

electronic process to confirm the presence of a new common object identifier (USPS registered OID) for IPP based digital certificates.

3.0 AVAILABILITY

IPP is available at an initial level of up to 200 post offices promptly following the execution of the first activation agreement. Market demand for IPP, in conjunction with operational assessments, will determine the expansion schedule beyond initial deployment locations.

Stanley F. Mires,

Chief Counsel, Legislative.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48014; File No. SR-CHX-2003-05]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Execution of Limit Orders for OTC Securities

June 11, 2003.

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 April 28, 2003, 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 Exchange filed the proposal pursuant to section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(6)⁴ thereunder, which renders the proposal effective upon filing with the Commission.⁵ 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 certain provisions of CHX Article XX, Rule 37(a)(3), which governs, among other things, the execution of limit

orders in a CHX specialist's book. Specifically, the CHX seeks to add a provision that would permit a CHX specialist to enable a functionality that would automatically execute designated limit orders for Nasdaq/NM ("OTC") securities, following dissemination of a locking or crossing quotation in that security by one or more designated OTC market centers. The text of the proposed rule change is below. Proposed new language is in *italics*. Proposed deletions are in brackets.⁶

Chicago Stock Exchange Rules

Article XX—Regular Trading Sessions

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Precedence of Bids at Same Price

Rule 16. *Subject to Article XX, Rule 37(b)*, [W]here bids are made at the same price, the priority and precedence shall be determined as follows:

(a) When a bid is clearly established as the first made at a particular price, the maker shall be entitled to priority and shall have precedence over [on] the next sale at that price, up to the number of shares of stock specified in the bid, irrespective of the number of shares of stock specified in such bid.

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Guaranteed Execution System and Midwest Automated Execution System

Rule 37. (a) *Guaranteed Executions*. The Exchange's Guaranteed Execution System (the BEST System) shall be available, during the Primary Trading Session and the Post Primary Trading Session, to Exchange member firms and, where applicable, to members of a participating exchange who send orders to the Floor through a linkage pursuant to Rule 39 of this Article, in all issues in the specialist system which are traded in the Dual Trading System and NASDAQ/NM Securities. System orders shall be executed pursuant to the following requirements:

1. No change to text.
2. No change to text.
3. [Dual Trading System] *Execution of Agency Limit Orders*.

Subject to Interpretation and Policy .10 ("Exempted Trade-Throughs"), all agency limit orders in Dual Trading System issues will be filled under the following circumstances:

⁶ The CHX inadvertently neglected to underscore a word in the proposed rule text when it filed this proposed rule change. With the CHX's permission, the Commission corrected the omission, so that the proposed rule text as printed in this notice accurately reflects the CHX's intentions. May 22, 2003 telephone conversation between Kathleen M. Boege, Associate General Counsel, CHX, and Joseph P. Morra, Special Counsel, Division of Market Regulation, Commission.

(a) Exhaustion of primary market bid or offer. When the bid or offering at the limit price has been exhausted in the primary market (as defined in the CTA plan), agency limit orders will be executed in whole or in part, based on the rules of priority and precedence, on a share for share basis with trades executed at the limit price in the primary market;

(b) Price penetration in primary market. When there has been a price penetration of the limit in the primary market, agency limit orders that have resided in the specialist's book for a period of 0-15 seconds (as designated by the specialist) prior to the primary market print will be filled at the limit price; [and]

(c) Primary market trading at the limit price. When the issue is trading at the limit price on the primary market, agency limit orders will be filled at the limit price unless it can be demonstrated that such orders would not have been executed if they had been transmitted to the primary market or the broker and specialist agree to a specific volume related or other criteria for requiring a fill; and

(d) Block size trade-through in another market. In instances where a block trade on the Exchange or other market against which orders are being protected takes place outside the current Exchange quotation, all effective bids or offers limited to the block price or better will be executed at the more favorable block price rather than at the limit price of the affected orders. A specialist may elect to provide automatic execution of designated limit orders at the block price or better when a "block size" (as defined in Article XX, Rule 40, Interpretation and Policy .05) trade-through is executed on the primary market.

A specialist may elect automatic execution of such agency limit orders on an issue-by-issue basis.

In the case of Nasdaq/NM securities, a CHX specialist may elect, on an issue-by-issue basis, to engage a functionality that will automatically execute designated resting agency limit orders (or portions of such orders) at the limit price, up to the size of the Limit Order Auto Execution Threshold, when the Designated Market quotation locks or crosses the limit price. For purposes of this provision, (i) "Limit Order Auto Execution Threshold" means an aggregate number of shares designated by the CHX specialist, on an issue-by-issue basis, that may be executed automatically at the limit price; and (ii) "Designated Market" means the market

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ The CHX provided the Commission with written notice of its intent to file the proposed rule change on March 2, 2002. The proposed rule change will become operative on June 1, 2003.