

U.S.C. 552, will be available for inspection and copying in the SEC's Public Reference Room. Copies of the filing will also be available for inspection and copying at the MSRB's principal offices. All submissions should refer to File No. SR-MSRB-2001-01 and should be submitted by May 1, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44179; File No. SR-NYSE-2001-05]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the New York Stock Exchange, Inc., Relating to the Expansion of the Maximum Share Size Parameter for Single Orders Entered Into the SuperDot System

April 13, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 2, 2001, the New York Stock Exchange, Inc. ("NYSE" 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 30, 2001, the Exchange amended its proposal ("Amendment No. 1") to provide a revised Exhibit 1 to the proposal.³ The Commission is publishing this notice, as amended, to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change consists of a further expansion of the maximum share size parameter for single orders entered into the SuperDot System

("SuperDot System" or "SuperDot") originally proposed by the Exchange.⁴

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 and is set forth in Sections A, B, and C below.

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

1. Purpose

The Exchange's SuperDot System provides automated order routing and reporting services to facilitate the timely and effective transmission, execution, and reporting of market and limit orders on the Exchange. Pursuant to paragraph (a) of NYSE Rule 123B, "Exchange Automated Order Routing Systems," members and member organizations may utilize the SuperDot System to transmit orders of such size as the Exchange may specify from time to time.

In the January Proposal, the Exchange amended the maximum share size parameters for single market and limit orders entered into the SuperDot System from 30,099 shares (for single market orders) and 99,999 shares (for single limit orders) to 500,000 shares initially, to be followed by an increase six months later to 1,000,000 shares.⁵

The purpose of this filing is to further amend the maximum share size parameter for single market and limit orders entered into the SuperDot System. The Exchange proposes to increase the maximum order size for both market and limit orders to 3,000,000 shares. The increase would become effective six months after the increase to 1,000,000 shares.

The Exchange believes that the proposed increase would provide many benefits to those that use the SuperDot System. The proposed amendment

would facilitate openings and closings by increasing the number of shares that can be accommodated, especially in initial public offering situations. The proposed amendment would also eliminate the need for firms and institutions to break up large orders in order to make them SuperDot eligible, streamline the cancel and replace process, and reduce some of the paper from the floor, in support of the Exchange's goal of having a "paperless" floor. Further, the Exchange believes that the proposed increase would be compatible with the maximum share size capabilities of the Broker Booth Support System.⁶ Moreover, this proposed rule change would help facilitate the electronic capture of orders required by NYSE Rule 123, "Record of Orders."⁷

2. Statutory Basis

The basis under the Act for this proposed rule change is the requirement under section 6(b)(5) of the Act⁸ that an Exchange have rules that are designed to promote just and equitable principles of trade, 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, not necessary or appropriate in furtherance of the purposes of the Act.

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

Within 35 days of the publication of this notice in the **Federal Register** or

⁶ The Broker Booth Support System is an order management system designed exclusively for NYSE members. The maximum share size capability for the Broker Booth Support System is 3,000,000 shares. Telephone conversation between John Lomnicki, Senior Project Specialist, Market Surveillance, NYSE, and Lisa Jones, Attorney, Division of Market Regulation, Commission (April 12, 2001).

⁷ See Securities Exchange Act Release No. 43689 (December 7, 2000), 65 FR 79145 (December 18, 2000) (order approving File No. SR-NYSE-99-25).

⁸ 15 U.S.C. 78f(b)(5).

²⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The revised Exhibit 1 indicates that the proposal is pursuant to Section 19(b)(2) of the Act rather than section 19(b)(3)(A) of the Act, as was indicated in the original Exhibit 1.

⁴ In January 2001, a NYSE proposal to increase the maximum SuperDot share size parameter to 1,000,000 shares became effective. See Securities Exchange Act Release No. 43880 (January 23, 2001), 65 FR 8828 (February 2, 2001) (SR-NYSE-00-63) ("January Proposal"). In the January Proposal, the NYSE proposed to increase the maximum SuperDot share size parameter in two stages, with an initial increase to 500,000 shares, followed in six months by an increase to 1,000,000 shares.

⁵ See January Proposal, *supra* note 4.

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 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 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-NYSE-2001-05 and should be submitted by May 14, 2001.

For the Commission, by the Division of Market Regulation, pursuant to the delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44185; File No. SR-Phlx-2001-20]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 by the Philadelphia Stock Exchange, Inc. To Extend a Pilot Program Relating to Price Protection in a Decimals Environment

April 16, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 1, 2001, the Philadelphia Stock Exchange Inc. ("Phlx" 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 April 13, 2001, the Exchange amended the proposal.³ The Exchange filed this proposal under section 19(b)(3)(A) of the Act,⁴ and Rule 19b-4(f)(6)⁵ thereunder, 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 extend through August 31, 2001 the operation of the pilot program that amended Phlx Rule 229, Philadelphia Stock Exchange Automated Communication and Execution System (PACE) ("Pilot"),⁶ as part of implementing industry-wide decimalization and securities pricing in fractions and decimals.⁷ The text of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See April 23, 2001 letter from Jurij Trypupenko, Esquire, Phlx to Alton S. Harvey, Division of Market Regulation, SEC and attachments ("Amendment No. 1"). In Amendment No. 1, the Phlx converted the proposed rule change to a non-controversial proposal pursuant to Rule 19b-4(f)(6). 17 CFR 240.19b-4(f)(6). In addition, the Phlx changed the number of the proposed rule change from SR-Phlx-01-20 to SR-Phlx-2001-20, and made other technical, non-substantive changes to the proposal.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

⁶ PACE provides a system of automatic delivery and execution of orders on the Phlx equity floor under predetermined conditions.

⁷ The Pilot was established in SR-Phlx-00-08. See Securities Exchange Act Release No. 43206 (August 25, 2000), 65 FR 53250 (September 1, 2001). The Commission notes that full implementation of decimal pricing in equities and options was completed on April 9, 2001. While the rules governing the Pilot make reference to

proposed rule change is available at the Phlx and at 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

The Phlx proposes to extend, through August 31, 2001, the effectiveness of the Pilot that amends Phlx Rule 229 and institutes, for equities priced in decimals, among other things, decimal-based requirements relating to mandatory double-up/double-down price protection and automatic price improvement, as indicated below.

Supplementary Material .05 to Rule 229 establishes that if the PACE Quote⁸ at the time of order entry into the system reflects a $\frac{1}{8}$ point spread or less (the difference between the best bid and offer) for equities trading in fractions, or \$.05 or less for equities trading in decimals, that order will be executed immediately.

Supplementary Material .07(c) to Rule 229 establishes that automatic price improvement and mandatory manual double-up/double-down price protection applies to both fractional and decimal priced equities. The Pilot provides that specialists may choose to provide automatic price improvement of \$.01 to all customers and all eligible market orders in an equity trading in decimals (where the PACE Quote is either \$.05 or greater or \$.03 or greater), or $\frac{1}{16}$ to equities trading in fractions (where the PACE Quote is $\frac{3}{16}$ or greater or $\frac{1}{8}$ or greater).⁹ And specialists that

fractional pricing, the Commission did not require the Phlx to amend its rules at this time to reflect full implementation of decimal pricing. The Phlx should, at some point in the future, file a proposed rule change to remove references to fractional pricing from its rules.

⁸ The PACE Quote is the National Best Bid/Offer.

⁹ The Exchange previously established a six-month pilot program relating to price improvement based on a percentage of the spread between the bid

Continued

⁹ 17 CFR 200.30-2(a)(12).