

(84-5875)—NAVCAP Securities Inc.
 (84-5647)—Penn Street Advisors, Inc.
 (84-5834)—Reserve General Escrow
 Company
 (84-682)—Swiss Chalet, Inc.
 (84-191)—Texaco Inc.
 (84-986)—The Troy Investment Fund
 (84-1947)—Vermont Fund Advisors, Inc.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48680; File No. SR-CHX-2003-30]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Interpretation by the Chicago Stock Exchange, Incorporated Relating to Execution of Limit Orders for OTC Securities

October 22, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 6, 2003, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule interpretation as described in Items I, II and III below, which Items have been prepared by the Exchange. 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 Exchange is submitting an interpretation of existing CHX Article XX, Rule 37(a)(3), which provides for execution of resting CHX customer limit orders for Nasdaq/NM ("OTC") securities, when the quotation of a Designated Market (as defined below) locks or crosses the limit price.

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

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule interpretation and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX 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 Exchange is proposing an interpretation of existing CHX Article XX, Rule 37(a)(3), which provides for execution of resting CHX customer limit orders for OTC securities, when the quotation of a Designated Market locks or crosses the limit price.

In June of 2003, the Commission noticed a proposal submitted for immediate effectiveness, which amended CHX Article XX, Rule 37(a)(3), to add a provision that would permit a CHX specialist to enable a functionality that would automatically execute designated limit orders for OTC securities when the quotation of a Designated Market locked or crossed the limit price.³ The rule change defined "Designated Market" as "the market center designated by the CHX specialist, and approved by the Exchange."

The rule change was intended by the Exchange to provide OTC specialists with a long-standing functionality available to limit orders for listed securities; such limit orders generally are entitled to a fill at the limit price if a price penetration (*i.e.*, trade-through) or certain other conditions occur in the primary market. Because there is no primary market for OTC securities, however, the CHX proposed a rule change that would permit designation of particular OTC market center(s) as the basis for the CHX specialist's limit order protection.

As set forth in submission SR-CHX-2003-05, initially, all CHX specialists designated the NASDAQ Stock Market as the "Designated Market" for purposes of amended CHX Article XX, Rule 37(a)(3). After initial implementation of the OTC limit order protection functionality, the Exchange's OTC specialist community has elected to designate additional OTC markets as Designated Markets. Specifically, the Exchange's OTC specialists wish to expand their designation to include all current UTP Plan Participants⁴ and the

³ See Securities Exchange Act Release No. 48014 (June 11, 2003), 68 FR 35923 (June 17, 2003) (File No. SR-CHX-2003-05).

⁴ The "Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis" (the "UTP Plan") defines its Participants to include the American Stock Exchange, Boston Stock Exchange, Chicago Stock Exchange, Cincinnati

Alternative Display Facility operated by the National Association of Securities Dealers. These OTC markets would be considered Designated Markets, along with the NASDAQ Stock Market. The Exchange believes that identification of additional OTC markets as "Designated Markets" is appropriate, because it will result in the automatic execution of more limit orders on the CHX, to the benefit of the investing public.

In the Notice of Filing and Immediate Effectiveness for SR-CHX-2003-05,⁵ the CHX represented that if all CHX specialists made a different or additional designation for all securities traded on the Exchange, the Exchange would file those changes with the Commission. The Exchange submitted this rule interpretation in accordance with that representation.⁶

2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).⁷ The CHX believes the proposal is consistent with Section 6(b)(5) of the Act⁸ in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule interpretation will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Change Received From Members, Participants or Others

No written comments were either solicited or received.

Stock Exchange, National Association of Securities Dealers, Pacific Exchange and Philadelphia Stock Exchange. Not all of these Participants currently trade OTC securities or disseminate quotations for OTC securities. To the extent that they commence trading OTC securities in the future, the CHX plans to include such market centers as Designated Markets.

⁵ See note 3, *supra*.

⁶ Telephone conversation between Kate Boege, Associate General Counsel, CHX, and Katherine A. England, Assistant Director, Division of Market Regulation, Commission, on October 21, 2003.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.