

purpose of and basis for the proposed rule change and discussed any comments it had received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The PCX has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

*A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

**1. Purpose**

The PCX currently assesses the following trade-related charges on transactions involving equity or index options:<sup>3</sup>

Transaction fees: \$0.21 per contract side.  
Comparison fees: \$0.05 per contract.  
Ticket data entry fees: \$0.25 per firm trade and \$0.50 per market maker trade.

From time to time, market participants engage in financing strategies known as option strategy plays for the purpose of reducing risk. These transactions include reversals and conversions,<sup>4</sup> dividend spreads,<sup>5</sup> and box spreads.<sup>6</sup> Because the referenced options strategy transactions are generally executed by professionals whose profit margins are generally narrow, the PCX proposes to cap the transaction fees associated with such executions at \$2,000.<sup>7</sup> The PCX believes that, by keeping fees low, it will be able to attract liquidity by accommodating these transactions. By adopting the \$2,000 cap on fees, the PCX focuses on

<sup>3</sup> The PCX also provides a volume discount program that reduces the fees as market makers increase their quarterly average daily contract volume.

<sup>4</sup> Reversals and conversions are transactions that employ calls, puts and the underlying stock to lock in a nearly risk free profit. Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration. Conversions employ long positions in the underlying stock that accompany long puts and short calls sharing the same strike and expiration.

<sup>5</sup> Dividend spreads are trades involving deep in the money options that exploit pricing differences arising around the time a stock goes ex-dividend.

<sup>6</sup> The Box Spread strategy synthesizes long and short stock positions to create a profit. Specifically, a long call and short put at one strike are combined with a short call and long put at a different strike to create synthetic long and synthetic short stock positions, respectively.

<sup>7</sup> According to the PCX, the \$2,000 cap applies to the transaction fees arising from a set of executions forming a single strategy play. The PCX also represents that a member executing such a strategy submits to the PCX a record of the strategy play after it has been executed. The PCX then reviews the submission for accuracy. Conversation between Mai Shiver, Senior Attorney, Regulatory Policy, PCX and Tim Fox, Attorney, Division of Market Regulation, Commission, on August 14, 2003.

the size of the particular order rather than the aggregate monthly volume of the routing firm.<sup>8</sup> Therefore, the PCX believes that the proposal will not have a disparate impact on members and will not favor any member over another.

**2. Statutory Basis**

The PCX believes that its proposal is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>10</sup> in particular, in that it provides for the equitable allocation of reasonable fees among its members.

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

The PCX does not believe that the proposed rule change will impose 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*

The PCX neither solicited nor received written comments concerning the proposed rule change.

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the PCX, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(2)<sup>12</sup> thereunder. At any time within 60 days after the filing of the proposed rule change, the Commission may summarily abrogate the 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

<sup>8</sup> The PCX represents that member firms of all sizes can execute transactions large enough to benefit from the proposed fee cap. Conversation between Mai Shiver, Senior Attorney, Regulatory Policy, PCX and Tim Fox, Attorney, Division of Market Regulation, Commission, on August 14, 2003.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(4).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

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 filings will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-2003-39 and should be submitted by September 17, 2003.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**J. Lynn Taylor,**

*Assistant Secretary.*

[FR Doc. 03-21946 Filed 8-26-03; 8:45 am]

**BILLING CODE 8010-01-P**

**SMALL BUSINESS ADMINISTRATION**

**[Psilos Group Partners II SBIC, L.P., License No. 02/72-0617]**

**Notice Seeking Exemption Under Section 312 of the Small Business Investment Act, Conflicts of Interest**

Notice is hereby given that Psilos Group Partners II SBIC, L.P., 625 Avenue of the Americas, Fourth Floor, New York, NY 10011, a Federal Licensee under the Small Business Investment Act of 1958, as amended ("the Act"), in connection with the financing of a small concern, has sought an exemption under Section 312 of the Act and Section 107.730, Financials which Constitute Conflicts of Interest of the Small Business Administration ("SBA") Rules and Regulations (13 CFR 107.730 (2000)). Psilos Group Partners II SBIC, L.P. proposes to provide equity/debt security financing to Definity Health Corporation. The financing is contemplated for national sales force expansion and working capital.

The financing is brought within the purview of Sec. 107.730(a)(1) of the Regulations because Psilos Group Partners II, L.P. and Psilos Group Partners IIA, L.P., Associates of Psilos Group Partners II SBIC, L.P., collectively own more than ten percent of Definity Health Corporation.

<sup>13</sup> 17 CFR 200.30-3(a)(12).