

elimination of PCX Rule 6.40, in conjunction with the codification of new paragraph (h) of PCX Rule 6.84, should help assure an appropriate balance between the need to impose reasonable trading restrictions for joint account participants and the need to allow PCX members flexibility to participate in trading crowds.

Accordingly, the Commission finds that the PCX's proposal is designed to promote just and equitable principles of trade, to facilitate transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and to protect investors and the public interest, as specified in section 6(b)(5) of the Act.<sup>10</sup>

#### IV. Conclusion

*It Is Therefore Ordered*, pursuant to section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (File No. SR-PCX-00-21) is approved.<sup>12</sup>

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44345; File No. SR-PCX-99-48]

### Self-Regulatory Organization's; Pacific Exchange, Inc.; Order Approving Proposed Rule Change and Amendments No. 1, 2 and 3 Relating to Miscellaneous House-Keeping Amendments to Options Trading Rules

May 23, 2001.

#### I. Introduction

On November 5, 1999, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission"), 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> a proposed rule change to amend its options trading rules for house-keeping purposes.

The proposed rule change and Amendment No. 1 were published for

comment in the **Federal Register** on January 16, 2001.<sup>3</sup> No comments were received on the proposal. The proposal was amended on January 11 and April 12, 2001.<sup>4</sup> In this order, the Commission is approving the proposed rule change, as amended.

#### II. Description of the Proposal

The PCX proposes to modify its rules on options trading by clarifying existing provisions, eliminating superfluous provisions, codifying current policies and procedures, and renumbering certain Option Floor Procedure Advices.

#### III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, with the requirements of section 6(b)(5).<sup>5</sup> Specifically, the Commission finds that updating and clarifying rules and codifying current policies and procedures will enhance the ability of PCX members to comply with PCX's rules thereby promoting just and equitable principles of trade, fostering cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and in general, protecting investors and the public interest.

The Commission also considers the proposal as it relates to the PCX's minor rule violation plan to be consistent with section 6(b)(5),<sup>6</sup> which requires that members and persons associated with members be appropriately disciplined for violations of Exchange Rules.

#### IV. Conclusion

*It is therefore Ordered*, pursuant to section 19(b)(2) of the Act,<sup>7</sup> that the

<sup>3</sup> Securities Exchange Act Release No. 43823 (January 9, 2001), 66 FR 3633.

<sup>4</sup> See letters from Cindy L. Sink, Senior Attorney, Regulatory Policy, PCX to Heather Traeger, Attorney Adviser, Division of Market Regulation ("Division"), SEC, dated January 10 and April 11, 2001 ("Amendment Nos. 2 and 3," respectively). In Amendment No. 2, proposed rules 10.13(h)(35) and 10.13(k)(i)(35) are renumbered as 10.13(h)(38) and 10.13(k)(i)(38) because Rules 10.13(h)(35), (36) and (37) already exist. In Amendment No. 3, Rules 10.13(h)(30) and 10.13(k)(i)(30), which address fines for violations of option floor trading restrictions on members with financial arrangements (Rule 6.40(b)), are eliminated to reflect rule changes made by other filings. Also rules affected by the removal of Rules 10.13(h)(30) and 10.13(k)(i)(30) are renumbered. These are technical amendments that do not need to be published for comment.

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

<sup>6</sup> 15 U.S.C. 78f(b)(6).

<sup>7</sup> 15 U.S.C. 78s(b)(2).

proposed rule change (SR-PCX-99-48), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44362; File No. SR-Phlx-2001-56]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Extend Its Pilot Program to Disengage Its Automatic Execution System ("AUTO-X") for a Period of Thirty Seconds After the Number of Contracts Automatically Executed in a Given Option Meets the AUTO-X Minimum Guarantee for That Option

May 29, 2001.

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 17, 2001, 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 and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposal on an accelerated basis, for a six-month pilot, scheduled to end on May 31, 2001.

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

The Phlx proposes to extend, for an additional six months, its pilot program effecting a systems change to AUTO-X, the automatic execution feature of the Exchange's Automated Options Market System ("AUTOM"),<sup>3</sup> that would

<sup>8</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> AUTOM is the Exchange's electronic order delivery and reporting system, which provides for the automatic entry and routing of equity option and index option orders to the Exchange trading floors. Orders delivered through AUTOM may be executed manually, or certain orders are eligible for AUTOM's automatic execution feature, AUTO-X.

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

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</sup> In approving the proposal, the Commission has considered the rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f). 17 CFR 200.30-3(a)(12).

<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.