

market to change its quote if it refuses to trade at its published (or implied) quote with an order for a size that exceeds its firm quote requirement. Consequently, the Commission supports the retention of trade-or-fade rules to the extent that such rules prevent markets from refusing to trade at their disseminated prices and then continuing to disseminate the same quotes.

V. Conclusion

It is hereby ordered, pursuant to Section 11A(a)(3)(B) of the Act,¹¹⁷ and Rule 11Aa3-2,¹¹⁸ that the intermarket linkage plan submitted by Amex, CBOE, and ISE is approved and the Amex, CBOE, and ISE are authorized to act jointly in planning, developing, operating, or regulating the intermarket linkage plan as a means of facilitating a national market system.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release 34-43089; File No. 600-23]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Approving a Request for Extension of Temporary Registration as a Clearing Agency

July 28, 2000.

Notice is hereby given that on June 2, 2000, the government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a request that the Commission grant GSCC registration as a clearing agency on a permanent basis.¹ The commission is publishing this notice and order to solicit comments from interested persons and to extend GSCC's temporary registration as a clearing agency through January 31, 2001.

On May 24, 1988, pursuant to Sections 17A(b) and 19(a) of the Securities Exchange Act of 1934 ("Act")² and Rule 17Ab2-1 promulgated thereunder,³ the Commission granted GSCC's application for registration as a clearing agency on

a temporary basis for a period of three years.⁴ The Commission subsequently has extended GSCC's registration through July 31, 2000.⁵

In the most recent extension of GSCC's temporary registration, the Commission stated that it planned in the near future to seek comment on granting GSCC permanent registration as a clearing agency. This extension of GSCC's temporary registration will enable the Commission to do so.

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application. Such written data, views, and arguments will be considered by the Commission in granting registration or instituting proceedings to determine whether registration should be denied in accordance with Section 19(a)(1) of the Act.⁶ 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 amended application for registration and all written comments will be available for inspection at the Commission's Public Reference Room, 450 Fifth Street, NW, Washington, DC 20549. All submissions should refer to File No. 600-23 and should be submitted by August 25, 2000.

It Is Therefore Ordered that GSCC's registration as a clearing agency (File No. 600-23) be and hereby is temporarily approved through January 31, 2001.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43090; File No. SR-Amex-00-04]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the American Stock Exchange LLC Adopting a Peer Review Requirement for Auditors of Listed Companies

July 28, 2000.

I. Introduction

On February 14, 2000, the American Stock Exchange LLC ("Exchange" or "Amex"), submitted to the Securities and Exchange Commission ("Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change amending the *Amex Company Guide* to adopt a peer review requirement for auditors of listed companies. The proposed rule change was published for comment in the **Federal Register** on May 26, 2000.³ The Commission received one comment letter in favor of the proposal.⁴ This order approves the proposal.

II. Description of the Proposal

The Exchange proposes to amend the *Amex Company Guide* to require all independent public accountants auditing Exchange listed companies to have received an internal quality control review by an independent public accountant ("peer review"), or be enrolled in a peer review program that meets acceptable guidelines.⁵ According to the Exchange, acceptable guidelines would include comparability to AICPA standards included in the Standards for Performing on Peer Reviews, as codified in the AICPA's SEC Practice Section Reference Manual, and oversight of the peer review program by an independent body comparable to the organizational structure of the Public Oversight Board, as codified in the AICPA's SEC Practice Section Reference Manual. Further, the proposal would require copies of peer review reports, accompanied by any letters of comment and letters of

⁴ Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19639.

⁵ Securities Exchange Act Release Nos. 29067 (April 11, 1991), 56 FR 15652; 32385 (June 3, 1993), 58 FR 32405; 35787 (May 31, 1995), 60 FR 30324; 36508 (November 27, 1995), 60 FR 61719; 37983 (November 25, 1996), 61 FR 64183; 38698 (May 30, 1997), 62 FR 30911; 39696 (February 24, 1998), 63 FR 10253; 41104 (February 24, 1999), 64 FR 10510; 41805 (August 27, 1999), 64 FR 48682; and 42335 (January 12, 2000), 65 FR 3509.

⁶ 15 U.S.C. 78s(a)(1).

⁷ 17 CFR 200.30-3(a)(16).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 42803 (May 22, 2000), 65 FR 34236.

⁴ Letter from Ronald Walton, Chair, American Institute of Certified Public Accountants ("AICPA") SEC Practice Section Peer Review Committee, to Jonathan G. Katz, Office of the Secretary, Commission, dated June 16, 2000. This commenter supported the proposed rule change.

⁵ The Exchange has noted that the Nasdaq Stock Market and certain banking agencies, such as the Federal Deposit Insurance Corporation, have implemented a peer review requirement.

¹¹⁷ 15 U.S.C. 78k-1(a)(3)(B).

¹¹⁸ 17 CFR 240.11Aa3-2.

¹ Letter from Sal Ricca, President and Chief Operating Officer, GSCC (May 30, 2000).

² 15 U.S.C. 78q-1(b) and 78s(a).

³ 17 CFR 240.17Ab2-1.

response, to be maintained by the administering entity of the peer review program and be made available to the Exchange upon request.⁶ Similarly, working papers of the administering entity and the independent oversight body would also be required to be retained for 90 days after the report is filed, and be made available to the Exchange upon request.

In addition, the Exchange believes that auditors of listed companies should be subject to a practice monitoring program under which the auditor's quality control system is reviewed by an independent peer auditor on a periodic basis. Consequently, after the initial peer review required by proposed Section 605(a) of the *Amex Company Guide*, independent auditors of listed companies would be required to receive a peer review that meets the guidelines of proposed Section 605(b) every three years pursuant to AICPA guidelines.⁷

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act⁸ and the rules and regulations thereunder applicable to a national securities exchange, in that it is designed to facilitate securities transactions and to remove impediments to and perfect the mechanism of a free and open market.⁹ The Commission believes that the proposed rule change will protect investors by improving the reliability and effectiveness of audit committees of companies listed on the Exchange and by helping to ensure that an auditing firm's quality control systems are subject to a level of review that satisfies standards established by the accounting industry. In addition, the Commission believes that by requiring auditors to receive a peer review on a periodic basis, the proposal will help to ensure that auditors will continue to have quality control systems in place and follow independently established policies, procedures, and auditing standards. Finally, by requiring the administering entity and the

independent oversight body of the peer review program to retain peer review records and to allow the Exchange access to these records, the Commission believes that the proposed rule change will help enable the Exchange to enforce the peer review requirement.

IV. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-Amex-00-04) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43087; File No. SR-CBOE-00-01]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to the Prohibition of Certain Electronically Generated Orders From Being Entered in the Order Routing System

July 28, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is given that on February 9, 2000, the Chicago Board Options Exchange, Incorporated ("CBOE" 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. On March 6, 2000, the CBOE filed with the Commission Amendment No. 1 to the proposed rule change.³ On April 28, 2000, the CBOE filed with the Commission Amendment No. 2 to the proposed rule change.⁴ On July 10,

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 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 Timothy Thompson, Director, Regulatory Policy, CBOE, to Nancy J. Sanow, Assistant Director, Division of Market Regulation ("Division"), Commission, dated March 3, 2000 ("Amendment No. 1"). In Amendment No. 1, the Exchange proposed to create a new rule, "Electronically Generated and Communicated Orders," rather than including the proposed rule language as a subsection in another rule.

⁴ See letter from Timothy Thompson, Director, Regulatory Policy, CBOE, to Nancy J. Sanow, Assistant Director, Division, Commission, dated April 27, 2000 ("Amendment No. 2"). In

2000, the CBOE filed with the Commission Amendment No. 3 to the proposed rule change.⁵ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The CBOE proposes to amend its rules to prohibit certain electronically generated orders from being entered on ORS.

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

In its filing with the Commission, CBOE 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 CBOE 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 seeks to restrict the entry of certain options orders that are created and communicated electronically, without manual input, into ORS.⁶ For this purpose, the Exchange is proposing to adopt a new Rule 6.8A, *Electronically Generated and Communicated Orders*.

Proposed Rule 6.8A provides that Members may not enter nor permit the entry of, orders into ORS if those orders

Amendment No. 2, among other things, the Exchange proposed to prohibit electronically generated orders only if they were eligible for execution on the Exchange's Retail Automatic Execution System ("RAES").

⁵ See letter from Timothy Thompson, Director, Regulatory Policy, CBOE, to Nancy J. Sanow, Assistant Director, Division, Commission, dated July 6, 2000 ("Amendment No. 3"). In Amendment No. 3, among other things, the Exchange revised its statement regarding the purpose of the proposed rule change. In addition, the Exchange revised the proposed rule language to clarify that electronically created orders will be prohibited from entry into the Order Routing System ("ORS") if they are eligible for execution on RAES at the time they are sent to the Exchange. Amendment No. 3 also clarified the types of orders that are considered to be eligible for execution on RAES at the time they are sent.

⁶ ORS is the Exchange's automated order trading and routing system comprised of the options order routing system, the automatic execution system (RAES), the electronic limit order book, and other electronic delivery and acceptance systems and terminals.

⁶ The administering entity would be required to maintain the reports until the completion of the next peer review report. Telephone call between Sonia Patton, Attorney, Commission, and John Nachmann, Attorney, Office of the General Counsel, The Nasdaq-Amex Market Group, on March 28, 2000.

⁷ Telephone call between Sonia Patton, Attorney, Commission, and John Nachmann, Attorney, Office of the General Counsel, The Nasdaq-Amex Market Group, on March 28, 2000.

⁸ 15 U.S.C. 78f(b)(5).

⁹ In approving this rule change, the Commission has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. 15 U.S.C. 78c(f).