

provided for execution of odd-lot orders at the adjusted ITS BBO. Under the version of the rule that was approved, the adjusted ITS BBO was defined to exclude the quotation of another ITS market center if the quotation is 100 shares or less.<sup>4</sup>

In testing the systems functionality that would execute odd-lot orders at the adjusted ITS BBO, the CHX determined that exclusion of 100-share quotations disseminated by the primary market in an issue could result in inferior executions on the CHX, a result not fully anticipated. Accordingly, the CHX seeks approval to modify Interpretation and Policy .01, in order to permit inclusion of 100-share primary market quotations when calculating the adjusted ITS BBO. The CHX believes that the proposed rule change is amply warranted, as it will in many cases result in a superior execution price for the investor.

Because the proposed rule change will modify the execution system change previously approved by the Commission, the CHX has disengaged the adjusted ITS BBO execution algorithm until such time as the algorithm can be reprogrammed to include primary market 100-share quotations.<sup>5</sup> The CHX estimates that this reprogramming can be concluded within a relatively short time frame, in less than 30 days. If the reprogramming effort is not concluded within this 30-day period, the CHX represents that it will seek further relief from the Commission.

## 2. Statutory Basis

The CHX believes that the proposed rule change is consistent with section 6(b) of the Act,<sup>6</sup> generally, and section 6(b)(5) of the Act,<sup>7</sup> in particular, 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.

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

The Exchange believes that no burden will be placed on competition as a result of the proposed rule change.

<sup>4</sup> See Article XXXI, rule 9, Interpretation and Policy .01.

<sup>5</sup> While the adjusted BBO algorithm is being reprogrammed, the CHX will execute odd-lot orders under the previous version of Article XXXI, rule 9, which required execution of such orders at the national best bid or offer disseminated pursuant to SEC rule 11 Ac1-1, 17 CFR 240.11Ac1-1.

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

<sup>7</sup> 15 U.S.C. 78f(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 solicited or received.

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

Because the proposal effects a change in an existing order-entry or trading system of the Exchange that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not have the effect of limiting the access to or availability of the system, it has become effective pursuant to section 19(b)(3)(A) of the Act<sup>8</sup> and subparagraph (f)(5) of rule 19b-4<sup>9</sup> thereunder. 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 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 CHX. All submissions should refer to File No. SR-CHX-2003-09 and should be submitted by April 11, 2003.

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(5).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

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

[FR Doc. 03-6829 Filed 3-20-03; 8:45 am]

BILLING CODE 8010-01-P

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-47494; File No. SR-NSCC-2002-10]

### **Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to the Modification of Fixed Income Transaction System in Preparation for the Implementation of Real Time Trade Processing**

March 13, 2003.

On November 5, 2002, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934<sup>1</sup> proposed rule change File No. SR-NSCC-2002-10. Notice of the proposal was published in the **Federal Register** on January 31, 2003.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

### **I. Description**

NSCC will modify its Trade Comparison Service rules to enhance its Fixed Income Transaction System ("FITS") in order to begin the move to real time trade matching processing ("RTTM") for fixed income securities that are eligible for processing by NSCC.

RTTM was implemented by the Government Securities Clearing Corporation ("GSCC"), an NSCC affiliate, in the fourth quarter of 2000 for the processing of government securities. It was designed with a vision to also use the platform for other fixed income securities. Once RTTM was deployed for government securities, GSCC and MBS Clearing Corporation ("MBSCC") worked together to adapt RTTM to support the requirements of mortgage-backed securities. MBSCC implemented RTTM on September 27, 2002. NSCC believes that the next logical extension of RTTM is to further adapt it for fixed income securities that are eligible for processing by NSCC. NSCC currently

<sup>10</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. 47206 (Jan. 16, 2003), 68 FR 5067 (Jan. 31, 2003).