

election process. For example, the proposed amendments would provide that the Secretary of NASD Regulation would perform many of the notification and other communication functions currently performed by other parties, such as notifying NASD members of upcoming elections, requesting submission of candidates, notifying NASD members of the candidates nominated by the District Nominating Committee, notifying NASD members in the event of a contested election, and notifying the Board of election results.

2. Statutory Basis

NASD believes that the proposed rule change, as amended, is consistent with the provisions of section 15A(b)(6) of the Act,⁷ which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASD believes that the proposed changes to Article VIII of the By-Laws of NASD Regulation are designed to accomplish these ends by streamlining the procedures for operation of the District Committees and District Nominating Committees. NASD believes the proposed rule change, as amended, will streamline the nomination and election processes governing the Committees, modernize communication procedures, and improve the consistency among the Committees across all districts.

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

NASD does not believe that the proposed rule change, as amended, will result in any burden on competition that is 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

Written comments were neither solicited nor received with respect to the proposed rule change, as amended.

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

The proposed rule change, as amended, has been filed by NASD as a "non-controversial" rule change under Rule 19b-4(f)(6) under the Act,⁸ and NASD represents that the proposed rule change, as amended, does not significantly affect the protection of

investors or the public interest, and does not impose any significant burden on competition. In accordance with Rule 19b-4(f)(6)(iii),⁹ NASD submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, and the proposed rule change will become operative 30 days after the date of the filing.

The proposed rule change, as amended, has become effective pursuant to Section 19(b)(3)(A) of the Act.¹⁰ At any time within 60 days of the filing of the proposed rule change,¹¹ the Commission may summarily abrogate this proposed 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 NASD. All submissions should refer to file number SR-NASD-2003-55 and should be submitted by July 8, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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⁹ 17 CFR 240.19b-4(f)(6)(iii).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ See note 6, *supra*.

¹² 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48013; File No. SR-PHLX-2002-55]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change and Amendments No. 1, 2, and 3 by the Philadelphia Stock Exchange, Inc. to Initiate a Pilot Program that Allows the Listing of Strike Prices at One-Point Intervals for Certain Stocks Trading under \$20

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 October 2, 2002, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The PHLX filed Amendments No. 1, 2, and 3 to the proposal on March 17, 2003,³ June 6, 2003,⁴ and June 10, 2003,⁵ respectively. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons and to grant accelerated approval to the proposed rule change, as amended, through June 5, 2004.

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

The Exchange proposes to initiate a pilot program ("Pilot Program") that will allow the Exchange to list options on selected stocks trading below \$20 at one-point intervals. The text of the proposed rule change appears below. Additions are in *italics*; deletions are in brackets.

Series of Options Open for Trading

Rule 1012. (a)—(d) No change.

Commentary:

.01 to .04 No change.

.05 (a) The interval of strike prices of series of options on individual stocks [will] *may be:*

(i) \$1 or greater ("*\$1 strike prices*") provided the strike price is \$20 or less,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 replaces the original filing in its entirety.

⁴ Amendment No. 2 replaces Amendment No. 1 in its entirety.

⁵ See letter from Jurij Trypupenko, PHLX, to Nancy Sanow, Senior Special Counsel, Office of Market Supervision, Commission, dated June 9, 2003 ("Amendment No. 3"). Amendment No. 3 indicates that the proposal expires on June 5, 2004.

⁷ 15 U.S.C. 78o-3(b)(6).

⁸ 17 CFR 240.19b-4(f)(6).