

Please direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, Mail Stop 0-4, 450 5th Street, NW., Washington, DC 20549.

Dated: June 20, 2001.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44462; File No. SR-CBOE-00-22]

Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to the Automatic Execution of Certain Orders on the Exchange's Electronic Limit Order Book

June 21, 2001.

On June 1, 2000, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange"), filed with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change relating to the automatic execution of certain orders on the Exchange's electronic limit order book. Notice of the proposed rule change and Amendment Nos. 1 and 2 thereto were published for comment in the **Federal Register** on May 7, 2001.³ No comments were received on the proposed rule change, as amended.

The Exchange proposes to amend its rules governing the operation of its Retail Automatic Execution System ("RAES") to provide for the automatic execution, under certain circumstances, of orders in the Exchange's electronic limit order book when they become marketable. The Exchange proposes to implement a system enhancement called "Autoquote Triggered EBook Execution" ("Trigger") to particular option classes, as determined by the appropriate Floor Procedure Committee. Trigger will allow orders resting in the book to be automatically executed where the bid or offer for a series of options generated by the Exchange's Autoquote system (or any Exchange-approved proprietary quote generation

system used in lieu of Autoquote) is equal to or crosses the Exchange's best bid or offer for that series as established by a booked order. Only series in which Autoquote (or any Exchange-approved quote generation system) is employed are eligible for Trigger.

Where Trigger has been activated, as Autoquote changes and the quote generated by Autoquote either touches or crosses an order in the book, the booked order(s) will be automatically executed up to the applicable RAES contract limit. The booked order then will be immediately taken out of the book and a last sale will be disseminated. A ticket will be printed on the book printer notifying the book clerk that a trade has been executed and an endorsement is required. After the book clerk verifies with the Designated Primary Market-Maker ("DPM") that the trade is valid based on movements in the underlying security, the trade will be endorsed by the book clerk.⁴ In most instances, it will be endorsed to the RAES "wheel" up to the applicable RAES contract limit. However, the Trigger system will have the functionality to allow the trade to be endorsed manually (as is done today) when appropriate.

If the number of contracts in the book is greater than the applicable RAES contract limit, the trading crowd will manually execute the remainder. In the limited circumstance where contracts remain in the book after a Trigger execution and a disseminated quote remains locked or crossed, orders in RAES for options of that series will be "kicked-out" of RAES, and immediately and automatically routed to the crowd Public Automated Routing ("PAR") terminal (absent contrary instructions of the firm), where they will be represented by the broker and, if executable, will ordinarily be executed immediately. Because these orders remain RAES eligible, they will be entitled to receive firm quote treatment when represented in the crowd.

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.⁵ In particular, the Commission believes that the proposal is consistent with Section 6(b)(5) of the

⁴ If the DPM determines that the trade is not valid, e.g., if the trade was based on an erroneous print in the underlying security, the order will be re-booked and the last sale canceled.

⁵ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78(c)(f).

Act,⁶ which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market, and to protect investors and the public interest. The proposed rule change should help provide faster execution of customer orders, while reducing the burden on the Exchange's DPMs with respect to manual execution of booked orders, limiting the number of book trade-throughs, and eliminating a large number of RAES kick-outs.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (File No. SR-CBOE-00-22) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44458; File No. SR-MSRB-2001-03]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to the Establishment of an Optional Procedure for Electronic Submissions of Required Materials Under Rule G-36, on Delivery of Official Statements, Advance Refunding Documents and Forms G-36(OS) and G-36(ARD) to the MSRB

June 20, 2001.

Pursuant to section 19(b) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder,¹ notice is hereby given that on June 7, 2001, the Municipal Securities Rulemaking Board ("MSRB" or "Board") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change (File No. SR-MSRB-2001-03) ("proposed rule change") described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 44236 (April 30, 2001), 66 FR 23055 (May 7, 2001).