

improvement process that the Exchange believes is encouraged by this rule.

To permit the Floor Broker who is not a nominee of the originating firm to solicit orders that will receive the benefit of the cross participation entitlement, the Exchange is proposing to delete the phrase that states that the order must be "from the same firm from which the original order originated ('originating firm')."'

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with and furthers the objectives of section 6(b)(5)<sup>9</sup> of the Act in that it is designed to remove impediments to a free and open market and protecting investors and the public interest.

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

The CBOE 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 solicited or received with respect to 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 CBOE consents, the Commission will:

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

(B) 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, 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. Copies of the filing will also be available for inspection and copying at the principal offices of the CBOE. All submissions should refer to File No. SR-CBOE-00-43 and should be submitted by December 12, 2000.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43550; File No. SR-PCX-00-15]

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendments No. 1 and 2 Thereto by the Pacific Exchange, Inc. To Require Immediate Display of Options Limit Orders in the Option Limit Order Book**

November 13, 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 14, 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 PCX filed Amendment Nos. 1<sup>3</sup> and 2<sup>4</sup> to the proposed rule change on August 1, 2000

<sup>10</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> Letter from Hassan Abedi, Attorney, Regulatory Policy, PCX, to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), Commission, dated July 31, 2000 ("Amendment No. 1"). Amendment No. 1 deletes the language of PCX Rule 6.55 and Commentary .01 thereunder, that sets forth special reporting requirements for highest bids and lowest offers comprised of more than 25 options contracts.

<sup>4</sup> Letter from Hassan Abedi, Attorney, Regulatory Policy, PCX, to Nancy Sanow, Assistant Director, Division, Commission, dated September 29, 2000 ("Amendment No. 2"). Amendment No. 2 revises Rule 6.55 to clarify that "immediately" means as soon as practicable after receipt, which under normal market conditions means no later than 30 seconds.

and October 17, 2000, respectively. The Commission is publishing this notice to solicit comments on the proposed rule change and Amendment Nos. 1 and 2 from interested persons.

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

The PCX proposes to amend PCX Rule 6.55 to require Order Book Officials to immediately display options limit orders in the Options Limit Order Book. As amended, the PCX proposal requires Order Book Officials to immediately display the highest bid and lowest offers, along with the corresponding number of options contracts bid or offered in the book for which that official acts as the Order Book Official. Additionally, the proposed rule change would delete the special requirements contained in PCX Rule 6.55 and Commentary .01 thereunder, that apply to highest bids and lowest offers of more than 25 options contracts.<sup>5</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 PCX 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 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

The purpose of the proposed rule change is to amend Exchange Rule 6.55 ("Displaying Bids and Offers in the Book") to require the immediate display of options limit orders by Order Book Officials. Currently, PCX Rule 6.55 requires an Order Book Official to continuously display, in a visible manner, the highest bid and lowest offer, along with the corresponding number of options contracts bid or offered, in his book in each option contract for which he is the Order Book Official.

The Exchange represents that limit orders are routed to an Order Book Official either manually or electronically. A manual order is sent to an Order Book Official by a floor

<sup>5</sup> See Amendment No. 1, *supra* note 3.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

broker, who places a written, time-stamped order ticket into the proper receptacle at the trading post.<sup>6</sup> An electronic order is routed to the Order Book Official when a member firm places an order through the Exchange's Member Firm Interface to the Pacific Options Exchange Trading System ("POETS"). The order is then electronically entered into the Order Book Official's book through the Auto-Book function of POETS. Orders entered electronically into the book that improve the disseminated quote are immediately displayed on the overhead screens on the trading floor and are disseminated to the public through the Options Price Reporting Authority ("OPRA").<sup>7</sup> However, orders entered manually must be entered into the POETS system before they can be displayed on the floor or disseminated through OPRA.<sup>8</sup>

PCX Rule 6.55 currently requires the Order Book Official to continuously display the best bid and offer "so far as practicable."<sup>9</sup> The Exchange believes that the practicality requirement is no longer appropriate. PCX Rule 6.55 was codified before orders could be entered electronically through POETS. Today, only a small percentage of options orders are routed to the Order Book Officials manually. Accordingly, the Exchange proposes to amend PCX Rule 6.55 to eliminate the practicability requirement for the display of options transactions and replace it with a requirement that all orders must be displayed "immediately." The proposed rule change defines the term "immediately" to mean as soon as practicable after receipt, which under normal market conditions means no later than 30 seconds.<sup>10</sup>

In modifying this rule, the Exchange is mindful of the importance of immediately displaying limit orders that represent the best bid and offer on the Exchange. Indeed, the Exchange notes that the Commission has recently emphasized the critical importance of improving industry practices relating to the display of limit orders.<sup>11</sup> In that

regard, the Exchange is modifying PCX Rule 6.55 to help further this important objective.<sup>12</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of section 6 of the Act,<sup>13</sup> in general, and further the objectives of section 6(b)(5) of the Act,<sup>14</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange believes that the proposed rule change will not 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

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 Exchange 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.

Examinations and Office of Economic Analysis, Commission (May 4, 2000).

<sup>12</sup> The Exchange represents that, currently, no PCX members operate any of the limit order books on the PCX Options Floor. Therefore, initially, the proposed change to PCX Rule 6.55 will apply only to PCX staff. However, the Exchange anticipates that in the future, PCX members may begin to operate limit order books on the options floor, and accordingly, the rule, as modified, will apply to members. See Securities Exchange Act Release No. 41595 (July 2, 1999), 64 FR 38064 (July 14, 1999) (order approving a PCX proposed rule change to permit PCX members to operate limit order books) (File No. SR-PCX-98-02).

<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(5).

## 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 submissions, 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 persons, 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 File No. SR-PCX-00-15 and should be submitted by December 12, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>15</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43547; File No. SR-Phlx-00-95]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Registration Fees for Registered Representatives

November 13, 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 October 25, 2000, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 November 2, 2000, the Phlx filed

<sup>15</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>6</sup> See PCX Rule 6.52, Commentary .04. Prior to placing an order into the Order Book Official's custody, a Floor Broker must use due diligence in handling that order. See generally, PCX Rule 6.46.

<sup>7</sup> OPRA disseminates the options exchanges' best bid and offering prices, but does not disseminate the corresponding size of those markets. However, the sizes of the best bid and offer in the book are displayed on the overhead screens on the PCX floor, subject to certain conditions. See PCX Rule 6.55.

<sup>8</sup> This process requires a member of the Order Book Official's staff to enter the order into the system.

<sup>9</sup> See PCX Rule 6.55.

<sup>10</sup> See Amendment No. 2, supra note 4.

<sup>11</sup> See generally, Report Concerning Display of Limit Orders, Office of Compliance, Inspections and