

granted an exemption to vendors from Rule 11Ac1-2 under the Act regarding the calculation of the BBO<sup>10</sup> and granted the BSE an exemption from the provision of Rule 11Aa3-1 under the Act that requires transaction reporting plans to include market identifiers for transaction reports and last sale data. As discussed further below in the Summary of Comments, the Participants ask in the June 2000 Extension Request that the Commission grant an extension of the exemptive relief described above to vendors until the BBO calculation issue is fully resolved. In addition, in the June 2000 Extension Request, the Participants request that the Commission grant an extension of the exemptive relief described above to the BSE for as long as the BSE is a Limited Participant under the Plan.

#### V. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether it is consistent with the Act. The Commission continues to solicit comment regarding the BBO calculation, the trade through rule and any issues presented by changes occurring in the market place. 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 communications relating to the proposal 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 at the Commission's Public Reference Room. All submissions should refer to File No. S7-24-89 and should be submitted by July 31, 2000.

#### VI. Discussion

The Commission finds that an extension of temporary approval of the operation of the Plan, as amended, through March 31, 2001, is appropriate and in furtherance of Section 11A of the Act.<sup>11</sup> The Commission believes that the

extension will provide the Participants with additional time to seek Commission approval of pending proposals concerning the BBO calculation and to begin to make reasonable proposals concerning a trade through rule to facilitate the trading of OTC securities pursuant to UTP. With respect to a trade through rule, the Commission notes that it has recently expanded the ITS linkage to all securities, thereby expanding the coverage of the ITS trade through rule.<sup>12</sup> While the Commission continues to solicit comment on these matters, the Commission believes that these matters should be addressed directly by the Participants on or before December 31, 2001 so that the Commission may have ample time to determine whether to approve the Plan on a permanent basis by March 31, 2001.

The Commission also finds that it is appropriate to extend the exemptive relief from Rule 11Ac1-2 under the Act until the earlier of March 31, 2001, or until such time as the calculation methodology of the BBO is based on a price/size/time algorithm pursuant to a mutual agreement among the Participants approved by the Commission. The Commission further finds that it is appropriate to extend the exemptive relief from Rule 11Aa3-1 under the Act, that requires transaction reporting plans to include market identifiers for transaction reports and last sale data, to the BSE through March 31, 2001. The Commission believes that the extensions of the exemptive relief provided to vendors and the BSE, respectively, are consistent with the Act, the Rules thereunder, and specifically with the objectives set forth in Sections 12(f) and 11A of the Act and in Rules 11Aa3-1 and 11Aa3-2 thereunder.

#### VII. Conclusion

*It Is Therefore Ordered*, pursuant to Section 12(f) and 11A of the Act and paragraph (c)(2) of Rule 11Aa3-2 thereunder, that the Participants' request to extend the effectiveness of the Joint Transaction Reporting Plan, as amended, for Nasdaq/National Market securities traded on an exchange on an unlisted or listed basis through March 31, 2001, and certain exemptive relief through March 31, 2001, is approved.

competition, and capital formation. 15 U.S.C. 78(c)(f).

<sup>12</sup> Securities Exchange Act Release No. 42212 (December 9, 1999), 64 FR 70297 (December 16, 1999).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42998; File No. SR-PCX-00-17]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange Inc., Relating to Mandatory Decimal Pricing Testing

June 30, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 23, 2000, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange has designed this proposal as one concerned solely with the administration of the Exchange under Section 19(b)(3)(A)(iii) of the Act,<sup>3</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 PCX proposes to adopt new Rule 1.15(b), *Mandatory Decimal Pricing Testing*, which would require member organizations to participate in industry testing of computer systems designed to prepare for the industry conversion to decimal pricing. The text of the proposed rule change is available at the PCX 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 Exchange included statements concerning the purpose of and basis for proposed rule change and discussed any comments it received on the proposed

<sup>10</sup> Rule 11Ac1-2 under the Act requires that the best bid or best offer be computed on a price/size/time algorithm in certain circumstances. Specifically, Rule 11Ac1-2 under the Act provides that "in the event two or more reporting market centers make available identical bids or offers for a reported security, the best bid or offer . . . shall be computed by ranking all such identical bids or offers \* \* \* first by size \* \* \* then by time." The exemption permits vendors to display the BBO for Nasdaq securities subject to the Plan on a price/size basis.

<sup>11</sup> In approving this extension, the Commission has considered the extension's impact on efficiency,

<sup>13</sup> 17 CFR 200.30-3(a)(29).

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

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

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

rule change. The text of these statements may be examined at the places specified in Item IV below. The PCX 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

As the securities industry prepares for the conversion to decimal pricing, testing by and among the various securities industry constituents will be necessary to avoid widespread systems problems. The PCX, in cooperation with the Commission and other self-regulatory organizations has been working toward a successful transition to decimal pricing. The purpose of proposed rule change is to require PCX member firms to participate in testing of computer systems designed to prepare for the industry conversion to decimal pricing.

Proposed Rule 1.15(b) would require PCX members to participate in testing of computer systems, in a manner and frequency prescribed by the Exchange. It is the PCX's understanding that other self-regulatory organizations, including the National Association of Securities Dealers, the New York Stock Exchange, the American Stock Exchange and the Chicago Board Options Exchange, are also proposing rules to require decimal pricing testing by their member organizations.

To ensure that the securities industry is adequately prepared to convert to decimals, the Securities Industry Association has undertaken to coordinate industry-wide testing. Testing will include, among others, exchanges, registered clearing corporations, data processors and broker-dealers. There are multiple industry-wide tests, the first of which occurred in April 2000. New Rule 1.15(b) will be employed to require mandatory testing of PCX member organizations in these tests, and further provides that any firm with an electronic interface with the Exchange will be required to conduct point-to-point testing with the Exchange. Point-to-point testing means testing between two entities, in this case between the member with the electronic interface and the Exchange.<sup>4</sup>

<sup>4</sup> A member organization can be exempted from this requirement if the member organization has its

The Exchange will require its members to participate in industry-wide testing to the extent those firms can be accommodated into the testing schedule. The Exchange would exercise its authority under this Rule to the extent it is deemed important for particular member organizations to participate and to the extent those member organizations choose not to participate voluntarily.

The proposed rule would also require member organizations to file reports with the PCX concerning the required tests in the manner and frequency required by the Exchange. A member organization that is subject to the Rule and fails to participate in the tests or fails to file any required reports will be subject to disciplinary action pursuant to Rule 10 of the Exchange's rules.

It should be noted that the Exchange believes that it currently has the authority without the approval of this Rule to require testing and reporting with respect to the implementation of decimal pricing under its broad authority to enforce the provisions of the Act and to ensure the safety of its marketplace. The Exchange believes, however, that its membership is better served by having the specifics of its intentions with respect to this matter defined in a stand-alone rule.

This Rule will expire automatically upon the full completion of decimal pricing implementation.

2. Statutory Basis

The Exchange represents that by adopting a new rule to help ensure the participation of Exchange members in important industry testing to prepare for the conversion to decimal pricing, the proposed rule change is consistent with Section 6(b) of the Act<sup>5</sup> in general and further the objectives of Section 6(b)(5)<sup>6</sup> in particular, in that they are designed to promote just and equitable principles of trade and to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose

electronic interface through a service provider if the service provider conducts successful tests with the Exchange on behalf of the firms it serves, if the member firm conducts successful point-to-point testing with the service provider by a time designated by the Exchange, and if the Exchange agrees that no further testing is necessary.

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

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*

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 pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and subparagraph (f)(3) of Rule 19b-4 thereunder<sup>8</sup> because it is concerned solely with the administration of the Exchange. At any time within 60 days of the filing of 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 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 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. 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 in Washington, DC.

Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-00-17 and should be submitted by July 31, 2000.

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(3).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Jonathan G. Katz,**

Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43002; File No. SR-Phlx-00-45]

### Self-Regulatory Organization; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Eliminating References to the Semi-Annual Payment of Dues in By-Law Article XIV, Section 14-1

June 30, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 5, 2000, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") 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 by Phlx. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Phlx proposes to eliminate a reference to the semi-annual billing of dues in By-law Article XIV, Section 14-1 to reflect a recent amendment to the schedule of dues, fees and charges.<sup>3</sup>

#### 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 Phlx 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 Phlx 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 purpose of the proposed rule change is to eliminate a reference to the semi-annual billing of dues in Article XIV of the By-laws to make Article XIV consistent with the recently amended schedule of dues, fees and charges.<sup>4</sup> The amendment eliminates a provision in the By-laws that requires the payment of dues and foreign currency options users fees on a semi-annual basis. The Board, when it amended the fee schedule, authorized the billing of dues and foreign currency options users fees on a monthly basis. The Phlx believed that the amended fee schedule would improve the efficiency of the billing process, allow members, member organizations, participants, and participant organizations to more accurately measure operating expenses on a monthly basis, and reduce operational cash flow burdens that may have resulted from the semi-annual billing schedule. To make Article XIV, Section 14-1 consistent with the amended fee schedule, Phlx proposes to eliminate the reference to semi-annual billing.

##### 2. Statutory Basis

The Phlx believes that the proposed rule change is consistent with Section 6 of the Act,<sup>5</sup> in general, and with Section 6(b)(4),<sup>6</sup> in particular, in that it provides for an equitable allocation of dues, fees, and other charges among its members.

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

The Phlx does not believe that the proposed rule change 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 received in response to Circular 57-00, dated March 29, 2000.<sup>7</sup>

<sup>4</sup> *Id.*

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

<sup>6</sup> 15 U.S.C. 78f(b)(4).

<sup>7</sup> According to the Phlx, the proposed amendment to By-Law Article XIV Section 14-1 was initially approved by the Board on March 22, 2000 and was noticed to the membership in Circular 57-00 on March 28, 2000 in compliance with Exchange By-law Article XXII, Section 22-2. No written request for a special meeting regarding the proposed amendment was filed with Office of the Secretary. On April 11, 2000 the Secretary conducted a poll of the Board of Governors which resulted in unanimous consent in writing to adopt the

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

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>8</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder.<sup>9</sup> At any time within 60 days of the filing of 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 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 proposed rule 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 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 Phlx. All submissions should refer to File No. SR-Phlx-00-45 and should be submitted by July 31, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Jonathan G. Katz,**

Secretary.

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proposed amendment to the By-Law and authorized the filing of the amendment with the Commission.

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>9</sup> 17 CFR 240.19b-4(f)(2).

<sup>10</sup> 17 CFR 200.30-3(a)(12).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Securities and Exchange Act Release No. 42457 (March 3, 2000) (SR-Phlx-99-61).