

access to the system by all NASD members, as well as encourage OE Firms to enter orders into SuperMontage and thereby increase liquidity in the market to the benefit of all market participants. Further, even though the orders of OE Firms will not be matched off against orders entered by the same OE Firm on the other side of the market,¹³ Nasdaq has represented that in all other respects, Non-Attributable Orders entered by OE Firms will be processed in the same manner as other non-attributable orders placed into SIZE by NNMS Market Makers. As a result, the Commission believes that OE Firms will have far greater access to the SuperMontage than currently exists.

The Commission further believes that the proposal is consistent with the goals of Section 11A(a)(1)(C), particularly Congress' finding that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly market to assure the economically efficient execution of securities transactions. The proposal should provide OE Firms with greater flexibility to reflect buying and selling interest at various price levels by entering Non-Attributable Orders directly into SuperMontage, instead of relying on electronic communications networks and NNMS Market Makers to post their trading interest.

Accordingly, the Commission finds good cause, pursuant to Sections 15A(b)(6) and 19(b)(2) of the Act,¹⁴ for approving the proposed rule change, as amended, prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. The Commission believes that accelerated approval of the pilot will enable Nasdaq to allow OE Firms to enter orders into Nasdaq and thereby, remove a barrier to access to the SuperMontage, while enabling the Commission, NASD, Nasdaq, and market participants to gain actual experience with the pilot before the Commission considers permanent approval of the pilot.¹⁵ As a result, market participants will be able to better assess the impact of the proposal and offer insightful and valuable public comment on the pilot. Further, the Commission notes that several commenters suggested that OE Firms be allowed to enter orders directly into the order display facility as part of the

original public comment process on the SuperMontage proposal.¹⁶ The Commission notes that the proposed rule change addresses those comments.

I. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act¹⁷, that the proposed rule change, as amended, (File No. SR-NASD-2002-173) be, and it hereby is, approved on an accelerated basis, as a 90-day pilot beginning on February 10, 2003 and expiring on May 12, 2003.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47295; File No. SR-PCX-2002-64]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by Pacific Exchange, Inc., Relating to Rules Governing the Intermarket Linkage, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 Thereto

January 31, 2003.

I. Introduction

On September 26, 2002, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt new rules, governing the operation of the intermarket linkage (the "Linkage"). The proposed rule change was published for comment in the **Federal Register** on December 26, 2002.³ The Commission received no comments on the proposed rule change. On January 29, 2003, the Exchange filed Amendment No. 1 to the proposed rule change.⁴ This order

¹⁶ See Securities Exchange Act Release No. 43863 (January 19, 2001), 66 FR 8020 (January 26, 2001).

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 47026 (December 18, 2002), 67 FR 78843.

⁴ See letter from Mai S. Shiver, Senior Attorney, Regulatory Policy, PCX, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated January 28, 2003 ("Amendment No. 1"). In Amendment No. 1, the Exchange proposed to amend: (1) The definition of "Linkage

approves the proposed rule change, provides notice of filing of Amendment No. 1 and grants accelerated approval to Amendment No. 1.

II. Description of Proposal

In general, the proposed rules contain relevant definitions, establish the conditions pursuant to which market makers may enter Linkage orders, impose obligations on the Exchange regarding how it must process incoming Linkage orders, and establish a general standard that members should avoid trade-throughs.⁵ The proposed rules establish potential regulatory liability for members who engage in a pattern or practice of trading through other exchanges, whether or not the exchanges traded through participate in the Linkage, provide procedures to unlock and uncross markets, and codify the "80/20 Test" contained in section 8(b)(iii) of the Plan for the Purpose of Creating and Operating an Intermarket Options Linkage (the "Plan"),⁶ which provides that a market maker on an Exchange would be restricted from sending principal orders (other than P/A orders, which reflect unexecuted customer orders) through the Linkage if the market maker effects less than 80 percent of specified order flow on the Exchange.

III. Discussion

The Commission has reviewed the PCX's proposed rule change and finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,⁷ and with the requirements of section 6(b).⁸ In particular the Commission finds that the proposed rule change is designed to

Order" contained in PCX Rule 6.92(a)(12) to state that such orders are immediate or cancel orders; (2) PCX Rule 6.93(e) to clarify the Lead Market Market's obligation to address a linkage order when such order is not eligible to be automatically executed; (3) PCX Rule 6.94(a) to clarify language regarding liability for trade-throughs at the end of the trading day and to request approval of this provision only for a one-year pilot period; and (4) PCX Rule 6.94(e) to clarify that members may not engage in a pattern or practice of trading through.

⁵ Trade-throughs occur when broker-dealers execute customer orders on one exchange at prices inferior to another exchange's disseminated quote.

⁶ Approved by the Commission in Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000), as subsequently amended. See Securities Exchange Act Release No. 44482 (June 27, 2001), 66 FR 35470 (July 5, 2001) ("Initial Amendment Order") and Securities Exchange Act Release No. 46001 (May 30, 2002), 67 FR 38687 (June 5, 2002); 47274 (January 29, 2003); and 47298 (January 31, 2003).

⁷ In approving this rule proposal, the Commission notes that it has also considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b).

¹³ Nasdaq's proposed rule change would eliminate the ability of OE Firms to use this feature no later than April 28, 2003.

¹⁴ 15 U.S.C. 78o-3(b)(6) and 78s(b)(2).

¹⁵ The Commission notes that approval of the pilot should not be interpreted as suggesting that the Commission is predisposed to approving the proposal on a permanent basis if requested by the NASD.

prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest in accordance with section 6(b)(5) of the Act.⁹

The Commission believes that the rules proposed by the PCX will adequately govern the operation of the Linkage as envisioned in the Plan. The Commission believes that these rules will help to ensure that the Linkage is operated fairly and effectively, in accordance with the principles of the Act and the Plan.

The Commission also finds good cause for approving proposed Amendment No. 1 prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Amendment No. 1 proposes several changes to the Exchange's original proposal that are designed to conform the Exchange's rules governing linkage more closely to the Plan. The provisions of the Plan have already been subject to notice and comment, and have been approved by the Commission. The changes proposed in Amendment No. 1 do not raise any novel regulatory issues, and therefore, it is appropriate for the Commission to accelerate approval of Amendment No. 1.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to the proposed rule change, including whether Amendment No. 1 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. 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 Amendment No. 1 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 Exchange. All submissions should refer to File No. SR-PCX-2002-64 and should be submitted by February 27, 2003.

V. Conclusion

It is therefore Ordered, pursuant to section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-PCX-2002-64), be, and hereby is, approved, and that Amendment No. 1 to the proposed rule change be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

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DEPARTMENT OF STATE

[Public Notice 4272]

Bureau of Educational and Cultural Affairs Request for Grant Proposals: Kyrgyz Republic Educational Partnerships Program in Cultural and Comparative Religious Studies

SUMMARY: The Office of Global Educational Programs of the Bureau of Educational and Cultural Affairs announces an open competition for the Kyrgyz Republic Educational Partnerships Program in Cultural and Comparative Religious Studies. Public and private non-profit organizations meeting the provisions described in Internal Revenue Code section 26 U.S.C. 501(c)(3) may submit proposals to support mutually beneficial partnerships which contribute to the development of instruction in comparative religion, cultural studies/history, computer science and English at the Bishkek Islamic Institute in the Kyrgyz Republic. The means for achieving these objectives may include the exchange of university and college faculty and research scholars, administrators, and advanced students between the Kyrgyz Republic and appropriate U.S. counterpart colleges and universities.

In a program announced in a separate RFGP, the Bureau supports linkages in higher education with partners in the Eurasian states of the former Soviet Union through the FREEDOM Support Educational Partnerships Program. Applicants seeking support for educational partnerships with partners in the Kyrgyz Republic other than the

one specified in this RFGP or for fields of study other than those specified in this RFGP should consult the RFGP for the FREEDOM Support Educational Partnerships Program or contact the Bureau's Humphrey Fellowships and Institutional Linkages Branch at (202) 619-5289.

Program Information

Overview: The Kyrgyz Republic Educational Partnerships Program in Cultural and Comparative Religious Studies will fund a three-year project to permit one or more U.S. institutions to work with the Bishkek Islamic Institute. Pending availability of funds, approximately \$200,000 is expected to be available under the FREEDOM Support Act for the Kyrgyz Republic Educational Partnerships Program in Cultural and Comparative Religious Studies in FY 2003.

Objectives: Proposals that benefit both partner institutions will be the most competitive, although the benefits do not need to be identical for each partner. The proposal should outline a plan to cooperate with the Bishkek Islamic Institute to: (1) Develop courses and curricula in eligible fields; (2) improve teaching methods; (3) develop educational materials which support new courses and curricula; (4) train teachers or other practitioners in the effective use of these materials; and (5) foster self-sustaining relationships with U.S. academic institutions and educators.

The program should equip the Bishkek Islamic Institute to provide accurate and balanced information about religion, including Islam, and cultural history framed within a contemporary understanding of human rights and the role of cultural and religious pluralism in a democratic society. At the conclusion of the program, teachers at the Bishkek Islamic Institute should be capable of teaching the newly introduced or revised courses and should be able to participate more fully in international dialogue with U.S. and other educators. Students graduating from the Bishkek Islamic Institute should have a better understanding of the relationships between religion, politics, and society in modern democracies and should be better prepared to apply this understanding in public service, education, and the private sector, and to contribute to building a democratic society.

The Bureau anticipates that the participating U.S. institution(s) and individuals will benefit by developing or strengthening regional expertise. Participating U.S. faculty may utilize

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).