

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.*

[FR Doc. 01-13885 Filed 6-1-01; 8:45am]

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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.

disengage 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. The Exchange also proposes to expand the number of options eligible for inclusion in the pilot from the current amount of up to thirty options to an amount not to exceed 100 options, subject to the approval of the Options Committee. The pilot program was originally approved on a six-month pilot basis, and will expire on May 31, 2001.<sup>4</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 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 III 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 the pilot program for an additional six-month period, and proposes to expand the number of options eligible for inclusion in the pilot program to an amount not to exceed 100 options, subject to the approval of the Options Committee.

On December 1, 2000, the Phlx's pilot program became effective.<sup>5</sup> The pilot program includes the following features:

- Once an automatic execution occurs via AUTO-X in an option, the system would begin a "counting" program, which would count the number of contracts executed automatically for that option, up to the AUTO-X guarantee, regardless of the number of executions.

Equity option and index option specialists are required by the Exchange to participate in AUTOM and its features and enhancements. Option orders entered by Exchange members into AUTOM are routed to the appropriate specialist unit on the Exchange's trading floor.

<sup>4</sup> See Securities Exchange Act Release No. 43652 (December 1, 2000), 65 FR 77059 (December 8, 2000) (SR-Phlx-00-96) ("Initial Pilot Program"). One comment letter was received regarding the Commission's approval of the Initial Pilot Program. See letter from George Brunelle, Brunelle & Hadjickow, to Jonathan G. Katz, Secretary, Commission, dated January 3, 2001.

<sup>5</sup> See *supra* note 4.

- When the number of contracts executed automatically for that option meets the AUTO-X guarantee within a fifteen second time frame, the system would cease to automatically execute for that option, and would drop all AUTO-X eligible orders in that option for manual handling by the specialist for a period of thirty seconds to enable the specialist to refresh quotes in that option.<sup>6</sup>

- Upon the expiration of thirty seconds, automatic executions would resume and the "counting" program would be set to zero and begin counting the number of contracts executed automatically within a fifteen second time frame again, up to the AUTO-X guarantee.

- Again, when the number of contracts automatically executed meets the AUTO-X guarantee within a fifteen second time frame, the system would drop all subsequent AUTO-X eligible orders for manual handling by the specialist for a period of thirty seconds.

A significant purpose of this pilot program is to enable the Exchange to move towards the dissemination of options quotations with size.<sup>7</sup> The "counting" feature of the pilot program functions to disengage AUTO-X for a period of thirty seconds in a given option once the number of contracts automatically executed meets the AUTO-X guarantee for that option within a fifteen-second time frame. A similar "counting" mechanism is expected to be utilized upon the implementation of the systems necessary for the dissemination of options quotations with size. Thus, the proposed extension of the pilot program should allow the Exchange to continue its efforts in the process of moving towards the implementation of quotations with size.

The Exchange believes that an extension of the pilot program would

<sup>6</sup> Any orders delivered in excess of the minimum AUTO-X guarantee will be executed to the guaranteed amount and the excess will be dropped to the specialist for manual execution. See Initial Pilot Program, *supra* note 4.

<sup>7</sup> Currently, the size of any disseminated bid or offer by the Exchange is equal to the AUTO-X guarantee for the quoted option, except that the disseminated size of bids and offers of limit orders on the book is ten contracts and shall be firm regardless of the actual size of such orders. See Exchange Options Floor Procedure Advice F-7. The Exchange has established this rule setting forth the size for which its quotes are firm, and periodically publishes that size in accordance with recently amended Rule 11Ac1-1 under the Act (the "Quote Rule"). See Securities Exchange Act Release No. 44145 (April 2, 2001), 66 FR 18662 (April 10, 2001) File No. SR-Phlx-01-37. The Initial Pilot Program is designed, in part, to enable the Exchange to roll out the system designed to decrement the disseminated size of Exchange quotes once such system is deployed.

enable specialists in the options included in the pilot program to continue to provide fair and orderly markets during peak market activity by manually executing orders at correct market prices and refreshing quotations to reflect market demand.

The Exchange further proposes to expand the number of options eligible for inclusion in the pilot program to an amount not to exceed 100 options to further enable the Exchange to prepare for, and ascertain the readiness of its systems for, the eventual floor-wide dissemination of options quotations with size.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6 of the Act<sup>8</sup> in general, and with section 6(b)(5) in particular,<sup>9</sup> in that it is designed to perfect the mechanism of a free and open market and a national market system, protect investors and the public interest and promote just and equitable principles of trade by enabling Exchange specialists to maintain fair and orderly markets during periods of peak market activity.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

The Exchange did not receive or solicit any written comments on the proposed rule change.

## III. 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

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

<sup>9</sup> 15 USC 78f(b)(5)

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 the File No. SR-Phlx-2001-56 and should be submitted by June 25, 2001.

#### IV. Summary of Comment Regarding the Initial Pilot Program

The Commission received one comment letter regarding the Initial Pilot Program.<sup>10</sup> The commenter suggested that the Initial Pilot Program lacked appropriate safeguards to ensure time priority of customer orders when they are transferred from AUTO-X to a specialist. More specifically, the commenter was concerned that orders would not be executed immediately and therefore, would not receive the best price. In addition, the commenter compared the disengagement of AUTO-X to a trading halt without advance published notice. Finally, the commenter claimed that that the pilot program would result in a loss of predictability and reliability of quoted Phlx prices and would allow specialists to circumvent the Quote Rule, thereby hindering market efficiency.

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

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.<sup>11</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires that the rules of an exchange be designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national securities system, and protect investors and the public interest.<sup>12</sup> The Commission believes that extension of the Initial Pilot Program should help the Exchange to prepare for disseminating its options quotes with size. In addition, the Commission believes that the proposal may assist specialists in maintaining fair and orderly markets during periods of peak market activity.

The Commission recognizes that during the six months of the Initial Pilot

Program, the Phlx has received no complaints from customers, floor traders, or member firms. The Commission finds that the Phlx has adequately responded to concerns raised in the commenter's letter.<sup>13</sup> The Exchange noted that Phlx Rule 1080(c) provides the Phlx's Options Committee discretion to restrict the use of AUTO-X in any options series. The Exchange also clarified that orders will not be executed at an inferior price simply because they are not routed to the specialist for manual handling; the orders will be handled in a manner consistent with the Exchange's rules on priority, parity, and precedence and in compliance with the SEC's Quote Rule and Phlx Rule 1082 ("Firm Quotations").

Consequently, the Commission believes that extending the Initial Pilot Program for an additional six months in a limited number of options should enable the Phlx to further evaluate the effect of disengaging AUTO-X under certain circumstances. The Commission finds that increasing the number of options included in the pilot program to an amount not to exceed 100 options is reasonable because no problems were reported during the six months of the Initial Pilot Program.

The Commission notes that the Exchange has represented that it will continue to evaluate the pilot program by reviewing specialists' performance in the selected options, and by monitoring any complaints relating to the pilot program.<sup>14</sup> Furthermore, the Commission notes that the Exchange has represented that it will continue to post on its website a list of options included in the pilot program, as well as issue a circular to this effect to members, member organizations, participants, and participant organizations explaining the pilot program and the circumstances in which the AUTO-X system will not be available for customer orders.<sup>15</sup>

Finally, the Commission finds good cause, pursuant to section 19(b)(2) of the Act,<sup>16</sup> for approving the proposed rule change prior to the thirtieth day after

<sup>13</sup> See letter from Richard S. Rudolph, Counsel, Phlx, to Jonathan G. Katz, Secretary, Commission, Phlx, dated May 21, 2001.

<sup>14</sup> Telephone conversation between Richard S. Rudolph, Counsel, Phlx, and Sapna C. Patel, Attorney, Division of Market Regulation ("Division"), Commission, on May 24, 2001.

<sup>15</sup> *Id.* Phlx also represented that it would include language in its circular clarifying that Auto-X will not be re-engaged until the expiration of the 30 second period, even after a quote is revised. Telephone conversation between Richard S. Rudolph, Counsel, Phlx, and Sonia Patton, Attorney, Division, Commission, on May 29, 2001.

<sup>16</sup> 15 U.S.C. 78s(b)(2).

the date of publication of notice thereof in the **Federal Register**. The Commission believes that granting accelerated approval to extend the Initial Pilot Program for six months will allow Phlx to continue, without interruption, the existing operation of its AUTO-X system.

#### VI. Conclusion

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>17</sup> that the proposed rule change (SR-Phlx-2001-56) is hereby approved on an accelerated basis, as a six-month pilot, scheduled to expire on November 30, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>18</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 01-13955 Filed 6-1-01; 8:45 am]

**BILLING CODE 8010-01-M**

## SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3320, Amdt. #6]

### State of Washington

In accordance with a notice received from the Federal Emergency Management Agency, dated May 21, 2001, the above-numbered Declaration is hereby amended to extend the deadline for filing applications for physical damages as a result of this disaster to June 30, 2001.

All other information remains the same, *i.e.*, the deadline for filing applications for economic injury the deadline is November 30, 2001.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008.)

Dated: May 29, 2001.

**James E. Rivera,**

*Acting Associate Administrator for Disaster Assistance.*

[FR Doc. 01-13954 Filed 6-1-01; 8:45 am]

**BILLING CODE 8025-01-P**

## TENNESSEE VALLEY AUTHORITY

### Paperwork Reduction Act of 1995, as Amended by Public Law 104-13; Proposed Collection, Comment Request

**AGENCY:** Tennessee Valley Authority.

**ACTION:** Proposed collection; comment request.

**SUMMARY:** The proposed information collection described below will be

<sup>17</sup> *Id.*

<sup>18</sup> 17 CFR 200.30-3(a)(12).

<sup>10</sup> See *supra* note 4.

<sup>11</sup> In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. <sup>15</sup> U.S.C. 78c(f).

<sup>12</sup> 15 U.S.C. 78f(b)(5).