

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 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 the self-regulatory organization 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, 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 Section. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. SR-CBOE-2003-18 and should be submitted by August 28, 2003.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 03-20126 Filed 8-6-03; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48274; File No. SR-NASD-2003-102]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto by the National Association of Securities Dealers, Inc. Modifying Interpretive Material 4613 To Provide a New Approval Process for Authorizing Computer Generated Quoting

August 1, 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 June 26, 2003, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), 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 Nasdaq. Nasdaq filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(1)⁴ thereunder, in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule, which renders the proposal effective upon filing with the Commission. Nasdaq amended the proposed rule change on July 17, 2003.⁵ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

Nasdaq proposes to modify Interpretive Material 4613 ("IM 4613"). The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.

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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)(1).

⁵ See July 17, 2003 letter from Mary M. Dunbar, Vice President and Deputy General Counsel, Nasdaq, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission ("Amendment No. 1"). In Amendment No. 1, Nasdaq provided new rule language that completely replaces and supersedes the original proposed rule language, and made corresponding changes to the description of the rule in the notice. For purposes of calculating the 60-day abrogation period, the Commission considers the period to have commenced on July 17, 2003, the day Nasdaq filed Amendment No. 1.

IM-4613. Autoquote Policy

(a) No change.

(b) No change.

(c) Computer Generated Quoting—

(1) Definition—"Computer Generated Quoting" means the practice of effecting, without a physical entry, a quote update that is not designed to keep a market maker's quote away from the Nasdaq and/or national best bid/best offer, but does not include the activity set forth in subparagraph (b) of this interpretive material.

(2) Prohibition—The prohibitions against autoquoting contained in paragraph (a) of this interpretative material shall also apply to the practice of Computer Generated Quoting unless the market maker [meets the conditions in] *obtains Nasdaq's prior approval, pursuant to* subparagraph (c)(3) of this interpretive material, *to engage in Computer Generated Quoting and such approval has not been revoked or otherwise withdrawn.*

(3) Exception—A market maker may *request approval to* engage in the practice of Computer Generated Quoting [if the market maker: prior to engaging in such activity provides Nasdaq a description of its Computer Generated Quoting system; requests and obtains written interpretive relief from Nasdaq staff stating that the market maker's Computer Generated Quoting system is permissible under Interpretive Material 4613; and complies with terms that are set forth in the interpretive relief.] *by submitting to Nasdaq a completed application in the form prescribed by Nasdaq and by agreeing, in the form prescribed by Nasdaq, to notify Nasdaq at least five business days in advance of any changes to the information previously provided, to comply with the terms of this Interpretive Material 4613, and to abide by any additional conditions related to Computer Generated Quoting, which Nasdaq may impose from time to time. A properly completed application is deemed approved at close of business on the fifth business day after the day on which it is received by Nasdaq unless Nasdaq notifies the applicant by e-mail or fax that the application has been denied; provided, however, that any approval deemed granted hereunder may be withdrawn by Nasdaq at any time and is subject to any and all terms, conditions and limitations that Nasdaq may impose from time to time. [In establishing terms of the interpretive relief,] Nasdaq may reject an application, impose conditions or revoke a previously granted approval: (i) In furtherance of applicable laws or NASD rules, (ii) in order to protect the*

¹² 17 CFR 200.30-3(a)(12).