brokers in their capacity as principals). Significantly, the proposed edit set forth in Exhibit A reflects current billing practice; the change to the fee schedule thus will not result in assessment of any additional transaction fees.

In addition, the Exchange proposed to clarify that the catch-all provision governing transaction fees, subsection g., only applied to all other "MAX" orders.<sup>3</sup>

**2. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>5</sup> in particular, because it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

<sup>3</sup> Telephone call between Ellen Neely, Senior Vice President and General Counsel, CHX, and Jennifer Lewis, Attorney, Division of Market Regulation, Commission, on May 9, 2002.

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

<sup>5</sup> 15 U.S.C. 78f(b)(4).

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

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

<sup>6</sup> 17 CFR 200.30-3(a)(12).