

Dated: February 5, 2002.

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-45373; File No. SR-Amex-2002-03)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change and Amendment No. 2 Thereto by the American Stock Exchange LLC Relating to an Extension of the Interim Intermarket Linkage Program

January 31, 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 January 15, 2002, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Amex. The Exchange submitted Amendment No. 1 to the proposed rule change on January 18, 2002.³ The Exchange submitted Amendment No. 2 to the proposed rule change on January 30, 2002.⁴ The Exchange filed the proposed rule change pursuant to section 19(b)(3)(A) of the Act,⁵ and Rule 19b-4(f)(6) thereunder,⁶ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), Commission, from Jeffrey P. Burns, Assistant General Counsel, Amex, dated January 17, 2002 ("Amendment No. 1").

⁴ In Amendment No. 2, Amex clarified that it was filing the proposed rule change pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, rather than Rule 19b-4(f)(3) as set forth in Amendment No. 1. See letter to Nancy Sanow, Assistant Director, Division, Commission, from Jeffrey P. Burns, Assistant General Counsel, Amex, dated January 29, 2002 ("Amendment No. 2"). Amendment No. 2 replaces Amendment No. 1 in full.

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6). The Amex requests that the Commission waive the 30-day operative delay. The Amex provided the Commission with notice of its intention to file this proposal on January 15, 2002.

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

The Amex proposes to extend until December 31, 2002 the pilot program providing for the implementation of "interim linkages" with the other option exchanges.

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 Amex 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 Amex 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 purpose of this proposed rule change is to request an extension of the "interim" intermarket options linkage.⁷ Currently, the Exchange is operating the interim linkage on a pilot basis pursuant to Amex Rule 940. The interim linkage utilizes the Exchange's existing systems to facilitate the sending and receiving of order flow between Amex specialists and their counterparts on the other option exchanges as an interim step towards development of a permanent linkage in the options market.⁸ The Exchange now proposes that the interim linkage remain in effect on a pilot basis until December 31, 2002.

The Commission previously approved, on an interim basis, options intermarket linkage plans for all options exchanges.⁹ Although the options exchanges have made "progress" toward

the implementation of a permanent linkage, significant work still exists in order for the linkage to be operational. Accordingly, the Amex believes that an extension of the interim linkage is necessary for the options exchanges to complete implementation of the permanent linkage.

The key component of the interim linkage is for the participating exchanges to open their automated customer execution systems, on a limited basis, to market maker orders. Specifically, market makers are able to designate certain orders as "customer" orders, and thereby receive automatic execution of those orders on participating exchanges.¹⁰

The interim linkage authorizes the Amex to implement bilateral or multilateral interim arrangements with the other exchange providing equal access between market makers on the respective exchanges. Currently, the interim linkage pilot program allows Amex specialists and their equivalents on the other exchanges, when holding customer orders, to send those orders to the other market for execution when the other market has a better quote. Such orders are limited in size to the lesser of the size of the two markets' automatic execution size for customer orders. The interim linkage may in the future be expanded to include limited access principal orders (*i.e.*, when the market maker is not holding a customer order), for orders of no more than 10 contracts.

Consistent with the interim linkage pilot program, all interim linkage orders must be "immediate or cancel" (*i.e.*, they cannot be placed on an exchange's limit order book), and a market maker may send a linkage order only when the other (receiving) market is displaying the national best bid or offer and the sending market is displaying an inferior price. This allows an Amex specialist to access the better price for its customer. If the interim linkage is expanded to include principal orders, such action would allow market makers to attempt to "clear" another market displaying a superior quote.

Specialist participation in the interim linkage is voluntary. Only when a specialist and its equivalent on another exchange believe that this form of mutual access would be advantageous will the exchanges employ the interim linkage procedures. The Amex believes that the interim linkage will benefit investors and will provide useful experience that will help the exchanges

⁷ On May 7, 2001, the Commission issued a notice of filing and immediate effectiveness of a pilot program submitted by the Amex authorizing the implementation of an interim linkage. See Securities Exchange Act Release No. 44271 (May 7, 2001), 66 FR 26887 (May 15, 2001) (File No. SR-Amex-2001-20).

⁸ The Commission approved the Plan for the Purpose of Creating and Operating an Intermarket Options Linkage in July 2000. See Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000).

⁹ See Securities Exchange Act Release Nos. 43904 (January 30, 2001), 66 FR 9112 (February 6, 2001) (File Nos. SR-ISE-00-15 and SR-CBOE-00-58); 43986 (February 20, 2001), 66 FR 12578 (February 27, 2001) (File No. SR-PCX-2001-10); 44271 (May 7, 2001), 66 FR 26887 (May 15, 2001) (File No. SR-Amex-2001-20); and 44311 (May 16, 2001), 66 FR 28768 (May 24, 2001) (File No. SR-Phlx-2001-52).

¹⁰ As with other orders that are executed under the automatic execution parameters of the Exchange, when a limit order constitutes the Exchange's best bid or offer, the specialist executes the incoming order against that order.

in implementing the full linkage. For these reasons, the Amex requests an extension of the pilot program until December 31, 2002.

B. Statutory Basis

The Exchange believes the proposed rule change is consistent with section 6(b) of the Act,¹¹ in general, and furthers the objectives of section 6(b)(5),¹² in particular, because it should prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, protect investors and the public interest.

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

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

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 with respect to the proposed rule change.

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

Because the foregoing 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; (3) does not become operative for 30 days from the date of filing, or such shorter date as the Commission may designate, if consistent with the protection of investors and the public interest; and (4) the Exchange provided the Commission with notice of its intent to file the proposed rule change at least five days prior to the filing date, the proposed rule change has become effective pursuant to section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6)¹⁴ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)¹⁵ does not become operative prior to 30 days after the date of filing or such shorter time as the Commission may designate if such action is consistent with the protection of investors and the public interest. The

Amex has requested, in order to permit the uninterrupted operation of the interim linkage, that the Commission accelerate the implementation of the proposed rule change so that it may take effect prior to the 30 days specified in Rule 19b-4(f)(6)(iii).¹⁶ The Commission finds that the proposed rule change is consistent with the protection of investors and the public interest and, therefore, has determined to make the proposed rule change operative as of the date of this notice.¹⁷

At any time within sixty (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 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 filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File Number SR-Amex-2002-03 and should be submitted by February 28, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Margaret H. McFarland,

Deputy Secretary.

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¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹⁷ For purposes of accelerating the implementation of the proposed rule change only, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁸ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45357; File No. SR-GSCC-2001-14]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to Liability of Affiliated Entities

January 29, 2002.

On October 11, 2001, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ a proposed rule change (File No. GSCC-2001-14). Notice of the proposal was published in the **Federal Register** on December 20, 2001.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change addresses liability issues that may arise after the completion of the integration of GSCC, MBS Clearing Corporation ("MBSCC"), and Emerging Markets Clearing Corporation ("EMCC") with The Depository Trust and Clearing Corporation ("DTCC").³ For purposes of this notice, DTCC, GSCC, MBSCC, EMCC, The Depository Trust Company ("DTC"), and National Securities Clearing Corporation ("NSCC")⁴ are collectively referred to as the "Synergy Companies."⁵

An important aspect of the integration plan is to insulate GSCC, its members, and its clearing fund from the risks and obligations that may arise from the

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 45155 (Dec. 14, 2001), 66 FR 65768.

³ Securities Exchange Act Release Nos. 44989 (Oct. 25, 2001), 66 FR 55220 (Nov. 1, 2001) (order approving integration of GSCC), 44988 (Oct. 25, 2001), 66 FR 55222 (Nov. 1, 2001) (order approving integration of MBSCC), and 44987 (Oct. 25, 2001), 66 FR 55218 (Nov. 1, 2001) (order approving integration of EMCC).

⁴ DTC and NSCC are wholly-owned subsidiaries of DTCC.

⁵ After the completion of the integration, GSCC, MBSCC, and EMCC shall each be a wholly-owned subsidiary of DTCC, and a single group of individuals shall serve as directors of each of the Synergy Companies. Following the integration, GSCC will continue to exist as a separate registered clearing agency. The retained earnings of GSCC existing at the time of (or as of the end of the last full calendar month preceding) the integration of GSCC with DTCC will, as a matter of DTCC policy, be dedicated to supporting the business of GSCC. GSCC will be managed and operated so as to be appropriately capitalized for its activities as a clearing agency.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ 17 CFR 240.19b-4(f)(6).