

debt securities of all United States and/or foreign private "issuers," rather than "corporations." TBMA's Letter states that the proposal has the effect of extending TRACE reporting beyond NASD's mandate for the corporate bond market and potentially brings within TRACE securities that were never intended to be included. Further, TBMA stated that rather than clarifying the definition of "TRACE-eligible security," the proposal introduces new uncertainty into the definition by possibly bringing within the definition certain types of structured products and asset-backed securities that to date have not been included in the TRACE transaction reporting regime. In addition, TBMA stated that the integration of new financial instruments into TRACE will require significant effort and expenditures by member firms.

NASD's Response Letter stated that it was always NASD's intention that the universe of TRACE-reportable securities would include securities issued not only by corporations, but also by entities such as limited partnerships and trusts. NASD states that at the earliest stages of development of the TRACE regulatory and reporting structure, it was understood by market participants and regulators alike that securities that were Fixed Income Pricing Service ("FIPS")-eligible would become TRACE-eligible securities. NASD states that securities that were reportable to FIPS included capital trust, equipment trust, trust, and limited partnership securities. NASD states that it has identified more than 100 securities that were not issued by a corporation, were routinely reported to FIPS and that, if still traded at the initiation of TRACE, were incorporated in TRACE and subject to TRACE requirements. NASD's Supplemental Response states that presently there is widespread reporting of debt securities issued by entities that are not corporations.

NASD's Response Letter also addressed the concern expressed in TBMA's Letter that the proposed clarification of the definition of "TRACE-eligible security" would require members to report to TRACE a variety of "structured" or "asset-backed" securities that are not currently being reported to the system. NASD responded that under Rule 6210(a), "asset-backed securities" are specifically excluded from the universe of TRACE-eligible securities and that NASD is not seeking to amend that exclusion with this proposal.

TBMA's Supplemental Letter states that NASD's Response Letter and Supplemental Response Letter do not

address their previously stated concerns that the proposal causes confusion and uncertainty and potentially expands the universe of TRACE-reportable securities to include securities which do not expose bondholders to the credit risk of the issuer and were never intended to be included in a corporate bond reporting system.

NASD stated in its Supplemental Statement that NASD proposes to delete the word "corporations" and replace it with "issuers" solely to clarify that the securities of issuers using forms of business organizations other than the corporate form are included in the definition of TRACE-eligible securities. NASD further stated that its interpretation of TRACE eligibility will not change after the adoption of the proposed rule change. Accordingly, the Commission believes the proposal should not cause confusion or require significant effort and expenditures by member firms because NASD is not seeking to change its existing interpretation of TRACE eligibility.

The Commission believes that NASD's clarification of the TRACE rules in this proposed rule change will enable it to implement TRACE more effectively, thus enhancing investor protection by facilitating the availability of TRACE. For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-NASD-2003-182), be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 04-7970 Filed 4-7-04; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-49521; File No. SR-NYSE-2004-18]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Arbitration

April 2, 2004.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>11</sup> *Id.*

<sup>12</sup> 17 CFR 200.30-3(a)(12).

("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 24, 2004, the New York Stock Exchange, Inc. ("NYSE" 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 NYSE.<sup>3</sup> NYSE filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>4</sup> and Rule 19b-4(f)(6) thereunder,<sup>5</sup> which renders the proposal effective upon filing with the Commission. 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 proposed rule change consists of an extension, until September 30, 2004, of NYSE Rule 600(g), relating to arbitration.

#### 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 Exchange 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 NYSE 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 proposed rule change is intended to extend until September 30, 2004, NYSE Rule 600(g), a pilot program that was most recently extended for a six-month period ending March 31, 2004.<sup>6</sup>

NYSE Rule 600(g) states:

This paragraph applies to the Ethics Standards for Neutral Arbitrators in

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Commission staff made non-substantive changes to the description of the proposed rule change with the permission of the NYSE. Telephone conversations between Daniel Beyda, Vice President—Arbitration and Hearing Board, NYSE, and Andrew Shipe, Special Counsel, Division of Market Regulation, Commission, April 1, 2004.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(6).

<sup>6</sup> Release No. 34-48552 (September 26, 2003), 68 FR 57496 (October 3, 2003) (SR-NYSE-2003-28).

Contractual Arbitrations promulgated by the Judicial Council of California (the "California Standards"), which, were they to have effect in connection with arbitrations conducted pursuant to this Code, would conflict with this Code. In light of this conflict, the affected customer(s) or an associated person of a member or member organization who asserts a claim against the member or member organization with which she or he is associated may:

- Request the Director to appoint arbitrators and schedule a hearing outside California, or
- Waive the California Standards and request the Director to appoint arbitrators and schedule a hearing in California. A written waiver by a customer or associated person who asserts a claim against the member or member organization with which he or she is associated on a form provided by the Director of Arbitration under this Code shall also constitute and operate as a waiver for all other parties to the arbitration who are members, allied members, member organizations, and/or associated persons of a member or member organization.

According to the NYSE, Rule 600(g) was adopted by the Exchange in response to the purported imposition of California state law on arbitrations conducted under the auspices of the Exchange and pursuant to a set of nationally-applied rules approved by the Commission.<sup>7</sup> The Exchange states that on July 1, 2002, as a result of the purported application of the Ethics Standards for Neutral Arbitrators in Contractual Arbitrations (the "California Standards") to Exchange arbitrations and arbitrators, the Exchange suspended the appointment of arbitrators for cases pending in California. The Exchange and NASD Dispute Resolution, Inc. sought a declaratory judgment that the California Standards are pre-empted by federal law. On November 12, 2002, Judge Samuel Conti dismissed the action on Eleventh Amendment grounds.<sup>8</sup> A Notice of Appeal from Judge Conti's decision has been filed with the United States Court of Appeals for the Ninth Circuit.<sup>9</sup> The Exchange has

determined that, in the absence of a final judicial determination or legislative resolution of the pre-emption issue, there is a continuing need for the waiver option provided by Rule 600(g).

## 2. Statutory Basis

The Exchange states that the proposed changes are consistent with Section 6(b)(5) of the Act<sup>10</sup> in that they promote just and equitable principles of trade by ensuring that members and member organizations and the public have a fair and impartial forum for the resolution of their disputes.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The NYSE has stated that because the proposed rule change does not: (i) Significantly affect the protection of

comprehensive system of federal regulation of the securities industry established pursuant to the Act, and the Federal Arbitration Act ("FAA"). The *Mayo* decision was not appealed. Since the decision in *Mayo*, the question of the applicability of the California Standards to SROs has been presented in another case in federal court in California, *Credit Suisse First Boston Corp. v. Grunwald*, No. C 02-2051 SBA (N.D. Cal. Mar. 31, 2003). The Grunwald court concluded that the California Standards cannot apply to SRO-appointed arbitrators because such arbitrators do not fall within the statutory definition of "neutral arbitrators." The appeal in *Grunwald* has been fully briefed and argued, and the Ninth Circuit is considering it on an expedited basis. The Commission and the Judicial Council submitted *amicus* briefs in the Ninth Circuit, and NASD Dispute Resolution and the Exchange were permitted to submit an *amicus* brief. The appeal from Judge Conti's decision in *NASD Dispute Resolution, Inc. and New York Stock Exchange, Inc. v. Judicial Council of California* is currently stayed pending a decision in *Grunwald*. NASD Dispute Resolution and the Exchange also submitted an *amicus* brief in *Jevne v. Superior Court*, 6 Cal. Rptr. 3d 542, 113 Cal. App. 4th 486 (2d Dist. 2003), in which the California Court of Appeal held that the Judicial Council acted within its authority in drafting the California Standards, that the California Standards are not pre-empted by the FAA, but that they are pre-empted by the Act. On March 17, 2004, the California Supreme Court granted review in *Jevne*, and NASD Dispute Resolution and the Exchange have moved to intervene on appeal or, in the alternative, for leave to file an *amicus* brief with the California Supreme Court.

<sup>10</sup> 15 U.S.C. 78f(b)(5).

investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days (or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest), it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6) thereunder.<sup>12</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

Pursuant to Rule 19b-4(f)(6)(iii) under the Act,<sup>13</sup> the proposal may not become operative for 30 days after the date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, and the SRO must file notice of its intent to file the proposed rule change at least five business days beforehand. The Exchange has requested that the Commission waive the five-day pre-filing requirement and the 30-day operative delay so that the proposed rule change will become immediately effective upon filing.

The Commission believes that waiving the five-day pre-filing provision and the 30-day operative delay is consistent with the protection of investors and the public interest.<sup>14</sup> Waiving the pre-filing requirement and accelerating the operative date will merely extend a pilot program that is designed to inform aggrieved parties about their options regarding mechanisms that are available for resolving disputes with broker-dealers. During the period of this extension, the Commission and NYSE will continue to monitor the status of the previously discussed litigation. For these reasons, the Commission designates the proposed rule change as effective and operative immediately.

## 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

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>14</sup> For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>7</sup> Release No. 34-46816 (November 12, 2002); 67 FR 69793 (November 19, 2002) (SR-NYSE-2002-56).

<sup>8</sup> *NASD Dispute Resolution, Inc. and New York Stock Exchange, Inc. v. Judicial Council of California*, No. C 02 3485 (N.D. Cal.).

<sup>9</sup> In another district court decision, *Mayo v. Dean Witter Reynolds, Inc., Morgan Stanley Dean Witter & Co. dba Morgan Stanley Dean Witter, and Does 1-50*, No. C-01-20336 JF, 2003 WL 1922963 (N.D. Cal. Apr. 22, 2003), Judge Jeremy Fogel held that application of the California Standards to the Exchange and other self-regulatory organizations ("SROs") is preempted by the Act, the

Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Comments should be submitted electronically at the following e-mail address: [rule-comments@sec.gov](mailto:rule-comments@sec.gov). All comment letters should refer to File No. SR-NYSE-2004-18. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, comments should be sent in hard copy 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 Room. Copies of such filing will also be available for inspection and copying at the principal 1 office of the NYSE. All submissions should refer to File No. SR-NYSE-2004-18 and be submitted by April 29, 2004.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

**J. Lynn Taylor,**

*Assistant Secretary.*

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## SMALL BUSINESS ADMINISTRATION

### Small Business Innovation Research Rural Outreach Program To Provide Outreach and Technical Assistance to Small Technology-Based Businesses

**AGENCY:** Small Business Administration.

**ACTION:** Program Announcement No. SBIRROP-04-R-0003.

**SUMMARY:** The U.S. Small Business Administration (SBA) plans to issue Program Announcement No. SBIRROP-04-R-0003 to invite applicants from the 25 eligible states including the District of Columbia and the Commonwealth of Puerto Rico to conduct outreach and provide technical assistance to small technology-based small business owners. This program is authorized by the Small Business Act, § 9(s)(2), 15 U.S.C. 638(s)(2). There is a one proposal per state limitation on this competition. Only one proposal from each state may

be submitted to SBA for consideration, and this application must have an original signed Letter of Endorsement from the State Governor or Mayor for the District of Columbia. Prospective recipients of SBA funding under this Program Announcement include both new applicants and prior year SBIR-ROP Program service providers. Eligible applicants include, but are not limited to, state and local Economic Development Agencies, colleges and universities and Small Businesses Development Centers. Funds will be provided to conduct programs for a 12-month budget and performance period. Applications/proposals must be postmarked by 4 p.m., Eastern Daylight Time, May 12, 2004. If using a delivery service other than the U.S. Postal Service, the application must be delivered and accepted by the Office of Procurement and Grants Management by the deadline specified above. SBA will select successful applicants using a competitive process. The SBIR-ROP Program is authorized through Fiscal Year 2005 and will be competed annually, subject to availability of funds. There is a non-Federal match requirement for this program. The program announcement will be available at <http://www.sba.gov/sbir>.

**DATES:** The application period will be from March 31, 2004 until May 12, 2004.

#### FOR FURTHER INFORMATION CONTACT:

Cherina Hughes, (202) 205-7344, regarding the Program Announcement and Patricia Branch, (202) 205-7081, about budget matters.

**Edsel M. Brown, Jr.,**

*Assistant Administrator, SBA Office of Technology.*

[FR Doc. 04-7972 Filed 4-7-04; 8:45 am]

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## SOCIAL SECURITY ADMINISTRATION

### Privacy Act of 1974 as Amended; Computer Matching Program (SSA/ Centers for Medicare and Medicaid Services (CMS))—Match Number 1300

**AGENCY:** Social Security Administration (SSA).

**ACTION:** Notice of a new computer matching program.

**SUMMARY:** In accordance with the provisions of the Privacy Act, as amended, this notice announces a new computer matching program that SSA will conduct with CMS.

**DATES:** SSA will file a report of the subject matching program with the Committee on Governmental Affairs of

the Senate, the Committee on Government Reform of the House of Representatives and the Office of Information and Regulatory Affairs, Office of Management and Budget (OMB). The matching program will be effective as indicated below.

**ADDRESSES:** Interested parties may comment on this notice by either telefax to (410) 965-8582 or writing to the Associate Commissioner for Income Security Programs, 245 Altmeyer Building, 6401 Security Boulevard, Baltimore, MD 21235-6401. All comments received will be available for public inspection at this address.

**FOR FURTHER INFORMATION CONTACT:** The Associate Commissioner for Income Security Programs as shown above.

#### SUPPLEMENTARY INFORMATION:

##### A. General

The Computer Matching and Privacy Protection Act of 1988 (Public Law (Pub. L.) 100-503), amended the Privacy Act (5 U.S.C. 552a) by establishing the conditions under which computer matching involving the Federal Government could be performed and adding certain protections for individuals applying for and receiving Federal benefits. Section 7201 of the Omnibus Budget Reconciliation Act of 1990 (Pub. L. 101-508) further amended the Privacy Act regarding protections for such individuals.

The Privacy Act, as amended, regulates the use of computer matching by Federal agencies when records in a system of records are matched with other Federal, State, or local government records. It requires Federal agencies involved in computer matching programs to:

- (1) Negotiate written agreements with the other agency or agencies participating in the matching programs;
- (2) Obtain the approval of the matching agreement by the Data Integrity Boards (DIB) of the participating Federal agencies;
- (3) Publish notice of the computer matching program in the **Federal Register**;
- (4) Furnish detailed reports about matching programs to Congress and OMB;
- (5) Notify applicants and beneficiaries that their records are subject to matching; and
- (6) Verify match findings before reducing, suspending, terminating or denying an individual's benefits or payments.

##### B. SSA Computer Matches Subject to the Privacy Act

We have taken action to ensure that all of SSA's computer matching

<sup>15</sup> 17 CFR 200.30-3(a)(12).