

registered under Section 12(g) of the Act.⁴

Any interested person may, on or before October 24, 2003, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the Amex and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48587; File No. SR-ISE-2003-18]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by International Securities Exchange, Inc., Relating to Trading Options on the S&P Small Cap 600 Index

October 2, 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 29, 2003, the International Securities Exchange, Inc. ("Exchange" or "ISE") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. On September 26, 2003, the Exchange filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing

this notice to solicit comments on the proposed rule change, as amended, from interested persons and is approving the proposed rule change, as amended, on an accelerated basis.

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

The Exchange is proposing to amend ISE Rules 2001, 2004, 2006 and 2009, to enable the Exchange to trade options on the S&P Small Cap 600. The text of the proposed rule change, as amended, is below. Proposed new language is in *italics*; proposed deletions are in brackets.

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Rule 2001. Definitions

(l) The term "reporting authority" with respect to a particular index means the institution or reporting service designated by the Exchange as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on the Exchange [shall be Specified (as provided in Rule 2000)] *is specified in Supplementary Material .01 to this Rule 2001.*

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Supplementary Material to Rule 2001

.01 *The reporting authorities designated by the Exchange in respect of each index underlying an index options contract traded on the Exchange are as provided in the chart below.*

<i>Underlying index</i>	<i>Reporting authority</i>
<i>S&P SmallCap 600 Index.</i>	<i>Standard & Poor's.</i>

Rule 2004. Position Limits for Broad-Based Index Options

(a) Rule 412 generally shall govern position limits for broad-based index options, as modified by the Rule 2004. There may be no position limits for certain Specified (as provided in Rule 2000) broad-based index options

represented that it would notify Commission staff if the character of the Index should change from the basic description provided in the instant proposed rule change. The Exchange also represented that it believed its surveillance procedures were adequate to monitor trading in options on the Index. The ISE also provided additional information about the membership of the Intermarket Surveillance Group ("ISG"). In addition, the ISE provided statistics about the median average daily trading volume and about the percentage of securities in the Index that would meet the listing standards applicable to underlying securities for the Exchange's stock options.

contracts. All other Broad-based index options contracts shall be subject to a contract limitation fixed by the Exchange, which shall not be larger than the limits [Specified (as provided in Rule 2000) in this paragraph] *provided in the chart below.*

<i>Broad-based underlying index</i>	<i>Standard limit (on the same side of the market)</i>	<i>Restrictions</i>
<i>S&P SmallCap 600 Index.</i>	<i>100,000 contracts.</i>	<i>No more than 60,000 near-term.</i>

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Rule 2006. Exemptions from Position Limits

(a) Broad-based Index Hedge Exemption. The broad-based index hedge exemption is in addition to the other exemptions available under Exchange Rules, interpretations and policies. The following procedures and criteria must be satisfied to qualify for a broad-based index hedge exemption:

* * * * *

(5) Positions in broad-based index options that are traded on the Exchange are exempt from the standard limits *up to 75,000 contracts (in addition to standard limit) unless otherwise* [to the extent] Specified (as provided in Rule 2000) in this subparagraph (a)(5).

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Rule 2009. Terms of Index Options Contracts

(a) General.

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(4) "European-Style Exercise." [Specified (as provided in Rule 2000)] *The following* European-style index options, some of which may be A.M.-settled as provided in paragraph (a)(5), [may be] *are* approved for trading on the Exchange[.]:

(i) *S&P SmallCap 600 Index.*

(5) A.M.-Settled Index Options. The last day of trading for A.M.-settled index options shall be the business day preceding the last day of trading in the underlying securities prior to expiration. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on such day, except that:

(i) In the event that the primary market for an underlying security does

⁴ 15 U.S.C. 78j(g).

⁵ 17 CFR 200.30-3(a)(1).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Michael Simon, Senior Vice President and General Counsel, ISE, to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), Commission, dated September 25, 2003 ("Amendment No. 1"). In Amendment No. 1, the ISE represented that it would monitor the Standard and Poor's Small Cap 600 Index ("S&P Small Cap 600" or "Index") for the Index's adherence to certain parameters. The ISE