

5 thereunder, and section 15(c)(1) of the Exchange Act and rule 15c1-2 thereunder.

The law judge revoked FPA's investment adviser registration and ordered that FPA pay a civil monetary penalty of \$500,000; revoked FSC's broker-dealer registration and ordered that FSC pay a civil monetary penalty of \$500,000; and barred Brofman from association with any broker, dealer, investment adviser, or investment company and ordered him to pay a civil monetary penalty of \$250,000. The law judge also ordered that Respondents cease and desist from committing or causing any violation or future violation of the provisions they were found to have violated.

Among the issues likely to be argued are:

- a. Whether FPA made material misrepresentations and omissions in connection with the offer and sale of Fund shares;
- b. Whether FPA failed to disclose to the Fund's Board of Directors its soft dollar arrangements;
- c. Whether Brofman aided and abetted and was a cause of FPA's violations; and
- d. Whether FSC disseminated materially misleading materials in connection with the sale of Fund shares.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted, or postponed, please contact: the Office of the Secretary at (202) 942-7070.

Dated: June 17, 2003.

Jonathan G. Katz,
Secretary.

[FR Doc. 03-15709 Filed 6-17-03; 4:52 pm]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48010; File No. SR-GSCC-2002-07]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Elimination of the Comparison-Only Requirement for New GSCC Netting Members

June 10, 2003.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on September 5, 2002, Government Securities Clearing Corporation

("GSCC")² 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 GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change would eliminate the requirement that before a new member can become a netting member, it must be a comparison-only member for six months.

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.³

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

GSCC's rules currently provide that an entity is eligible to become a netting member if, among other things, it has been a comparison-only member for at least six months unless this requirement is waived by GSCC's Membership and Risk Management Committee ("Committee"). The comparison-only membership requirement was included in GSCC's rules when GSCC first began operations. The purpose of this provision was to give GSCC staff the opportunity to ensure that a member firm was operationally sound and had the ability to properly communicate with GSCC before being permitted to participate in the netting system. Over the years, GSCC netting membership has become more critical for active market participants, and it has become increasingly common for management

to seek and receive approval to waive the comparison-only membership requirement. Unlike other netting membership requirements, including minimum financial standards and regulation by an established regulatory body, the comparison-only membership requirement has not been necessary to ensure the integrity of the admission and membership processes. GSCC staff has gained significant experience in making determinations about a firm's an operational capability without any comparison-only membership history prior to a firm's commencing netting activity with GSCC. Such a review process has not presented GSCC with any operationally-deficient members.

For these reasons, GSCC is proposing to amend its rules to (1) eliminate the imposition of the six-month comparison-only membership requirement as a routine matter and (2) permit the imposition of a comparison-only membership requirement for a time period deemed necessary if management is concerned about the operational capability of the applicant based on the presence of one or more of the following conditions: (a) It is a newly-formed entity with little or no functional history, (b) its operational staff lacks significant experience, (c) if one of the above conditions is present, it has not engaged a service bureau or correspondent clearing member with which GSCC has had a relationship, or (d) any other factor(s) that management believes might suggest insufficient operational ability.

The proposed rule change is consistent with the requirements of section 17A of the Act, and the rules and regulations thereunder because it would allow new members to achieve netting member status in a more efficient and timely manner.

(B) Self-Regulatory Organization's Statement on Burden on Competition

GSCC does not believe that the proposed rule change will have any impact or impose any burden on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received. GSCC will notify the Commission of any written comments received by GSCC.

² On January 1, 2003, MBS Clearing Corporation ("MBSCC") was merged into the Government Securities Clearing Corporation ("GSCC") under New York law and GSCC was renamed the Fixed Income Clearing Corporation ("FICC"). Securities Exchange Act Release No. 47015 (December 17, 2002), 67 FR 78531 (December 24, 2002) File Nos. (SR-GSCC-2002-07 and SR-MBSCC-2002-01).

³ The Commission has modified the text of the summaries prepared by GSCC.

¹ 15 U.S.C. 78s(b)(1).

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

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 Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Comments may also be submitted electronically at the following e-mail address: rule-comments@sec.gov. All comment letters should refer to File No. SR-GSCC-2002-07. This file number should be included on the subject line if e-mail is used. To help us process and review comments more efficiently, comments should be sent in hardcopy or by e-mail but not by both methods. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to File No. SR-GSCC-2002-07 and should be submitted by July 11, 2003.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 03-15646 Filed 6-19-03; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48033; File No. SR-ISE-2003-17]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change and Amendment No. 1 by the International Securities Exchange, Inc. To Initiate a Pilot Program That Allows the Listing of Strike Prices at One-Point Intervals for Certain Stocks Trading Under \$20

June 16, 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 June 11, 2003, the International Securities Exchange, Inc. ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The ISE filed Amendment No. 1 to the proposal on June 13, 2003.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons and to grant accelerated approval to the proposed rule change, as amended, through June 5, 2004.

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

The Exchange proposes to initiate a pilot program ("Pilot Program") that will allow the Exchange to list options on selected stocks trading below \$20 at one-point intervals. The text of the proposed rule change appears below. Additions are in *italics*; deletions are in brackets.

⁴ 17 CFR 200.30-3(a)(12).

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, Commission, dated June 13, 2003 ("Amendment No. 1"). In Amendment No. 1, the Exchange amended its proposed rule text to state that the proposed pilot program will expire on June 5, 2004.

Rule 504. Series of Options Contracts Open for Trading

* * * * *

(d) *Except as otherwise provided in this Rule 504 and Supplementary Material hereto,* [T]he interval between strike prices of series of options on individual stocks will be:

(1) \$2.50 or greater where the strike price is \$25.00 or less;

(2) \$5.00 or greater where the strike price is greater than \$25.00; and

(3) \$10 or greater where the strike price is greater than \$200.00.

* * * * *

Supplementary Material

.01 *\$1 Strike Pilot Program: The interval between strike prices of series of options on individual stocks may be \$1.00 or greater (" \$1 strike prices") provided the strike price is \$20.00 or less, but not less than \$3. The listing of \$1 strike prices shall be limited to options classes overlying no more than five (5) individual stocks (the " \$1 Strike Pilot Program") as specifically designated by the Exchange. The Exchange may list \$1 strike prices on any other options class if those classes are specifically designated by other securities exchanges that employ a \$1 Strike Pilot under their respective rules.*

To be eligible for inclusion into the \$1 Strike Pilot Program, an underlying stock must close below \$20 in its primary market on the previous trading day. After a stock is added to the \$1 Strike Pilot Program, the Exchange may list \$1 strike prices from \$3 to \$20 that are no more than \$5 from the closing price of the underlying on the preceding day. For example, if the underlying stock closes at \$13, the Exchange may list strike prices from \$8 to \$18. The Exchange may not list series with \$1 intervals within \$0.50 of an existing \$2.50 strike price (e.g., \$12.50, \$17.50) in the same series, and may not list \$2.50 intervals (e.g., \$12.50, \$17.50) below \$20 under paragraph (d)(1) of Rule 504 for any class included within the \$1 Strike Pilot Program if the addition of \$2.50 intervals would cause the class to have strike price intervals that are \$.50 apart. Additionally, the Exchange may not list long-term option series at \$1 strike price intervals for any option class selected for the \$1 Strike Pilot Program.

A stock shall remain in the \$1 Strike Pilot Program until otherwise designated by the Exchange. The \$1 Strike Pilot Program shall expire on June 5, 2004.