

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

Nasdaq has requested that the Commission shorten the comment period and approve the filing on an accelerated basis in order to allow the listing and trading of the Notes to begin the week of August 25th, 2003. Accordingly, Nasdaq requests that the Commission find good cause pursuant to Section 19(b)(2) for approving the proposed rule change prior to the 30th day after its publication in the **Federal Register**.

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, by August 22, 2003. 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-2003-119 and should be submitted by August 22, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48264; File No. SR-PCX-2002-57]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc., Relating to the Implementation of a New Order Audit Trail System

July 31, 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 August 9, 2002, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. On July 28, 2003, the Exchange filed Amendment No. 1 to the proposed rule change.³ On July 30, 2003, the Exchange filed Amendment No. 2 to the proposed rule change.⁴ The Commission is publishing the proposed rule change, as amended, to solicit comment 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 is proposing to adopt new rules relating to the creation of an order audit trail system called Electronic Order Capture System ("EOC"). The proposal will require that every member or member organization that receives an order for execution on the Exchange must immediately record the details of the order (including any modification of the terms of the order or cancellation of the order) into EOC, unless such order has been entered into the Exchange's other electronic order processing facilities.

The text of the proposed rule change is below. Additions are in *italics*; deletions are in brackets.

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Rule 6—Options Trading Applicability, Definitions and References

Rule 6.1(a)—No change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

⁴ See letter from Tania J. Cho, Staff Attorney, PCX, to Jennifer Colihan, Special Counsel, Division of Market Regulation, ("Division"), Commission, dated July 30, 2003 ("Amendment No. 2"). In Amendment No. 2, the Exchange clarified that it will not conduct an issue-by-issue roll out of the Electronic Order Capture System as originally proposed.

(b) Definitions. The following terms as used in Rule 6 shall, unless the context otherwise indicates, have meanings herein specified:

(1)–(38)—No change.

(39) The term "Electronic Order Capture System" ("EOC") means the Exchange's electronic audit trail and order tracking system that provides a time-sequenced record of all orders and transactions on the Exchange. EOC records the receipt of an order and documents the life of the order through the process of execution, partial execution, or cancellation. This system includes the electronic communications interface between EOC booth terminals and the Floor Broker Hand Held applications. Each member's EOC booth terminal and each Floor Broker Hand Held Terminal contains an electronic order entry screen that displays the terms and conditions of each order received by that member.

(c)–(e)—No change.

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Admission to and Conduct on the Options Trading Floor

Rule 6.2(a)–(g)—No change.

(h)(1)–(2)—No change.

(3) Requirements and Conditions.

(A)—No change.

(B) Orders transmitted by registered Exchange Market Makers may be entered directly to the trading posts. All other orders may be entered directly to the trading posts only during outgoing telephone calls that are initiated at the option posts. Pursuant to Rule 6.67(c), *all such orders must be immediately recorded into the EOC unless there is a disruption or malfunction to the EOC, in which case the EOC Contingency Procedures will be in effect in accordance with Rule 6.67(d)(1).*

(C)—No change.

(4)—No change.

(5) Floor Brokers.

(A)–(B)—No change.

(C) Ticket to Follow. *In the event of a disruption or malfunction of EOC, pursuant to Rule 6.67(d), a [A] Floor Broker in a trading crowd may represent immediately in the trading crowd a telephonic order received from a Member or Member Firm representative located in a firm member booth [who receives a telephonic order from a Member or Member Firm representative located on the Trading Floor may represent that order immediately in the trading crowd], provided (a) that an order ticket for the order must be prepared and time stamped in the member firm booth before the order is transmitted telephonically to the Floor Broker in the trading crowd; and (b) that the written, time-stamped order ticket*

¹⁶ 17 CFR 200.30-3(a)(12).