SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–48219; File No. SR–Amex–2003–51]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC Relating to Option Fee Reductions

July 23, 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 May 29, 2003, the American Stock Exchange LLC (''Amex'' or ''Exchange'') submitted to 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 Exchange. On July 3, 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 from interested persons.

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

The Exchange proposes to modify its options fee schedule by eliminating the options fee for specialist and registered options traders (''ROTs'') transactions in their allocated options resulting from broker-dealer Auto-Ex trades. In addition, this proposal also seeks an increase of $0.06 per option trade in the current options fee rebate for QQQ option trades by specialists, ROTs and non-member broker-dealers in connection with accommodation trades as well as trades that are part of reversals and conversions, dividend spreads, box spreads and butterfly spreads. The text of the proposed rule change is available at the Amex and at the Commission.

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 Amex included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Amex 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

Specialist Fee Rebate. The Amex proposes to eliminate options fees for specialist and ROT transactions in their allocated options resulting from broker-dealer trades, including trades of away market makers,[4] in connection with the Exchange's Broker-Dealer Auto-Ex Program.[5] Specialists and ROTs are currently subject to fees in connection with executing Broker-Dealer Auto-Ex orders of $0.36 for equity options, $0.36 plus any applicable licensing fee for ETF options and $0.31 plus any applicable licensing fee for index options.[6]

The Exchange recently increased a number of member fees to better align its fees with the actual cost of delivering services as well as to reduce subsidies of these services. As a result, specialists have seen an increase in their fees for transactions executed at the Amex. This change to the Exchange's option fee structure better reflects the cost to the Exchange of operating the options floor. However, consistent with assuring the continued economic vitality of the Exchange, the Exchange believes the fee specialists and ROTs pay for executing broker-dealer orders in connection with the Broker-Dealer Auto-Ex Program should be eliminated. The option fees eliminated for specialists and ROTs executing Broker-Dealer Auto-Ex orders consist of the options transaction fee, the options comparison fee, the options floor brokerage fee and the options licensing fee (if applicable).[7] The elimination of these fees amounts to $0.36 for equity options, $0.36 plus any applicable options licensing fee for ETF options and $0.31 plus any applicable options licensing fee for index options. In this manner, the Exchange believes that it can better contribute to the continued success of the options floor and the Broker-Dealer Auto-Ex Program. The Exchange further believes that the proposal will provide specialists and ROTs with an incentive to attract away market maker order flow to the Exchange.

Options Fee Rebate Increase for QQQ Options. The Commission in June 2002 approved an Exchange proposal providing for an options fee rebate for accommodation trades[8] as well as trades entered into as part of a reversal and conversion,[9] dividend spread[10] and box spread[11] so that the increase in fees of $0.12 per contract side were reimbursed.[12] The Exchange in this proposal seeks to increase for QQQ option trades the rebate from $0.12 per contract side to $0.18 per contract side as well as to include the ''butterfly spread''[13] as an additional strategy subject to the rebate.

The Exchange believes that in connection with the trading of QQQ options, the increase in the options fee rebate should encourage specialists and

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The Exchange submitted a new Form 19b–4, which replaces and supersedes the original filing in its entirety.

[4] An ''away market maker'' is a member of another national securities exchange registered as a market maker in an options class(es).

[5] On June 21, 2002, the Exchange filed with the Commission a proposal to permit broker-dealer orders to be executed through Auto-Ex. *See* Securities Exchange Act Release No. 46479 (September 10, 2002), 67 FR 58654 (September 17, 2002).

[6] Broker-dealer orders executed through Auto-Ex are subject to a $0.50 options transaction fee as well as an options comparison fee and options floor brokerage fee so that the total fee for broker-dealer Auto-Ex trades designated as broker-dealer or firm is $0.57. *See* Securities Exchange Act Release No. 47216 (January 17, 2003), 68 FR 5059 (January 31, 2003).

[7] The options marketing fee of $0.40 per contract on specialist and ROT transactions is only imposed on transactions involving customer orders from firms accepting payment for order flow. Accordingly, the options marketing fee does not apply to transactions of specialists and ROTs in connection with executing Broker-Dealer Auto-Ex orders. *See* Securities Exchange Act Release No. 48053 (June 17, 2003), 68 FR 37880 (June 25, 2003).

[8] An ''accommodation'' or ''cabinet'' trade refers to trades in listed options on the Exchange that are worthless and not actively traded. The Exchange's procedure for engaging in accommodation or cabinet trades is set forth in Amex Rule 959.

[9] A ''conversion'' is a strategy in which a long put and a short call with the same strike price and expiration date are combined with long underlying stock to lock in a nearly riskless profit. A ''reversal'' is a strategy in which a short put and long call with the same strike price and expiration date are combined with short stock to lock in a nearly riskless profit.

[10] A ''dividend spread'' is any trade done within a defined time frame in which a dividend arbitrage can be achieved between any two deep-in-the-money options.

[11] A ''box spread'' is a spread strategy that involves a long call and short put at one strike price as well as a short call and long put at another strike price. This is a synthetic long stock position at one strike price and a synthetic short stock position at another strike price.

[12] *See* Securities Exchange Act Release No. 46026 (June 4, 2002), 67 FR 40034 (June 11, 2002). Pursuant to this order, the Exchange began providing the options fee rebate in December 2001. *See also* Securities Exchange Act Release No. 45783 (April 18, 2002), 67 FR 20851 (April 26, 2002).

[13] A ''butterfly spread'' is an option strategy that has both limited risk and limited profit potential, constructed by combining a bull spread and a bear spread having the same expiration date for all options. Three strike prices are involved, with the lower two strikes being utilized in the bull spread and the higher two strikes in the bear spread. The strategy may be established with either puts or calls.

ROTs to provide liquidity by keeping fees low for these special types of trades and option strategies. In addition, the Exchange believes that the increase in the options fee rebate will help to attract greater order flow to the floor of the Exchange by making our fee structure more competitive with the other options exchanges.

In order to collect the options fee rebate, within thirty calendar days of the particular transaction date, a Fee Reimbursement Form must be completed and submitted to the Exchange. Upon acceptance, the Exchange will deliver to that member's clearing firm a reimbursement check in the amount of the transaction, clearance and brokerage fees (a total of $0.18) charged on QQQ option contracts executed pursuant to an accommodation trade or one of the strategies described above.

2. Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,[14] in general, and with Section 6(b)(4) [15] of the Act in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members.

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

The Exchange does not believe that the proposed rule change, as amended, will impose any burden on competition.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing rule change has become effective immediately because it has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act [16] and Rule 19b–4(f)(2) [17] thereunder. At any time within 60 days of the filing of Amendment No. 1 to the proposed rule change, the Commission may summarily abrogate such 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 the 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 proposal, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. 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 Amex. All submissions should refer to the File No. SR–Amex–2003–51 and should be submitted by August 20, 2003.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[18]

J. Lynn Taylor,

Assistant Secretary.

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[14] *See* 15 U.S.C. 78f(b).

[15] *See* 15 U.S.C. 78f(b)(4).

[16] 15 U.S.C. 78(s)(b)(3)(A)(ii).

[17] 17 CFR 240.19b–4(f)(2).

[18] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–48221; File No. SR–DTC–2001–13]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Amending The Depository Trust Company's Policy Statement on the Admission of Non-U.S. Entities as Direct Depository Participants

July 23, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on July 23, 2001, The Depository Trust Company (''DTC'') 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 primarily by DTC. 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

DTC is proposing to amend its Policy Statement on the Admission of Non-U.S. Entities as Direct Depository Participants (''Policy Statement'') to eliminate the requirement that the foreign entity deposit with or pledge to DTC special collateral having a value (after the imposition of specified haircuts) equal to 50% of the entity's net debit cap (''special collateral requirement'').[2]

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

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the place specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[3]

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

The Policy Statement was adopted by DTC to establish admissions criteria that would permit a well-qualified foreign entity to obtain direct access to DTC's services without requiring the foreign entity to obtain financial guarantees.[4] The Policy Statement contains a number of requirements that are designed to address the unique risks posed by the admission of foreign entities. Under the proposed rule change, all of these requirements, except for the special collateral requirement, would be retained.

The special collateral requirement provides that except for U.S. Treasury

[1] 15 U.S.C. 78s(b)(1).

[2] A copy of the text of DTC's proposed rule change and attachment is available at the Commission's Public Reference Room or through DTC.

[3] The Commission has modified parts of these statements.

[4] DTC's Policy Statement on its admission criteria for non-U.S. entities was first temporarily approved on May 9, 1997. Securities Exchange Act Release No. 38600 (May 9, 1997), 62 FR 27086. Since then, the non-U.S. admission criteria have been temporarily approved several times. Securities Exchange Act Release Nos. 40064 (June 3, 1998), 63 FR 31818; 41466 (May 28, 1999), 64 FR 30077; 42865 (May 30, 2000), 65 FR 36188; and 44470 (June 22, 2001), 66 FR 34972.