

the requirements of Section 6(b)(5)<sup>7</sup> of the Act because it is 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 facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market 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*

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**

Because the proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A)<sup>8</sup> of the Act and Rule 19b-4(f)(6)<sup>9</sup> thereunder.<sup>10</sup>

A proposed rule change filed under rule 19b-4(f)(6)<sup>11</sup> normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>12</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and public interest. The Exchange seeks to have the proposed rule change become operative on or before September 30, 2000, in order to allow the Pilot to continue in effect on an uninterrupted basis.

The Commission, consistent with the protection of investors and the public interest, has determined to make the proposed rule change operative immediately through November 30, 2000. The extension of the Pilot will provide the Commission with additional time to review and evaluate the 3-Year Extension Proposal.

The Commission notes that unless the Pilot is extended, the Pilot will expire and the provisions in Sections 312.01, 312.03 and 312.04 of the Exchange's Listed Company Manual that were amended in the Pilot will revert to that which were effective prior to June 4, 1999. The Commission believes that such a result could lead to confusion.

Based on these reasons, the Commission believes that it is consistent with the protection of investors and the public interest that the proposed rule change become operative immediately through November 30, 2000. 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, N.W., Washington, D.C. 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 NYSE. All submissions should refer to File No. SR-NYSE-00-38 and should be submitted by October 23, 2000.

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

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

[FR Doc. 00-25134 Filed 9-29-00; 8:45 am]

BILLING CODE 8010-01-M

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-43328; File No. SR-PCX-00-13]

### **Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change by the Pacific Exchange, Inc. Relating to the Entry of Computer-Generated Orders**

September 22, 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 May 16, 2000, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. On August 16, 2000, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Commission is publishing this notice of filing and order granting accelerated approval to the proposed rule change.

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

The Exchange proposes to adopt Rule 6.88 ("Rule") to restrict the entry of certain electronically created option orders on the Exchange via the Exchange's Member Firm Interface ("MFI"). The text of the Rule is set forth below.

#### **POETS**

##### **Pacific Options Exchange Trading System Rule 6.88**

(a) POETS is the Exchange's automated trading system comprised of the options order routing system, the automated execution system (Auto-Ex), the on-line limit

<sup>13</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 788s(b)(1).

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

<sup>3</sup> In Amendment No. 1, the Exchange revised the proposed rule to allow computer-generated orders to be sent to the Exchange via the Member Firm Interface ("MFI") if they are properly designated as such. See Letter from Michael Pierson, Vice President, Regulatory Policy, PCX, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated August 15, 2000 ("Amendment No. 1").

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

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

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

<sup>10</sup> As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date.

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

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

order book system (Auto-Book), and the automatic market quote update system (Auto-Quote). Orders may be sent to POETS via the Exchange's Member Firm Interface (MFI).

(b) Except as provided in subsection (b)(1), Member firms may not enter orders via the MFI or permit the entry of orders via the MFI if those orders are created and communicated electronically without manual input ("computer generated orders"). Except as provided in subsection (b)(1), order entry by public customers or associated persons of Member Firms must involve manual input such as entering the terms of an order into an order-entry screen or manually selecting a displayed order so that the order will be sent. Nothing in this Rule prohibits Member Firms from electronically sending to the Exchange orders manually entered by customers into front-end communications systems (e.g., Internet gateways, online networks, etc.).

(1) Computer generated orders may be sent to the Exchange via the MFI only if they are properly designed with a "CG" in the "additional instruction" field. Orders so designated will be re-routed for representation by a Floor Broker. Computer generated orders are not eligible for automatic execution via the Auto-Ex System.

#### ¶5232 Exchange Sponsored Hand Held Terminals for Floor Brokers

Rule 6.89[6.88]—No change.

#### ¶5233 Proprietary Brokerage Order Priority Terminals

Rule 6.90[6.89]—No change.

\* \* \* \* \*

## 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 V below. The Exchange has prepared summaries, set forth in Sections A, B and 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 restrict the direct entry of certain option orders that are created and communicated electronically, *i.e.*, without manual input, into the

Exchange's POETS system.<sup>4</sup> The Exchange represents that the text of the Rule is similar to the text of Rule 717(f) of the International Securities Exchange ("ISE").<sup>5</sup>

Subsection (a) of the Rule briefly describes the POETS system. Specifically, Subsection (a) states that POETS is the Exchange's automated trading system comprised of the options order routing system, the automatic execution system ("Auto-Ex"), the on-line limit order book system ("Auto-Book"), and the automatic market quote update system ("Auto-Quote"). Subsection (a) further states that orders may be sent to POETS via the Exchange's MFI. This subsection is intended to provide background for the provision on computer-generated orders, which is contained in Subsection (b).

Subsection (b) states that except as provided in subsection (b)(1), member firms may not enter orders via the MFI or permit the entry of orders via the MFI if those orders are created and communicated electronically without manual input. Subsection (b) defines such orders as "computer-generated orders." It further states that, except as provided in subsection (b)(1), order entry by public customers or associated persons of member firms must involve manual input such as entering the terms of an order into an order-entry screen or manually selecting a displayed order so that the order will be sent. It further states that nothing in the Rule prohibits member firms from electronically sending orders that are manually entered by customers into front-end

<sup>4</sup> See Securities Exchange Act Release No. 27633 (January 18, 1990), 55 FR 2466 (January 24, 1990) (approving implementation of POETS). POETS is the Exchange's automated trading system. It is more fully described *infra*.

<sup>5</sup> ISE Rule 717(f) states: "Members may not enter, nor permit the entry of, orders created and communicated electronically without manual input (*i.e.*, order entry by Public Customers or associated persons of Members must involve manual input such as entering the terms of the order into an order-entry screen or manually selecting a displayed order against which an off-setting order should be sent), unless such orders are non-marketable limit order to buy (sell) that are priced higher (lower) than the best bid (offer) on the Exchange (*i.e.*, limit orders that improve the best price available on the Exchange). Nothing in this paragraph, however, prohibits Electronic Access Members from electronically communicating to the Exchange orders manually entered by customers into front-end communications systems (*i.e.*, Internet gateways, online networks, etc.)." See Securities Exchange Act Release No. 42455 (February 24, 2000), 65 FR 11388 (March 2, 2000) (approving application of ISE for registration as a national securities exchange).

communications system (e.g., Internet gateways, online networks, etc.) to the Exchange.

Subsection (b)(1) of the Rule states that computer-generated orders may be sent to the Exchange via the MFI only if they are properly designated with a "CG" in the "additional instruction" field. Orders so designated will be re-routed for representation by a floor broker. Finally, Subsection (b)(1) states that computer-generated orders are not eligible for automatic execution via the Auto-Ex system.

The Exchange represents that its business model depends upon market makers for competition and liquidity. Public customer orders on the PCS receive priority over market maker bids and offers.<sup>6</sup> The Exchange believes that allowing electronic entry directly into the Exchange's POETS system could give customers with order-generating systems a significant advantage over market makers. In its view, this could undercut the Exchange's business model. The Exchange notes that under the proposed rule change, computer-generated orders can still be sent for execution on the Exchange; however, they may not be sent for execution directly via POETS. The Exchange also notes that the Rule is similar to ISE Rule 717(f); however, the ISE Rule permits computer-generated orders to be entered on the ISE only if they are "nonmarketable limit orders to buy (sell) that are priced higher (lower) than the best bid (offer) on the Exchange." By contrast, the PCX proposal allows *all* computer-generated orders to be entered on the PCX.

Currently, PCX member firms that are located off the trading floor may send option orders to the trading floor in three different ways. First, a member firm representative may call a PCX member firm representative on the trading floor on the telephone and place an order. The member firm representative, while present in a member firm booth on the trading floor, would then either have the order taken manually to a floor broker in the trading crowd for representation of the order, or have the order sent electronically to a floor broker (via a hand-held terminal) in the trading crowd who would then represent it. Second, a member firm

<sup>6</sup> See PCX Rules 6.52(a) (types of orders permitted to be maintained in the limit order book), 6.75(a)-(b) (priority of bids and offers), 6.86 (guaranteed markets for public customers) and 6.87(a) (eligibility of public customers for use of Auto-Ex System).

representative may send an order to a member firm representative in a booth on the trading floor via an electronic transmitter. (This transmitter would be proprietary equipment of a member firm). The member firm representative in the booth would then have the order represented in the trading crowd in one of the two ways described above. Third, a member firm representative may send an order electronically through the MFI, which links member firms with the Exchange's electronic trading system, POETS. Eligible orders sent through the MFI to POETS may be: (1)

Automatically executed against orders in the limit order book; (2) placed in the limit order book (if they are not marketable); (3) automatically executed via Auto-Ex; or (4) routed to a floor broker hand-held terminal in the trading crowd.

Accordingly, under the rule change, computer-generated orders may be sent to the Exchange in any of the three ways described above. However, if they are submitted electronically to the Exchange via the MFI, they must be properly identified with a "CG" indicator. All properly identified computer-generated orders that are sent via the MFI will be re-routed for representation by a floor broker. When an order is re-routed, it is transmitted either: (1) To a member firm booth on the trading floor; or (2) to a floor broker in the trading crowd via the floor broker hand-held terminal,<sup>7</sup> depending upon the instructions of the member firm that is responsible for the order. As noted above, orders transmitted to a member firm booth may be subsequently transmitted to a floor broker in the trading crowd either by placing the order telephonically<sup>8</sup> or by manually taking the order to the floor broker in the crowd. An order that is transmitted to a floor broker may be placed in the limit order book for representation by the Order Book Official as long as that order is a "non-broker/dealer customer order."

The Exchange notes that under the rule change, properly marked computer-generated orders that are sent via the MFI will be-routed in the same manner in which broker-dealer orders that are sent via the MFI are currently re-routed. When a broker-dealer order is routed to a floor broker in the trading crowd, the order is vocalized and, if the order represents the best bid or offering price on the PCX, the Market Quote Terminal Operator ("MQTP") will cause the order to be displayed. Computer-generated orders for the accounts of broker-dealers

will be handled in the same manner under the proposed rule change. However, if a computer-generated order is for the account of a public customer, it may be represented by a floor broker in the trading crowd, in which case the MQTO will cause it to be displayed, or the floor broker may place the order in the limit order book, in which case the Order Book Official at that trading post will cause it to be displayed and will continue to represent it.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>9</sup> of the Act, in general, and furthers the objectives of Section 6(b)(5),<sup>10</sup> in particular, in that it facilitates transactions in securities, removes impediments to and perfects the mechanism of a free and open market and a national market system, and promotes just and equitable principles of trade.

### *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 purpose of the Act.

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

Written comments on the proposed rule change were neither solicited nor received.

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

The PCX has requested that the proposed rule change be given expedited review and accelerated effectiveness pursuant to Section 19(b)(2) of the Act.

## IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

After careful review, the Commission finds that the proposed rule change is consistent with the provisions of the Act applicable to a national securities exchange, particularly Section 6(b)(5)<sup>11</sup>

<sup>9</sup> 15 U.S.C. 78f(b).

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

<sup>11</sup> 15 U.S.C. 78f(b)(5). Section 6(b)(5) requires that the rules of a national securities exchange be designed to, among other things, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest. It also requires that those rules not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

and Section 6(b)(8)<sup>12</sup> of the Act, and the rules and regulations thereunder.<sup>13</sup>

The Commission has carefully considered whether the Rule inhibits competition between the PCX's automated customers and those who do not employ automated means of order entry. The Commission notes that in the equity markets, for example, limit orders from public customers have been a valuable source of quote competition. Nonetheless, the Commission recognizes that the PCX's business model depends on market makers for competition and liquidity. Allowing electronic order entry into Auto-Ex could give automated customers a significant advantage over market makers. This could undercut the PCX's business model. Moreover, the Rule would allow electronically generated orders to be sent to the Exchange via the MFI if they are properly designated with a "CG" in the instruction field. Properly designated orders are then routed to the trading crowd for representation by a floor broker. However, the order is not eligible for execution through Auto-Ex.

The Commission approved a similar rule for the fully automated options exchange, the ISE. In approving the application of the ISE for registration as a national securities exchange, the Commission explicitly recognized that the ISE's business model "depends on market makers for competition and liquidity."<sup>14</sup> Recognizing that allowing electronic order entry into the ISE could "give automated customers a significant advantage over [the ISE's] market makers," the Commission stated that it was unable to conclude that the limitation violated the statutory requirements.<sup>15</sup>

ISE Rule 717(f) regarding computer-generated orders specifically permits the entry of non-marketable limited orders that improve the best price available on the ISE. This provision is designed to accommodate non-marketable limit orders because these orders serve to increase competition and improve quotes. Similarly, non-marketable electronically generated limit orders that improve the best price on the PCX will be permitted to enter the Exchange through the MFI, if they are properly designated with a "CG" in the "additional instruction" field. These

<sup>12</sup> 15 U.S.C. 78f(b)(8). Section 6(b)(8) requires that the rules of the exchange do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

<sup>13</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>14</sup> See *supra* note 4.

<sup>15</sup> *Id.*

<sup>7</sup> See PCX Rule 6.88.

<sup>8</sup> See PCX Rule 6.2(h)(4)(C).

orders will be routed from the MFI to the trading crowd for representation by a floor broker.

Although the ISE and PCX rules are not identical, both ISE Rule 717(f) and PCX Rule 6.88 permit non-marketable limit orders that improve the price to be sent to the exchange and routed to the relevant trading mechanism for execution. It is the Commission's view that the Exchange's approach strikes a reasonable balance. It provides protection to PCX market makers; at the same time, it permits properly designated electronically generated orders to be represented by a floor broker in the trading crowd. As it stated with respect to its approval of ISE Rule 717(f), the Commission is unable to conclude that the new PCX Rule violates any statutory requirements.

The Commission further notes that the Rule does not prohibit electronically generated orders from being sent to the PCX; rather, merely prevents them from being entered into Auto-Ex. Thus, properly designated electronically generated orders will be routed through the MFI to the trading crowd for representation by a floor broker. PCX rules require that all customer orders be executed at the PCX's displayed bid or offer at the time the order is represented in the crowd.<sup>16</sup> Depending upon the circumstances, the order may be filled at a price better than the PCX's displayed bid or offer. Therefore, although, electronically generated customer orders will not be eligible for automatic execution through Auto-Ex under the Rule, they will still be entitled to receive an execution price that is as good as or better than the PCX's displayed bid or offer.

The Commission finds good cause for approving the proposed rule change, as amended, prior to the thirtieth day after publication of notice thereof in the **Federal Register** pursuant to Section 19(b)(2) of the Act. Specifically, the Commission has approved similar proposals filed by the ISE<sup>17</sup> and the Chicago Board Options Exchange, Inc. ("CBOE").<sup>18</sup> Approval of this proposal on an accelerated basis will enable the PCX to compete on an equal basis with these other exchanges and thus is consistent with Section 6(b)(8) of the Act.

#### V. Solicitation of Comments

Interested persons are invited to submit written data, views and

arguments concerning the foregoing, including whether the proposed rule change, as amended, 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, 450 Fifth Street, NW., Washington, DC 20549. 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-00-13 and should be submitted by October 23, 2000.

#### VI. Conclusion

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, that the proposed rule change (SR-PCX-00-13), as amended, adopting Rule 6.88, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>19</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-25133 Filed 9-29-00; 8:45 am]

**BILLING CODE 8010-01-M**

#### SMALL BUSINESS ADMINISTRATION

##### Region IX District Advisory Council Public Meeting

The U.S. Small Business Administration Hawaii District Advisory Council, will hold a public meeting at 10 a.m. on Wednesday October 11, 2000 located at the Business Information and Counseling Center, 1111 Bishop Street, Suite 204, Training Center, Honolulu, HI to discuss such matters as may be presented by members, staff of the U.S. Small Business Administration, or others present. For further information write or call Andrew K. Poepoe, District Director

<sup>19</sup> 17 CFR 200.30-3a(a)(12).

U.S. Small Business Administration, 300 Ala Moana Boulevard, Room 2-235, Honolulu, Hawaii (808) 541-2965.

**Bettie Baca,**

*Counselor to the Administrator/Public Liaison.*

[FR Doc. 00-25186 Filed 9-29-00; 8:45 am]

**BILLING CODE 8025-01-P**

#### OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

##### 2000-2001 Allocation of the Raw Cane Sugar, Refined Sugar, and Sugar Containing Products Tariff-rate Quotas

**AGENCY:** Office of the United States Trade Representative.

**ACTION:** Notice.

**SUMMARY:** The Office of the United States Trade Representative (USTR) is providing notice of the country-by-country allocation of the in-quota quantity of the raw cane sugar, refined sugar, and sugar-containing products tariff-rate quotas for the period that begins October 1, 2000 and ends September 30, 2001.

**EFFECTIVE DATE:** October 1, 2000.

**ADDRESSES:** Inquiries may be mailed or delivered to Karen Ackerman, Agricultural Economist, Office of Agricultural Affairs (Room 421), Office of the United States Trade Representatives, 600 17th Street, NW., Washington, DC 20508.

**FOR FURTHER INFORMATION CONTACT:** Karen Ackerman, Office of Agricultural Affairs, 202-395-6127.

**SUPPLEMENTARY INFORMATION:** Pursuant to Additional U.S. Note 5 to chapter 17 of the Harmonized Tariff Schedule of the United States (HTS), the United States maintains tariff-rate quotas for imports of raw cane and refined sugar. The Secretary of Agriculture establishes the in-quota quantity the raw cane sugar and refined sugar tariff-rate quotas.

Section 404(d)(3) of the Uruguay Round Agreements Act (19 U.S.C. 3601(d)(3)) authorizes the President to allocate the in-quota quantity of a tariff-rate quota for any agricultural product among supplying countries or customers areas. The President delegated this authority to the United States Trade Representative under paragraph (3) of Presidential Proclamation No. 6763 (60 FR 1007).

Accordingly, a tariff-rate quota quantity for raw cane sugar of 1,117,195 metric tons raw value, the minimum level to which the United States is committed under the Uruguay Round Agreement, is being allocated to the following countries:

<sup>16</sup> See PCX Rule 6.86(a).

<sup>17</sup> See *supra* note 5.

<sup>18</sup> Securities Exchange Act Release No. 43285 (September 12, 2000), 65 FR 56972 (September 20, 2000) (approving SR-CBOE-00-01).