

Commission, 450 5th Street, NW.,  
Washington, DC 20549.

Dated: April 30, 2002.

**J. Lynn Taylor,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45858; File No. SR-Amex-  
2002-02]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 Thereto by the American Stock Exchange LLC Amending Exchange Equities and Options Rules to Provide for Decimal Pricing

May 1, 2002.

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 January 14, 2002, the American Stock Exchange LLC ("Amex" 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 Amex. On March 18, 2002, the Amex amended the proposed rule change.<sup>3</sup> The Amex again amended the proposal on April 18, 2002.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Amex proposes to amend its equities and options rules to provide for decimal pricing. The text of the proposed rule change, as amended, is available at the Amex 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 Exchange proposes to amend its equities and options rules to provide for decimal pricing, in accordance with the Commission's order requiring self-regulatory organizations to submit rule filings regarding decimal pricing pursuant to Section 19(b)(2) of the Act by January 14, 2002,<sup>5</sup> and with the Commission's June 8, 2000 order establishing the framework for decimal pricing.<sup>6</sup> On August 7, 2000, the Amex filed with the Commission amendments to its rules to accommodate quoting in decimals in equities and options<sup>7</sup> in accordance with the Decimals Implementation Plan for the Equities and Options Markets submitted to the Commission on July 26, 2000 (the "Plan").<sup>8</sup> The Exchange began phasing in decimal quoting in equities and options on August 28, 2000, and began quoting all equities and options overlying exchange-listed stocks in decimals on January 29, 2001. Options overlying Nasdaq stocks began a phased-in conversion to decimal quoting on March 12, 2001, with full conversion to decimal quoting in options overlying Nasdaq stocks on April 9, 2001.

The Exchange proposes to continue the current minimum price variation ("MPV") for equities and options included in SR-Amex-2000-41<sup>9</sup> of:

\$.01 MPV for equities, exchange traded funds and trust issued receipts; \$.05 MPV for option issues quoted under \$3 a contract; and \$.10 MPV for option issues quoted at \$3 a contract or greater. The proposed changes, therefore, primarily delete references to quoting in fractions that were retained in SR-Amex-2000-41<sup>10</sup> to accommodate securities that continued quoting in fractions during the phase-in of full decimalization.

The Amex proposes to amend the following rules:

*Amex Rule 25.* Cabinet Trading of Equity and Derivative Securities. Commentary .01 is proposed to be amended to replace  $\frac{1}{256}$  of \$1.00 with \$.01 as the minimum price which can be defined in a computer-readable format by the Exchange's market data system to the facilities of the Consolidated Tape and Consolidated Quotations Systems.

*Amex Rule 103.* General Floor Prohibitions. The Commentary .03 example is proposed to be amended to delete the reference to  $25\frac{1}{8}$  and to Amex Rule 127. A number of the Exchange's previous rule changes, included in SR-Amex-2000-41,<sup>11</sup> referred to Amex Rule 127 in so far as Amex Rule 127 provided that securities not subject to decimal pricing under the phase-in would continue to be subject to the specified minimum fraction. Because previous rule changes maintained references to both fractions and decimals to accommodate quoting in both under the pilot, a number of the following rule changes delete references to Amex Rule 127.

*Amex Rule 109.* "Stopping" Stock. This rule is proposed to be amended to delete reference to Amex Rule 127.

*Amex Rule 127.* MPVs. This rule is proposed to be amended to provide that the MPV for dealings in equity securities shall be one cent (\$.01). Rule language stating that different minimum fractional changes that may be fixed by the Exchange is proposed to be deleted. Commentary.01, which refers to the phase-in of decimal pricing under the Plan as well as continued quoting in fractions of equities not subject to decimal pricing, is proposed to be deleted. The proposed rule change would also delete Commentary .02 referring to quoting in  $\frac{1}{32}$  or  $\frac{1}{64}$  of specified Index Fund Shares and Portfolio Depositary Receipts; and Commentary .03 referring to quoting in  $\frac{1}{16}$  or  $\frac{1}{64}$  of specified Index Fund Shares. Commentary .04 relating to trading on the Floor in  $\frac{1}{32}$  or  $\frac{1}{64}$  to

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See letter from Geraldine Brindisi, Vice President and Corporate Secretary, Amex, to Alton S. Harvey, Assistant Director, Division of Market Regulation ("Division"), Commission, dated March 14, 2002 ("Amendment No. 1"). In Amendment No. 1, the Amex made technical corrections to the proposed rule text.

<sup>4</sup> See letter from Claire P. McGrath, Senior Vice President and Deputy General Counsel, Amex, to Alton S. Harvey, Assistant Director, Division, Commission, dated April 17, 2002 ("Amendment No. 2"). In Amendment No. 2, the Amex: (1) deleted the term "Trading Increment" from Amex Rule 1000, Commentary .03(e) and Amex Rule 1000A, Commentary .02(e); and (2) amended Amex Rule 952(a) to replace the term "trading increments" with "quoting increments."

<sup>5</sup> See Securities Exchange Act Release No. 44846 (September 25, 2001), 66 FR 49983 (October 1, 2001).

<sup>6</sup> See Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38010 (June 19, 2000).

<sup>7</sup> See Securities Exchange Act Release No. 43231 (August 30, 2000), 65 FR 54574 (September 8, 2000) (SR-Amex-2000-41).

<sup>8</sup> See letter from Dennis L. Covelli, Vice President, New York Stock Exchange, Inc. to Annette Nazareth, Director, Division, Commission, dated July 25, 2000.

<sup>9</sup> See supra note 7.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

match bids and offers displayed by other markets to prevent trade-throughs would also be deleted.

*Amex Rule 132.* Price Adjustment of Open Orders on "Ex-Date." This rule is proposed to be amended to substitute "one cent increment" for "MPV" and would delete reference to Amex Rule 127.

*Amex Rule 134.* Cash, Next Day and Seller's Option Transactions. This rule is proposed to be amended to delete reference to 1/8 point and to Amex Rule 127.

*Amex Rule 154.* Orders Left with Specialist. This rule is proposed to be amended to delete reference to 1/8 point or higher for securities quoting in fractions and reference to Amex Rule 127.

*Amex Rule 1000.* Portfolio Depositary Receipts. Commentary .03 to this rule is proposed to be amended to delete reference to minimum trading increment of 1/64, replacing it with an MPV of one cent (\$.01).

*Amex Rule 1000A.* Index Fund Shares. Commentary .02 to this rule is proposed to be amended to delete reference to 1/16, 1/32, and 1/64 minimum trading increments, and replace them with an MPV of one cent (\$.01).

*Amex Rule 918.* Trading Rotations, Halts and Suspensions; Amex Rule 952. MPVs;

*Amex Rule 958.* Options Transactions of Registered Traders; and Amex Rule 951C. Premium Bids and Offers. These rules are proposed to be amended to delete references to options series quoting in fractions and to the phase-in of decimals quoting under the Plan.

*Amex Rule 903G.* Terms of FLEX Options. This rule is proposed to be amended to clarify that exercise prices and premiums for FLEX options are to be rounded to the nearest MPV as set forth in Amex Rule 952.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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

<sup>13</sup> 15 U.S.C. 78f(b)(5).

## 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.

## 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 Exchange 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 Exchange. All submissions should refer to File No. SR-Amex-2002-02 and should be submitted by May 29, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**J. Lynn Taylor,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45864; File No. SR-Amex-2002-33]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by American Stock Exchange LLC Relating to Proprietary Order Routing Facilities for Amex Listed Options

May 2, 2002.

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 April 16, 2002, the American Stock Exchange LLC ("Amex" 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 Amex. Amex submitted Amendment No. 1 to the proposed rule change on April 30, 2002.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

Amex proposes to permit members to use, on an interim basis, facilities that are not owned or operated by the Exchange ("Proprietary Facilities") to transmit orders electronically from the Amex floor to other exchanges and to receive orders transmitted electronically to the Amex floor from other exchanges for the purchase or sale of Amex listed options until the complete implementation of the permanent intermarket linkage in the options market ("Permanent Options Linkage").<sup>4</sup> Below is the text of the

<sup>14</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> In Amendment No. 1, the Exchange proposed Commentary .06 to Amex Rule 220. See letter from Geraldine M. Brindisi, Vice President and Corporate Secretary, Amex, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated April 29, 2002 ("Amendment No. 1").

<sup>4</sup> The Commission approved the Plan for the Purpose of Creating and Operating an Intermarket