

conducted on the floor or electronically from remote locations, will be considered to be executions occurring on the Exchange.

## 2. Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,<sup>3</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating securities transactions, to remove impediments, to perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. In addition, the Exchange believes that the proposed rule change is consistent with the provisions of Section 11A(a)(1)(B) of the Act,<sup>4</sup> in that it pertains to new data processing and communications techniques which create the opportunity for more efficient and effective market operations.

### *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*

No written comments were either solicited or received.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (1) by order approve such proposed rule change, or
- (2) institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. 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 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 above-mentioned self-regulatory organization. All submissions should refer to file number SR-BSE-00-13 and should be submitted by November 2, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-26114 Filed 10-11-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43395; File No. SR-CBOE-00-46]

### **Self-Regulatory Organizations; Notice of Filing and Order Granting Partial Accelerated Approval of Proposed Rule Change and Amendment No. 1 thereto by the Chicago Board Options Exchange, Inc. Relating to its Rapid Opening System Pilot Program**

September 29, 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 7, 2000, the Chicago Board Options Exchange ("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 Exchange. On September 27, 2000, the Exchange submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> The Commission

<sup>1</sup> 17 CFR 200.30-3(a)(12).

<sup>2</sup> 15 U.S.C. 78s(b)(1).

<sup>3</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, CBOE acknowledged that prior to permanent approval of the proposed rule change, the Exchange is required to submit to the Commission a workable plan for electronic incorporation of non-bookable orders on the Exchange's Rapid Opening System ("ROS"), and a

description of the methods the Exchange will employ to surveil market-maker activities on ROS. The Exchange also clarified that the current ROS pilot program would be extended until the earlier of September 30, 2001 or such time as the Commission has approved ROS on a permanent basis. Letter from Jaime Galvan, Attorney, CBOE, to Terri Evans, Special Counsel, Division of Market Regulation ("Division"), Commission, dated September 26, 2000 ("Amendment No. 1").

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

The Exchange proposes to adopt ROS on a permanent basis, as well as extend the Pilot until the earlier of September 30, 2001 or such time as the Commission has approved ROS on a permanent basis.<sup>4</sup> The text of the proposed rule change is available at the Exchange and 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 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 Exchange 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

On February 9, 1999, the Commission approved the implementation of the Pilot.<sup>5</sup> The Pilot was extended once and is scheduled to expire on September 30, 2000.<sup>6</sup> ROS is a system developed by the Exchange to open an entire options class, all series, as a single event, based on a single underlying value.

<sup>4</sup> See Amendment No. 1 effectively clarifying that the Pilot will not be further extended beyond September 30, 2001 without separate Commission approval.

<sup>5</sup> Securities Exchange Act Release No. 41033 (February 9, 1999), 64 FR 8156 (February 18, 1999).

<sup>6</sup> Securities Exchange Act Release No. 42596 (March 30, 2000), 65 FR 18397 (April 7, 2000).

<sup>3</sup> 15 U.S.C. 78f(b)(5).

<sup>4</sup> 15 U.S.C. 78k(a)(1)(B).

The Exchange is now proposing to make the Pilot program permanent. The Exchange's experience with ROS over the past year and a half has been positive. The Exchange believes that ROS has successfully facilitated the expedited openings of options classes on the Exchange, thereby improving market efficiency for all market participants. By providing the Exchange's market-makers with the ability to open option classes within seconds of the opening of the underlying security, customer orders have been addressed in open trading in a more timely manner. The Exchange believes that ROS has enhanced the quality of customer executions and has served to protect existing order entry priority.

The Exchange is continuing to explore possibilities for bring non-bookable orders into ROS in an automated fashion. The Exchange continues to actively study the possibility of making changes to its limit order book to allow for the inclusion of other order types, at least at the opening. These changes to the Exchange's limit order book would allow ROS to electronically accommodate orders that cannot be placed in the limit order book today. The Exchange believes the Pilot is operating successfully and requests permanent approval of the proposed rule change.

The Exchange also requests an extension of the Pilot pending the Commission's consideration of the proposal to adopt ROS on a permanent basis. An extension of the Pilot program would allow the Exchange and its customers to continue to realize the benefits of ROS pending Commission consideration of permanent approval of ROS.

## 2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act<sup>7</sup> in general and furthers the objectives of Section 6(b)(5)<sup>8</sup> in particular in that it is 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 any burden on competition not necessary or appropriate in furtherance of 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 comments on the proposed rule change.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

The Exchange has requested that the Commission find good cause, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> for approving the extension of the Pilot through September 30, 2001 or until such earlier time as the Commission grants the Exchange's request for permanent approval of the program, prior to the thirtieth day after publication in the **Federal Register**.

### **IV. 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 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 File No. SR-CBOE-00-46 and should be submitted by November 2, 2000.

### **V. Commission's Findings and Order Granting Partial Accelerated Approval of Proposed Rule Change**

The Commission finds that the portion of the proposed rule change relating to the extension of the Pilot is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>10</sup> Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5) of the Act,<sup>11</sup> which requires that the rules of an exchange be designed to promote just and equitable principles of trade, to remove the impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public.

The Commission believes that accelerating effectiveness of the proposed extension of the Pilot will allow the Exchange to continue to offer the benefits of ROS without interruption while the Commission considers the Exchange's proposal to adopt ROS on a permanent basis.

The Commission finds good cause for approving this proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. Specifically, the Commission believes that accelerating the effectiveness of the proposed extension of the Pilot would benefit investors by providing for the continuation of expedited openings of options classes on the Exchange afforded by ROS.<sup>12</sup> In addition, the Commission believes that accelerated approval of the Pilot would enable the CBOE to continue uninterrupted operation of ROS while ensuring adequate time for the Commission to evaluate the Exchange's proposal.

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>13</sup> that the extension of the Pilot by the Exchange (File No. SR-CBOE-00-46) is approved until the earlier of September 30, 2001 or such time as the Commission has approved ROS on a permanent basis.

<sup>10</sup> In approving the extension of the Pilot, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>11</sup> 15 U.S.C. 78s(b)(5).

<sup>12</sup> Approval of the extension of the Pilot should not be interpreted as suggesting that the Commission is predisposed to approving the Pilot on a permanent basis.

<sup>13</sup> 15 U.S.C. 78s(b)(2).

<sup>7</sup> 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

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

[FR Doc. 00-26113 Filed 10-11-00; 8:45 am]

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-43408; File No. SR-CSE-00-01]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendments Nos. 1 and 2 by the Cincinnati Stock Exchange, Incorporated, Amending Its Rules To Accommodate the Implementation of Decimal Pricing**

October 3, 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 February 2, 2000, The Cincinnati Stock Exchange, Incorporated (“CSE” OR “Exchange”), filed with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend its rules to permit quotations made in decimal increments in conjunction with the securities industry’s phased implementation of decimal pricing conventions. On August 7, 2000, the CSE amended the proposed rule change<sup>3</sup> by requesting that the Commission grant immediate effectiveness to the proposal pursuant to Section 19(b)(3)(A) of the Act.<sup>4</sup> On October 2, 2000, the Exchange again amended the proposed rule change<sup>5</sup> by making minor technical corrections to the proposed rule text amendments. The proposal, as amended, is described in Items I, II, and III below, which Items have been prepared by the CSE. Because the CSE filed the amended proposal pursuant to Section 19(b)(3)(A) of the Act,<sup>6</sup> and Rule 19b-4(f)(6) thereunder,<sup>7</sup>

it has become effective upon filing with the Commission.<sup>8</sup> 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 Exchange proposes to amend its rules to provide for the implementation of decimal pricing. The CSE 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 CSE 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 *italic*; proposed deletions appear in brackets.

\* \* \* \* \*

**Chapter XI Trading Rules**

**Rule 11.3 Price Variations**

(a) Bids or offers in stocks traded on the Exchange at or above \$1.00 per share shall not be made at a smaller variation than 1/8 of \$1.00 per share; in stocks below \$1.00 but at or above 1/2 of \$1.00 per share, at a smaller variation than 1/16 of \$1.00; in stocks below 1/2 of \$1.00 per share, at a smaller variation than 1/32 of \$1.00 per share; and in bonds at a smaller variation than 1/8 of 1% of the principal amount, except in the case of a dually or multiply-traded security where the principal exchange shall have a different rule or when the Board of Trustees of the Exchange shall provide otherwise. (*Rule 11.3(a) will be eliminated upon completion of decimal conversion.*)

(b) *Bids or offers in stocks traded on the Exchange shall not be made at a smaller variation than \$.01 per share; and in bonds at a smaller variation than 1/8 of 1% of the principal amount.*

(c) *Notwithstanding (b) above, bids and offers in stocks not participating in the decimal pilot program and not converted to decimal pricing at or above \$1.00 per share must be made in fractions at a minimum variation of 1/16*

<sup>8</sup> In filing its Amendment No. 1, the Exchange requested that the Commission waive the requirement that the Exchange provide the Commission with written notice of its intent to make such filing, as well as a description of the proposal, at least five business days prior to the filing of the proposed rule change with the Commission. See Rule 19b-4(f)(6)(iii). 17 CFR 240.19b-4(f)(6)(iii). The Commission agrees to waive such requirement of prior notice.

*per share. The minimum variation of .01 described in (b) above is applicable to stocks that have been converted to decimal pricing. (Rule 11.3(c) will be eliminated upon completion of decimal conversion.)*

\* \* \* \* \*

**Chapter XIV Intermarket Trading System Plan**

**Rule 14.3 Pre-Opening Application**

(b) \* \* \* The “applicable price changes” are:

Previous day’s closing price	Applicable price change (more than)
Network A: Under \$15 ..	1/8 point or for stocks trading in decimals .10
\$15 or over <sup>1</sup> [**].	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 <sup>2</sup>	1/4 point or for stocks trading in decimals .25

<sup>1</sup> [\*\*] If the previous day’s consolidated closing price of [an] a Network A Eligible 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.

<sup>2</sup> If the previous day’s consolidated closing price of a Network B Eligible Security exceeded \$75 and the Security is not a Portfolio Deposit Receipt, Index Fund Share, or Trust Issued Receipt, 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) A pre-opening notification shall—

(1) Be designated as a pre-opening notification (“IND”)

(2) Identify the Exchange (“C”), the inquiring specialist and the security (“XYZ”)

(3) Indicate the “applicable price range” by being formatted as a standardized pre-opening administrative message as follows:

IND C/XYZ [RANGE]

The price range shall not exceed the “applicable price range” shown below:

Consolidated closing price	Applicable price range \$
Network A: Under \$50	1/2 point or for stocks trading in decimals .50
\$50 or over <sup>3</sup> [***]	1 point or for stocks trading in decimals 1.00
Network B: Under \$10	1/2 point or, for stocks trading in decimals, .50

<sup>14</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 Jeffrey T. Brown, Vice President, Regulation, and General Counsel, Exchange, to Joseph P. Morra, Senior Counsel, Division of Market Regulation, Commission, dated August 7, 2000 (“Amendment No. 1”).

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

<sup>5</sup> See letter from Jeffrey T. Brown, Vice President, Regulation, and General Counsel, Exchange, to Joseph P. Morra, Senior Counsel, Division of Market Regulation, Commission, dated September 22, 2000 (“Amendment No. 2”).

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).