

#### 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 CHX. All submissions should refer to file number SR-CHX-2002-16 and should be submitted by June 25, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

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

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45989; File No. SR-DTC-2001-16]

#### Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change Relating to Technical Language Changes to Certain DTC Rules

May 28, 2002.

On August 31, 2001, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-2001-16) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposed rule change was published in the **Federal Register** on March 18, 2002.<sup>2</sup> No comment letters

considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> Securities Exchange Act Release No. 45540 (March 12, 2002), 67 FR 12070.

were received. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

#### I. Description

The proposed rule change expands the term "procedures," as defined under Rule 1, to include service guides and regulations. The proposed rule change deletes references to "Executive Vice President" and "Senior Vice President" as officers of DTC because these titles are obsolete as no longer used at DTC and adds references to "Managing Director" to Rule 18, which allows certain DTC officers and directors to waive or suspend rules and procedures, and to Rule 28 which allows certain officers and directors to act under delegated authority from the board of directors on behalf of DTC. Rule 27 is amended to allow the board of directors to delegate authority to any DTC officer referenced in the board's delegation resolution.

#### II. Discussion

Section 17A(b)(3)(F)<sup>3</sup> of the Act requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The rule change allows DTC's rules to accurately reflect its current management structure. Updating Rules 1, 18, 27, and 28 will provide the appropriate officers of DTC with the ability to carry out their responsibilities. Therefore, the Commission finds that the rule change is consistent with DTC's obligation under Section 17A to have rules that are designed to promote the prompt and accurate clearance and settlement of securities transactions.

#### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-2001-16) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

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

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<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>4</sup> 17 CFR 200.30-3(a)(12).

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45985; File No. SR-ISE-2002-14]

#### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the International Securities Exchange LLC Amending Exchange Rule 722 To Adopt Procedures for Executing the Stock Legs Portion of Stock-Option Orders

May 24, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on May 21, 2002, the International Securities Exchange LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission (the "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 Exchange proposes to adopt procedures for the trading of Stock-Option orders.

The text of the proposed rule change appears below. New text is in *italics*.

#### Rule 722. Complex Orders

\* \* \* \* \*

#### Supplementary Material to Rule 722

.01 No Change.

.02 *A bid or offer made as part of a stock-option order, as defined in (a)(5) above, is made and accepted subject to the following conditions: (1) the stock-option order must disclose all legs of the order and must identify the price at which the non-option leg(s) of the order is to be filled; and (2) concurrent with the execution of the options leg of the order, the initiating member and each member that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to a non-Exchange market(s) for execution. Failure to observe these requirements will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 400.*

*A trade representing the execution of the options leg of a stock-option order*

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

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

may be cancelled at the request of any member that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

## 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

ISE Rule 722 provides for the execution of complex orders on the Exchange, including Stock-Option Orders. However, the Rule does not currently provide procedures for executing the stock leg(s) of these types of orders. The Exchange states that the purpose of the proposed rule change is to establish such procedures.

According to the Exchange, the proposal would require that a member entering a Stock-Option Order to disclose all the legs of the order and the price at which the non-option leg(s) are to be filled. Following execution of the options leg, the parties would be required to immediately transmit the stock leg(s) to stock market(s) for execution. If the parties cannot execute the stock leg(s) at the agreed-upon price(s), the Exchange would cancel the option leg at the request of any party to the trade.

According to the Exchange, the proposed rule change is based on Chicago Board Options Exchange Rule ("CBOE") 6.48(b). The Exchange believes that the only difference between these rules is that the CBOE rule requires the member initiating a stock-option order to announce the specific market or markets on which the stock trade will be effected. The Exchange does not believe requiring the disclosure of the specific market(s) of execution provides meaningful information to the trading crowd. Rather, the Exchange would allow the members effecting the trade to choose

the market(s) of their choice for the stock transactions.

#### (2) Statutory Basis

The Exchange's basis for the proposed rule change is the requirement under Section 6(b)(5) of the Act<sup>3</sup> that an exchange have rules that are designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transaction in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>4</sup> and subparagraph (f)(6) of Rule 19b-4<sup>5</sup> thereunder because the Exchange has designated the proposed rule change as one that does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate; and the Exchange has given the Commission written notice of its intention to file the proposed rule change at least five business days prior to filing. At any time within 60 days of the filing of such 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.

Under Rule 19b-4(f)(6)(iii) of the Act,<sup>6</sup> the proposal does not become operative for 30 days after the date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative date in order for it to implement the proposed rule change as quickly as possible. The Commission, consistent with the protection of investors and the public interest, has determined to waive the 30-day operative period.<sup>7</sup>

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For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

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

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

<sup>7</sup> For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>3</sup> 15 U.S.C. 78f(b)(4).

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(6).