

Further information regarding topics to be discussed, whether the meeting has been canceled or rescheduled, the Chairman's ruling on requests for the opportunity to present oral statements and the time allotted therefore can be obtained by contacting Mr. Howard J. Larson.

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Dated: September 15, 2003.

Andrew L. Bates,

Advisory Committee Management Officer.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48491; File No. SR-CSE-2003-10]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by The Cincinnati Stock Exchange, Inc. To Eliminate Market Order Exposure Requirements

September 12, 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 7, 2003, The Cincinnati Stock Exchange, Inc. ("CSE" 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 CSE. 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 CSE is proposing to amend CSE Rule 11.9(u) to eliminate Interpretation .01, concerning market order exposure requirements ("Market Order Exposure Requirement").³ The CSE is also proposing to amend CSE Rule 8.15 to remove a reference to Interpretation .01 of Rule 11.9(u). The text of the proposed rule change is set forth below. Proposed new language is in *italics*; proposed deletions are in [brackets].⁴

Rule 8.15. Imposition of Fines for Minor Violation(s) of Rules

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Interpretations and Policies

.01 List of Exchange Rule Violations and Fines Applicable thereto Pursuant to Rule 8.15:

(a)-(g) No Change to Text.

[(h) Rule 11.9(u) and Interpretation

.01 related to the requirement to immediately execute market orders at an improved price or expose the market order on the Exchange for a minimum of fifteen seconds in an attempt to improve the price.

Recommended Fine Amount

\$1,000 first violation of the 2% quarterly threshold

\$2,500 second violation

Third violation Business Conduct Committee Hearing]

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Rule 11.9(u), Interpretations and Policies

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[.01 Market Order Exposure Requirement

(a) Consistent with his or her agency responsibility to exercise due diligence,

³ As a result of the amendment, the relevant interpretations and policies contained in CSE Regulatory Circulars 01-07, 99-03, 98-06, 97-07, 96-04 will also be repealed.

⁴ At the request of the Exchange, the Commission has revised the proposed rule text (i) to insert the word "wide" at the end of clauses (a)1, (a)2 and (a)3; (ii) to reflect that the proposed rule change would not change the text of paragraph (g) of CSE Rule 8.15, Interpretation .01; and (iii) to correct a typographical error in paragraph (b)1.i. of Rule 11.9(u), Interpretation .01. Telephone conversation between Jeffrey T. Brown, Senior Vice President, Regulation and General Counsel, Exchange and Ann E. Leddy, Attorney, Division of Market Regulation, Commission (September 12, 2003).

a member must comply with the following procedures which provide the opportunity for public agency buy/sell market orders in securities other than Nasdaq/NM securities to receive a price lower/higher than the disseminated national best offer/bid.

Except under unusual market conditions or if it is not in the best interests of the customer, Preferencing Dealers must immediately price improve or expose for a minimum of five seconds in an attempt to improve the price:

1. market orders with sizes less than or equal to 1000 shares when the NBBO at time of order receipt is more than 5 cents (\$.05) wide;

2. market orders with sizes between 1001 shares and 5000 shares when the NBBO at time of order receipt is more than 10 cents (\$.10) wide; and

3. market orders with sizes above 5000 shares when the NBBO at time of order receipt is more than 15 cents (\$.15) wide.

(b) to assist Preferencing Dealers in satisfying their obligations under the rule, the following exceptions apply:

1. Unusual Market Conditions

Unusual market conditions include the following conditions:

i. the NBBO is more than 1 dollar

(\$1.00) wide at receipt;

ii. the market is locked or crossed at receipt or becomes that way during exposure;

iii. when circuit breakers have been activated;

iv. during and immediately after the opening (a period not to exceed 5 minutes);

v. immediately prior to the close (a period not to exceed 5 minutes);

vi. when the Exchange has declared a fast market; and

vii. when non-firm markets exist.

2. Best Interests of the Customer

In order to protect the best interests of the customer, the following orders may require unique handling subject to the application of a member's brokerage judgment and experience as required by CSE Rule 12.10, Best Execution:

i. block size market orders as defined in the Intermarket Trading System Plan;

ii. odd-lot orders;

iii. contingent orders;

iv. a market order for a quantity that exceeds the existing NBBO size;

v. NBBO moves in direction of market order stop price; and

vi. Primary market trades at market order stop price.]

[.02].01 Limit Order Protection

No Change to Text.

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¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.