

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. 34-42931; File No. SR-AMEX-99-45]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange LLC To Increase the Maximum Order Size Eligible for Automatic Execution

June 13, 2000.

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 October 25, 1999, the American Stock Exchange LLC ("Amex" 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 Amex. 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 Amex proposes to increase to seventy-five, the maximum permissible number of equity and index option contracts in an order executable through the AUTO-EX system. The text of the proposed rule change is available at the Office of the Secretary, 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 Amex 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 Amex 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

In 1985, the Exchange implemented the AUTO-EX system, which automatically executes public customer market and marketable limit orders in options at the best bid or offer displayed at the time the order is entered into the Amex Order File ("AOF"). There are, however, limitations on the number of option contracts that can be entered into or executed by these systems. AOF, which handles limit orders routed to the specialist's book as well as orders routed to AUTO-EX, was recently increased to allow for the entry of orders up to 250 option contracts.³ Generally, however, AUTO-EX is only permitted to execute equity option orders and index option orders of up to fifty contracts.⁴ Thus, market and marketable limit orders of more than fifty contracts are generally routed by AOF to the specialist's book.

The Exchange now proposes to increase to seventy-five, the maximum permissible number of equity and index option contracts in an order that can be executed through the AUTO-EX system.⁵ It is proposed that this increase in permissible order size be implemented on a case-by-case basis for an individual option class or for all option classes when two floor governors or senior floor officials deem such an increase appropriate. The Exchange represents that it has sufficient systems capacity necessary to accommodate implementation of the proposed increase.

The Exchange represents that AUTO-EX has been extremely successful in enhancing execution and operational efficiencies during emergency situations and during other, non-emergency situations for certain option classes. The Exchange believes that automatic executions of orders for up to seventy-five contracts will allow for the quick, efficient execution of public customer orders.

³ See Securities Exchange Act Release No. 42128 (November 10, 1999), 64 FR 63836 (November 22, 1999).

⁴ See Securities Exchange Act Release No. 42094 (November 3, 1999), 64 FR 61675 (November 12, 1999). While the maximum permissible number of contracts in an option order executable through AUTO-EX is generally fifty contracts, there are three exceptions: the Institutional, Japan and S&P MidCap 400 Indexes allow ninety-nine contract orders.

⁵ Order size maximum levels for Institutional, Japan, and S&P MidCap 400 Indexes (*Id.*) would remain at ninety-nine contracts under this proposal.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)⁶ of the Act in general and furthers the objectives of Section 6(b)(5)⁷ 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, and to remove impediments to and perfect the mechanism of a free and open market.

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

Amex 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 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. Solicitations of Comments

The Commission invites interested persons to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. In addition, the Commission seeks comment concerning whether the proposed rule change fosters quote competition among options market professionals and enhances investors' interests in obtaining the best available price.

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

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Amex. All submissions should refer to File No. SR-AMEX-99-45 and should be submitted by July 12, 2000.

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

Jonathan G. Katz,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42928; File No. SR-Amex-99-30]

Self-Regulatory Organizations; American Stock Exchange LLC; Order Approving Proposed Rule Change and Amendments Nos. 1 and 2 Thereto Amending Exchange Rule 18; Withdrawal From Listing

June 13, 2000.

I. Introduction

On August 13, 1999, the American Stock Exchange LLC ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission") 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 to rescind Exchange Rule 18. On September 28, 1999, the Amex submitted Amendment No. 1 to the proposed rule change.³ On February 3, 2000, the Amex submitted Amendment

No. 2 to the proposed rule change.⁴ The proposed rule change, as amended by Amendments Nos. 1 and 2, was published for comment in the **Federal Register** on February 23, 2000.⁵ The Commission did not receive any comment letters with respect to the proposal. This order approves the Exchange's proposal, as amended.

II. Description of the Proposal

Amex Rule 18 currently requires an issuer, prior to withdrawing a security from listing on the Exchange, to file with the Exchange a certified copy of a resolution adopted by the board of directors authorizing withdrawal from listing and registration and explaining the reasons for such withdrawal. The Amex rule also provides that the Exchange may require the issuer to send to all registered holders of such security a statement of the reasons for such application, together with facts in support thereof within at least fifteen days prior to the filing of a delisting application with the Commission.⁶ These Exchange Rule 18 requirements must be met before an application for delisting can be filed with the Commission.

According to the Amex, Exchange Rule 18 has not been applied in many years with respect to issuers seeking to voluntarily withdraw their securities from the listing on the Exchange. The Exchange believes Amex Rule 18 represents a needless restriction imposing burdensome delays on an issuer's decision to delist. The Amex stated that the proposed amendment to Exchange Rule 18 will implement its decision to eliminate obstacles and delays for issuers seeking to voluntarily withdraw their common stock from listing on the Exchange. Under the proposed amendments to Amex Rule 18, an issuer will be able to voluntarily withdraw a security from listing on the Exchange upon written notice to the Exchange, provided the issuer complies with all applicable state laws in effect in the state in which it is incorporated.⁷

⁴ See Letter to Marla Chidsey, Attorney, Division, Commission, from Ivonne Lugo, Associate General Counsel, Amex, dated February 2, 2000 ("Amendment No. 2"). In Amendment No. 2, Amex proposes to require the issuer to comply with all applicable state laws in effect in the state in which it is incorporated prior to filing to delist from the Amex. Amendment No. 2 also proposes to make conforming amendments to the *Amex Company Guide* Sections 1010 and 1011.

⁵ Securities Exchange Act Release No. 42427 (February 15, 2000), 65 FR 9024.

⁶ See 15 U.S.C. 781(d) and 17 CFR 240.12d2-2 describing how an issuer may delist from a national securities exchange.

⁷ The rule further states that the requirement of written notice that must be met before an

III. Discussion

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of Section 6 of the Act⁸ and the rules and regulations thereunder applicable to a national securities exchange.⁹ In particular, the Commission finds the proposed rule change is consistent with Section 6(b)(5) of the Act¹⁰ and which requires, among other things, that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote impediments to and perfect the mechanism of a free and open market, and to protect investors and the public interest.

Over the last several years, Commission staff has express concerns regarding the potentially anti-competitive effects of certain rules adopted by self-regulatory organizations ("SROs"), such as Amex Rule 18.¹¹ The Commission encouraged the Amex to revise the standards a company must comply with prior to voluntarily delisting its securities from the Amex.¹² The Commission believes that the exchanges should provide a listed company with a reasonable opportunity to move to another market if it so desires, thereby increasing competition among the markets. For example, on July 21, 1999, the Commission approved a proposed rule change to revise New York Stock Exchange's ("NYSE") Rule 500 to simplify the procedures a NYSE-listed company must follow to voluntarily delist its securities from the NYSE.¹³ The Commission believes that the proposed amendments to Amex Rule 18 should similarly eliminate obstacles and delays for issuers seeking to delist their securities voluntarily from the Amex.

Furthermore, the voluntary delisting procedures proposed by the Amex in the amended proposal represent a significant and positive change over the current delisting process and requirements in the Amex's rules. Specifically, the Commission believes that the proposed requirement that a listed company simply submit written

application for delisting can be filed with the Commission.

⁸ 15 U.S.C. 78f.

⁹ In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ See Market 2000 Report: An Examination of Current Equity Market Developments, Division, Commission, January, 1994, at 30.

¹² *Id.* at 31.

¹³ Securities Exchange Act Release No. 41634, 64 FR 40633 (July 27, 1999).

⁸ 17 CFR 200.30-3(a)(12).

¹⁵ U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter to Michael Walinskas, Deputy Associate Director, Division of Market Regulation ("Division"), Commission, from Michael J. Ryan, Chief of Staff, Amex, dated September 24, 1999 ("Amendment No. 1"). In Amendment No. 1, Amex proposes to amend Exchange Rule 18 instead of rescinding the rule in its entirety, as proposed in its initial filing, to provide that an issuer may voluntarily withdraw a security from listing on the Exchange upon written notice to the Exchange.