

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 at 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 the File No. SR-AMEX-00-52 and should be submitted by October 5, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland, Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 43255; File No. SR-BSE-00-11]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Boston Stock Exchange, Inc., Amending Its Rules to Accommodate Price Quotations in Decimals

September 6, 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 August 7, 2000, the Boston Stock Exchange, Inc. ("BSE" 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 the BSE. On September 5, 2000, the BSE submitted Amendment No. 1 to the proposal to make certain technical corrections in the amended rule language.<sup>3</sup> The BSE has filed the proposal 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 Exchange proposes to amend its Rules to provide for the implementation of decimal pricing. The BSE believes the proposed rule change conforms to the uniform industry approach to implementing decimal pricing contained in the joint submission to the Commission by the BSE and other interested parties dated July 24, 2000, and entitled "Decimals Implementation Plan for the Equities and Options Markets" ("Decimals Plan"). The text of the proposed rule change is set forth below. Proposed new language appears in italics; proposed deletions appear in brackets.

\* \* \* \* \*

Chapter II

Dealings on the Exchange

Orders to Buy and Sell the Same Security

Section 18. When a member has an order to buy and an order to sell the same security, he shall audibly offer such security, if bonds at 1/8 of 1%, and if stocks, at the approved [m]Minimum Price [v] Variation ("MPV") [permitted] (as defined in Chapter II, Section 41), higher than his bid before making a transaction with himself.

Minimum Price Variation

Section 41. For securities which trade in decimals, the Minimum Price Variation shall be 0.01, and for the remaining period until the decimals conversion is completed, those securities trading in fractions shall continue to trade in Minimum Price Variations as currently approved by the Exchange.

\* \* \* \* \*

Chapter XVII

Members Dealing for Own Account

Make offering above his bid

(b) A member may take the securities named in the order provided (1) he shall have offered the same in the open market at a price which is higher than his bid by 1/8 of 1% if bonds, and by [1/8 of one dollar if stocks] the approved Minimum Price Variation ("MPV") (as defined in Chapter II, Section 41) if stocks, (2) the price is justified by the condition of the market, and (3) the member, if any, who gave the order shall directly, or through a broker

authorized to act for him, after prompt notification, accept the trade;

Make bid below his offer

(c) A member may supply the securities named in the order, provided (1) he shall have bid for the same in the open market at a price which is lower than his offer by 1/8 of 1% if bonds, and by [1/8 of one dollar if stocks] the approved Minimum Price Variation ("MPV") (as defined in Chapter II, Section 41) if stocks, (2) the price is justified by the condition of the market, and (3) the member, if any, who gave the order shall directly, or through a broker authorized to act for him, after prompt notification, accept the trade;

\* \* \* \* \*

Chapter XXIV

Portfolio Depository Receipts

Initial and Continued Listing and/or Trading

Section 5.

Interpretation and Policies:

10. The [minimal fractional variation] the approved Minimum Price Variation ("MPV") for dealings in SPDRs and MidCap SPDRs shall be 1/64 of \$1.00, until such time as the primary market conversion to decimals begins, after which the MPV shall be as defined in Chapter II, Section 41.

\* \* \* \* \*

Chapter XXIV-B

Index Fund Shares

Section 5.

Interpretation and Policies:

.01 (e) [Minimal Fractional Trading Variation] the approved Minimum Price Variation ("MPV"). The [minimal fractional trading variation] approved MPV may vary among different series of Index Fund Shares but will be set at 1/16th, 1/32nd, or 1/64th of \$1.00, until such time as the primary market conversion to decimals begins, after which the MPV shall be as defined in Chapter II, Section 41.

.05 The [minimum fractional trading variation] approved Minimum Price Variation ("MPV") will be 1/16th of \$1.00 for iShares MSCI and 1/64th of \$1.00 for Select Sector SPDRs, until such time as the primary market conversion to decimals begins, after which the MPV shall be as defined in Chapter II, Section 41.

\* \* \* \* \*

<sup>7</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 letter from John Boese, Assistant Vice President, Rule Development and Market Structure, Boston Stock Exchange, Incorporated, to Alton Harvey, Office Chief, Division of Market Regulation, Securities and Exchange Commission, dated September 1, 2000.

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

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

**Chapter XXXI  
Intermarket Trading System**

**Section 3.**

(a)(I)(A)(i) \* \* \*

Security	Consolidated closing price	Applicable Price Change \$ (More Than)
Network A .....	Under \$15 .....	1/8 point, or for stocks trading in decimals, .10
	\$15 or over[*] .....	1/4 point, or for stocks trading in decimals, .25
Network B .....	Under \$5 .....	1/8 point, or for stocks trading in decimals, .10
	\$5 or over[*] .....	1/4 point, or for stocks trading in decimals, .25**

\* If the previous day's consolidated closing price of [an] a Network A Eligible [Listed] Security exceeded \$100 and the Security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the "applicable price change" is [one point] one dollar.

\*\* If the previous day's consolidated closing price of a Network B Eligible Security exceeded \$75 and the Security is not Portfolio Deposit Receipts, Index Fund Shares, or Trust Issued Receipts, or does not underlie an individual stock option contract listed and currently trading on a national securities

exchange, the "applicable price change" is one dollar.

(C) indicate the "applicable price range" by being formatted as a standardized pre-opening administrative message as follows:

X/XYZ {RANGE}

The price range shall not exceed the "applicable price range" shown below:

Security	Consolidated closing price	Applicable price, range \$
Network A .....	Under \$50 .....	1/2 point, or for stocks trading in decimals, .50.
	\$50 or over[*] .....	1 point, or for stocks trading in decimals, 1.00.*
Network B .....	Under \$10 .....	1/2 point, or for stocks trading in decimals, .50.
	\$10 or over .....	1 point, or for stocks trading in decimals, 1.00.**

\*If the previous day's consolidated closing price of [an] a Network A Eligible [Listed] Security exceed \$100 and the Security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the "applicable price change" is two [points] dollars.

\*\* If the previous day's consolidated closing price of Network B Eligible Security exceeded \$75 and the Security is not Portfolio Deposit Receipts, Index Fund Shares, or Trust Issued Receipts, or does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the "applicable price change" is two dollars.

The price range also shall not straddle the previous day's consolidated closing price, although it may include it as an endpoint (e.g., a 1/8-5/8, or for stocks trading in decimals, 40.15-40.65 price range would be permissible if the previous day's consolidated closing price were 1/8 or 5/8, or for stocks trading in decimals, 40.15 or 40.65, but not if the closing price were 1/4, 3/8 or 1/2, or for stocks trading in decimals, within the price range or 40.16-40.64).

**(a)(I)(A)(ii)(B)(ii)**

\*Example: CT closes at 30. Pre-Opening notification set with any one of the following price ranges: 30-30 1/2; 30 1/8-30 or 30 1/4-30 3/4, or, for stocks trading in decimals, a price range of 30-30.64; 30.10-30.74; or

30.25-30.87. It is then determined that the stock will open st at 29 3/4 or 29 7/8, or, for stocks trading in decimals, a price within the range of 29.75 to 29.99. Under paragraph (3)(a)(I)(A)(ii)(B)(i), the specialist "shall" send a cancellation notification. If it is subsequently determined that the stock will open a 30, 30 1/8, or 30 1/4, or, for stocks trading in decimals, a price within a range of 30 to 30.25, the specialist need not reindicate the stock pursuant to paragraph (3)(a)(I)(A)(ii)(B)(ii).

(C) Participation as Principal Precluded ("Second Look")—If a responding market-maker, who has shown in his pre-opening response interest as principal at a price better than the anticipated opening price, would be precluded from participation as principal in the opening transaction (e.g. his responding principal interest is to sell at a price 1/8 or more, or, for stocks trading in decimals, .01 or more below the opening price established by paid agency orders), the specialist shall send a "second look" notification through the System notifying such responding market-maker of the price and size a which he participate as principle (i.e., in the parenthetical example above, the total amount of the security that he would have to sell the [1/8—]better price to permit the opening transaction to occur at that price). (b)(i)(C) show the specialist's interest (if any), both as a principal for his own account ("P") and as agent for orders left with him ("A"), at each price level within the price range indicated in the pre-opening notification (e.g., 40 3/8, or, for stocks trading in decimals, 40.40), reflected on a netted share basis by being formatted as a standardized pre-opening administrative message as follows:

RES X/XYZ BUY {SELL} A-P 40 3/8 (or, for stocks trading in decimals, 40.40)

\* \* \* \* \*

**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 regarding the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Section 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 Commission has ordered the securities and other interested parties to implement decimal pricing in their markets.<sup>6</sup> Pursuant to that Order, the Commission has required the exchanges

<sup>6</sup> Securities Exchange At Release No. 4214 (June 8, 2000), 65 FR 38010 (June 19, 2000).

to submit proposed rule changes implementing a uniform decimals phase-in schedule. As described above, the Exchange is proposing to amend the following rules in conjunction with the securities industry's conversion or its markets to decimal pricing: Chapter II, Section 18; Chapter XVII, Sections (b) and (c); Chapter XXIV, Section 5, Interpretation and Policies, Paragraph.10; Chapter XXIV-B, Section 5, Interpretation and Policies, Paragraphs .01(e) and .05; and Chapter XXXI Intermarket Trading System (in accordance with the Operating Committee's determination on this matter), Section 3. The Exchange also proposes to add Chapter II, Section 41, *Minimum Price Variation* (of.01).

## 2. Statutory Basis

The BSE believes that the proposal is consistent with the provisions of Section 6(b)(5)<sup>7</sup> of the Act which requires that an exchange have rules that are designed to 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 of a free and open market and a national system and, in general, 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 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*

Written comments were neither solicited nor received with respect to the proposed rule change.

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

Because the foregoing proposed rule change does not:

- (i) Significantly affect the protection of investors or the public interest;
- (ii) Impose any significant burden on competition; and
- (iii) Become operative for 30 days from the date on which it was filed, or such shorter time as the Commission

may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6) 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.<sup>10</sup>

The BSE has requested that the Commission accelerate the operative date. The Commission believes that it is consistent with the protection of investors and the public interest and therefore finds good cause to designate the proposal to become immediately operative upon filing.<sup>11</sup> Acceleration of the operative date will ensure that the BSE is able to operate in accordance with the terms and conditions of the Decimals Plan. For these reasons, the Commission finds good cause to designate that the proposal become operative immediately upon filing.<sup>12</sup>

## 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, N.W., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule

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

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

<sup>10</sup> In reviewing this proposal, the Commission has considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>11</sup> The Decimals Plan provides for minimum price variations for equities and options of no less than one cent. The Commission's June 8th Order requires the Participants to submit joint or individual studies two months after Full Implementation (as defined in the Plan) regarding the impact of decimal pricing on systems capacity, liquidity, and trading behavior, including an analysis of whether there should be a uniform minimum quoting increment. If a Participant wishes to move to quoting in an increment of less than one cent, the Participant should include in its study a full analysis of the potential impact of such trading on the Participant's market and the markets as a whole. Within thirty days after submitting the study, and absent Commission action, the Participants individually must submit for notice, comment, and Commission action, proposed rule changes under Section 19(b) of the Exchange Act to establish their individual choice of minimum increments by which equities or options are quoted on their respective markets.

<sup>12</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).

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 BSE. All submissions should refer to file number SR-BSE-00-11 and should be submitted by October 5, 2000.

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

**Margaret H. McFarland,**  
*Deputy Secretary.*

[FR Doc. 00-23611 Filed 9-13-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43251; File No. SR-CBOE-00-45]

### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Amending its Code of Conduct to Elaborate Its Existing Policy Prohibiting Harassment and Other Improper Conduct**

September 6, 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 September 6, 2000, the Chicago Board Options Exchange, Incorporated ("CBOE" 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 the CBOE. 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**

CBOE proposes to amend its Code of Conduct ("Employee Handbook") to elaborate its existing policy prohibiting harassment and other improper conduct. The text of the proposed rule

<sup>13</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>7</sup> 15 U.S.C. 78f(b)(5).