

change, as amended, from interested persons.

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

The Exchange proposes to amend its Amended Articles of Incorporation, By-Laws and Rules to change the name of the Exchange to National Stock ExchangeSM. The text of the proposed rule change is available at the CSE and at the Commission.

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 CSE 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 CSE has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

First organized in 1885, the CSE operated as a floor-based exchange in Cincinnati, Ohio, into the mid-1970s. The Exchange thereafter developed and implemented an electronic exchange that has been in operation for over 20 years. In 1988, the CSE engaged the Chicago Board Options Exchange as its systems facilities manager and, thereafter, the CSE determined to move its headquarters to Chicago in the early 1990s.

Today, with enhancements in technology, orders and quotations are sent to the Exchange from all over the country, and the Exchange trades securities listed in the New York Stock Exchange, the American Stock Exchange and the Nasdaq Stock Market. In keeping with this expanding role, the members of the Exchange and its Board of Trustees have deemed it advisable that the name of the Exchange be changed from The Cincinnati Stock Exchange to National Stock Exchange.

The three documents that need to be revised to accomplish and reflect the name change are the Exchange's Amended Articles of Incorporation, By-Laws and Rules. The Exchange represents that the filing reflects a name change only and does not affect the manner of the Exchange's operations and governance structure.

2. Statutory Basis

The CSE believes the proposed rule change is consistent with Section 6(b)(1) of the Act⁶ in that it helps to assure that the Exchange is so organized and has the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its members, with the Act.

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

The members of the Exchange approved the name change at a special membership meeting held on October 23, 2003 pursuant to Article II, Section 10.2 of the Exchange's By-Laws.

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) of the Act⁷ and subparagraph (f)(3) of Rule 19b-4, thereunder,⁸ because it is concerned solely with the administration of the exchange. At any time within sixty (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.

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. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to file number SR-CSE-2003-12 and should be submitted by December 10, 2003.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48775; File No. SR-DTC-2003-12]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to the Processing of Maturity Presentments in DTC's Money Market Instrument Program

November 12, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on September 30, 2003, The Depository Trust Company ("DTC") 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 primarily by DTC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change would allow DTC to implement new Money Market Instrument ("MMI") Program procedures regarding the processing of Maturity Presentments ("MP").² Specifically, the new procedures would allow an Issuing/Paying Agent ("IPA") to assign processing priorities to the MMI issuers for which the IPA acts as agent.

¹ 15 U.S.C. 78s(b)(1).

² The references to maturity presentments are intended to cover, in addition to MPs, other payment obligations of MMI issuers, such as periodic principal payments and periodic interest payments.

⁶ 15 U.S.C. 78f(b)(1).

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(3).

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

In its filing with the Commission, DTC 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. DTC 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

Under DTC's current procedures for the processing of MPs, early on the maturity date (generally around 2:00 a.m.) DTC initiates deliveries of the maturing paper from the accounts of participants having positions in the maturing paper to the MMI participant account of the IPA. Each MP is processed as the equivalent of a book-entry delivery-versus-payment transfer. As such, MPs may "recycle" just as any delivery would if the net debit cap or collateralization controls applicable to an IPA's account prevent the delivery from updating. Recycling MPs would update once additional funds (e.g., from intraday settlement progress payment ("SPPs") or from new issuances) are credited to the IPA's account. With the exception of a recent change enabling an IPA to target settlement credits from an SPP to a specific issuer's maturity presentments, MPs update on a random basis.³ There is no provision in DTC's current procedures enabling an IPA to assure that the recycling MPs of a specific issuer update by allocating to that issuer's MPs all or a specified portion of the IPA's net debit cap or by applying to that issuer's MPs settlement credits derived from the new issuance of its paper. By the same token, because of the random nature of MP processing, the IPA is unable to prevent a portion of its net debit cap as well as any "excess" or "residual" credits from being used to update the MPs of an issuer to which the IPA would prefer not to extend credit.⁴

The proposed rule change would provide for the application of new issuance settlement credits to the MPs of the same issuer on a best efforts basis and would give IPAs the option to prioritize the order and manner in which MPs are processed, including the option to designate an issuer as self-funding.⁵ Systemically, DTC would attempt to align activities within the MMI system so that monies from Issuer A's credits are generally applied to Issuer A's MPs, subject to existing collateral monitor and net debit controls.

Under the alignment approach, once an IPA has incurred a net debit up to its applicable net debit cap (or the IPA's collateral is fully used), subsequent MPs presented to the IPA's account will still recycle as they do today. When an IPA processes a new issuance of an MMI into the system and the issuance transaction updates into the receiving participant's account, the resulting credit then becomes available in the IPA's account to fund a recycling MP. At this time, the revised MMI system would inquire against the queue of recycling MPs to determine if there is an MP for the same issuer with the same base CUSIP that could be processed against the available credit. Once the appropriate MP is identified, that MP would be taken off the recycle queue and would be processed into the IPA's account. As further issuances for that issuer occur, additional MPs for the issuer would be processed so that MP processing would remain in rough alignment with the related issuance activity. If no offsetting MP is available on the recycle queue, the credit would be applied to an MP from another issuer, as is the case today, to make use of the available liquidity in the IPA's settlement account.

Although the current procedures have worked well, since the events of September 11, 2001, participants in DTC's MMI program have been working with DTC on changes that would reduce risk without introducing processing inefficiencies. The proposed IPA rule change would address concerns that

specific issuer's MPs, as well as any unallocated net debit cap. "Residual" credits refer to credit balances from new issuances and targeted SPPs that are not large enough to completely offset the same issuer's MPs.

⁵ Under the proposed rule change, IPAs would be able to prioritize between issuers by using new Participant Terminal System ("PTS") functions. IPAs logged into DTC's MMII PTS function would select "Issuer Priority Control" to access the main menu of IPA-issuer options. This new functionality would allow IPAs to select which issuers' MPs would recycle at the bottom of the ATP queue; perform an issuer control inquiry on selected issuers; maintain an audit trail for selected issuers; and inquire about MPs for selected issuers.

IPAs have raised about the random nature of DTC's process for updating maturity presentments by providing IPAs with the means to exercise greater control of their intra-day liquidity requirements and credit risk.

The proposed rule change is consistent with the requirements of Section 17A(b)(3)(A) of the Act⁶ and the rules and regulations thereunder because it will promote the prompt and accurate settlement of securities transactions and will be implemented in a manner that is consistent with DTC's risk management controls.

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

DTC perceives no impact on competition by reason of the proposed rule change.

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

The subject proposals were developed in consultation with participants in the MMI market and are included as recommendations in a Discussion Paper issued jointly by The Bond Market Association and The Depository Trust & Clearing Corporation on March 31, 2003. DTC advised participants of the proposed modifications in Important Notice 5336 (October 10, 2003).⁷

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

Within thirty-five days of the date of publication of this notice in **Federal Register**, or within such longer period: (i) as the Commission may designate up to ninety 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 DTC consents, the Commission will:

(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 is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange

⁶ 15 U.S.C. 78q(b)(3)(A).

⁷ DTC advised participants of additional MMI system modifications in Important Notice 5311 on October 10, 2003. Those modifications are not within the scope of this rule filing.

³ Securities Exchange Act Release No. 48145 (July 9, 2003), 68 FR 42442 (July 17, 2003) [File No. SR-DTC-2003-03] (proposed rule change allowing DTC to modify its settlement progress payment procedures to allow DTC participants to direct proceeds from a specific SPP be used to fund a particular transaction).

⁴ "Excess" credits refer to credits resulting from an issuer's new issuances that exceed that issuer's offsetting MPs, SPPs that are not targeted to a

Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Comments may also be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. SR-DTC-2003-12. This file number should be included on the subject line if e-mail is used to help us process and review comments more efficiently, comments should be sent in hardcopy or by e-mail but not by both methods. 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 Section, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of such filing also will be available for inspection and copying at the principal office of DTC. Copies of the proposed rule change and all subsequent amendments are also available at www.dtc.org/impNtc/mor/index.html. All submissions should refer to File No. SR-DTC-2003-12 and should be submitted by December 10, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48756; File No. SR-ISE-2003-03]

Self-Regulatory Organizations; International Securities Exchange, Inc.; Order Granting Approval of Proposed Rule Change and Amendment Nos. 1 and 2 Thereto by the International Securities Exchange, Inc., Relating to Market Maker Obligations

November 7, 2003.

I. Introduction

On February 19, 2003, the International Securities Exchange, Inc. ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act

of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend ISE Rule 803 to clarify the obligations of the ISE's Primary Market Makers ("PMMs") when handling orders from persons who are not brokers or dealers in securities ("Public Customers") when there is a better price available on another exchange. On September 15, 2003, the Exchange amended the proposed rule change.³ The proposed rule change, as amended, was published for comment in the **Federal Register** on October 1, 2003.⁴ On October 1, 2003, the Exchange amended the proposed rule change.⁵

The Commission received no comments on the proposal. This order approves the proposed rule change, as amended. In addition, the order approves, on an accelerated basis, Amendment No. 2.

II. Discussion

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁶ In particular, the Commission believes that the proposed rule change, as amended, is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(5),⁸ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, 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 transactions in securities, to remove impediments to and perfect the

mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

The Commission finds that the proposed rule change, as amended, is reasonably designed to accomplish these ends because it clarifies the obligations of a PMM when addressing a Public Customer order when there is a better price displayed by another market. Given the intermarket linkage between the ISE and the other options exchanges ("Linkage"), this clarity should provide guidance to PMMs in the satisfaction of their best execution obligations with respect to Public Customer orders.

The Commission notes that the proposed rule change, as amended, would require specifically that, upon receiving a Public Customer order, a PMM must, as soon as practical, either execute the order at the best available price or send a Principal Acting as Agent Order through Linkage to obtain the best price for the order. The proposed rule change, as amended, also would require that a PMM must act with due diligence in handling Public Customer orders and must accord such orders priority over the PMM's principal orders. The Commission believes that the proposed rule change, as amended, should protect investors and the public interest by providing additional safeguards designed to ensure that PMMs handle Public Customer orders appropriately. Moreover, the Commission believes that the proposed rule change, as amended, should enhance competition and increase liquidity in the options markets by affirmatively requiring that PMMs react to an incoming order as soon as practical by either executing the order or routing it through Linkage.

III. Conclusion

For the reasons discussed above, the Commission finds that the proposed rule change, as amended, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-ISE-2003-03), as amended, be, and it hereby is, approved.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Michael J. Simon, Senior Vice President and General Counsel, Exchange, to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), Commission, dated September 12, 2003 ("Amendment No. 1").

⁴ See Securities Exchange Act Release No. 48539 (September 25, 2003), 68 FR 56660.

⁵ See letter from Michael J. Simon, Senior Vice President and General Counsel, Exchange, to Nancy Sanow, Assistant Director, Division, Commission, dated September 30, 2003 ("Amendment No. 2"). In Amendment No. 2, the Exchange proposed to amend the proposed rule change to correct a typographical error in the rule text and to renumber the new Supplementary Material. The Commission notes that the technical changes to the proposed rule change, as amended, contained in Amendment No. 2 were included in the notice published for public comment. See note 4, Securities Exchange Act Release No. 48539 (September 25, 2003), 68 FR 56660 (October 1, 2003) (SR-ISE-2003-03).

⁶ In approving the proposed rule change, as amended, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).