

(10), permit consideration for the scheduled matters at the closed meeting.

The subject matters of the closed meeting scheduled for Wednesday, June 28, 2000 will be:

Institution and settlement of injunctive actions; and

Institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: June 21, 2000.

Jonathan G. Katz,  
Secretary.

[FR Doc. 00-16057 Filed 6-21-00; 12:25 pm]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42952; File No. SR-Amex-00-25]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Change by American Stock Exchange LLC Relating to the Amendment of Exchange Rule 170

June 16, 2000.

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 3, 2000, 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 and II 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 and to approve the order on an accelerated basis.<sup>3</sup>

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

The Amex proposes to add new Commentary .10 to Exchange Rule 170

to require Floor Official approval for the deactivation of Quote Assist enhancement to the Amex Display Book by specialists on the equities floor. Proposed new language is italicized.

\* \* \* \* \*

*.10 Each specialist shall keep active at all times the quotation processing facilities (known as "Quote Assist") provided by the Exchange. A specialist may deactivate the quotation processing facilities as to a stock or a group of stocks provided that Floor Official approval is obtained. Such approval to deactivate Quote Assist must be obtained no later than three minutes from the time of deactivation.*

#### 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 III 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 January 1997, Commission Rule 11Ac1-4 under the Act ("Display Rule")<sup>4</sup> became effective. The Display Rule requires specialists to display immediately, *i.e.*, as soon as practicable, which under normal market conditions means no later than 30 seconds from the time of receipt, the price and full size of customer limit orders that would improve the bid or offer in a security. Subsequently, the Exchange implemented an Amex Display Book<sup>5</sup> enhancement to compute and disseminate a quote within the 30 second time frame. This enhancement, known as "Quote Assist," is designed to

help equities-floor specialists comply with the Display Rule.

Quote Assist monitors the limit order book for new orders and compares them to the published quotation. When a new order could improve the quote or increase the size at a quoted price, Quote Assist publishes a new quote 28 seconds after the order arrives if the specialist has not already done so. Quote Assist is always active at the beginning of the trading day. A specialist has the ability to deactivate Quote Assist as to a particular stock or stocks.

The Exchange proposes to add Commentary .10 to Rule 170 to provide that deactivation of Quote Assist will require that the specialist review that decision with a Floor Official. Floor official approval would only be granted in instances when there is an influx of orders resulting in gap pricing, when the specialist deactivates Quote Assist in connection with an outgoing commitment on the Intermarket Trading System ("ITS"), or other unusual circumstances.<sup>6</sup> Approval by a Floor Official to deactivate Quote Assist must be obtained as soon as practicable and must be obtained no later than three minutes from the time of deactivation. Floor Official approvals will be documented on a Floor Official approval form. If approval is not obtained within three minutes from the time of deactivation, the matter will be reviewed as a market surveillance issue by the Exchange.

The requirement to keep Quote Assist active is not meant to serve as a substitute for the actual posting of quotes by equity specialists. The Exchange represents that it will remind its equity specialists that they are not to rely solely on Quote Assist to generate quotes, since this would not comply with the Commission's requirements for limit order display. Rather, equity

<sup>6</sup> In a gap pricing situation, an influx of orders may cause a specialist to move the price of a security to a new level. In that situation, immediate display of a customer limit order could cause the order to be filled at the limit price, and would prevent the customer from obtaining the benefit of the new price. Conversation between Bill Floyd-Jones, Laurence McDonald, Arne Michelson, Amex, and Joshua Kans, Division, Commission, June 9, 2000.

In cases where a customer limit order leads a specialist to use ITS to send a commitment to trade to another market center, immediate display of the customer limit order in the specialist's quote may lead to the risk of a double execution and may cause a locked market. In any event, according to the Amex, an Amex specialist would not send a commitment over ITS if the order could be filled on the floor of Amex. *Id.*

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

<sup>2</sup> 17 CFR 19b-4.

<sup>3</sup> Amex clarified the proposed rule change's purpose in a discussion between Bill Floyd-Jones, Assistant General Counsel, Laurence McDonald, Managing Director, Arne Michelson, Senior Vice President, Amex, and Joshua Kans, Special Counsel, Division of Market Regulation ("Division"), Commission, on June 9, 2000.

<sup>4</sup> 17 CFR 240.11Ac1-4.

<sup>5</sup> The Amex Display Book ("ADB") is an electronic workstation at the trading post that keeps track of limit orders and incoming market orders. Various window-like screen applications allow the specialist to view one or more issues at a time at various levels of detail. Incoming limit orders automatically enter the ADB. When a floor broker gives the specialist a limit order, the specialist's clerk can enter the order into the ADB using the keyboard. The ADB sorts the limit orders and displays them in price/time priority.

specialists should always attempt to reflect a limit order by manually quoting the stock as soon as practicable even though the Quote Assist feature is active.

The Exchange believes that Quote Assist provides valuable help to enable equity specialists to comply with their responsibilities under the Commission's Display Rule. The requirement that Quote Assist generally remain active throughout the day will ensure that equity specialists avail themselves of the tools provided for managing order flow and updating quotes.

## (2) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>8</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 remove impediments to and perfect the mechanism of a free and open market and national market system, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

### *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 that is not necessary or appropriate in furtherance of the purposes of the Act.

### *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. 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 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 in Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to the File No. SR-Amex-00-25 and should be submitted by July 14, 2000.

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

The Commission has reviewed carefully the Exchange's proposed rule change<sup>9</sup> and believes, for the reasons set forth below, that the proposal is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes the proposal is consistent with Sections 6(b)(5) and 11A(a)(1)(C)(iii) and (iv) of the Act.<sup>10</sup> Section 6(b)(5) requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices and to remove impediments to and perfect the mechanism of a free and open market and a national market system. In enacting Section 11A, Congress found that it is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure the availability to brokers, dealers and investors of information with respect to quotations for and transactions in securities, and to assure the practicability of brokers executing investors' orders in the best market.

The Commission finds that the proposed rule change will promote the quality of quotation information and promote the proper handling of customer limit orders by limiting the ability of specialists to deactivate Quote Assist. In approving the proposed rule change, however, the Commission notes that Quote Assist does not relieve specialists of their responsibility to reflect limit orders by manually quoting the stock as soon as practicable.

The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice thereof in the **Federal Register**, because the proposal

facilitates compliance with the Display Rule. The Commission believes, therefore, that granting accelerated approval of the proposed rule change is appropriate and consistent with Section 6 of the Act.<sup>11</sup>

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change (SR-Amex-00-25) is hereby approved on an accelerated basis.

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

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 00-15877 Filed 6-22-00; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42947; File No. SR-AMEX-99-37]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment Nos. 1, 2, 3, 4, 5 and 6 by the American Stock Exchange LLC Relating to the Trading of Options on Trust Issued Receipts

June 15, 2000.

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 September 13, 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 and II below, which Items have been prepared by the Exchange. Amendment Nos. 1, 2, 3, 4, 5 and 6 were filed on October 22, 1999,<sup>3</sup> December 20, 1999,<sup>4</sup> January 5, 2000,<sup>5</sup> April 28,

<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<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.

<sup>3</sup> In Amendment No. 1, the Exchange clarified the proposed rule change with respect to opening transactions and made several changes to the text of the proposed rule change. See Letter to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), SEC, from Scott G. Van Hatten, Legal Counsel Derivative Securities, Amex, dated October 21, 1999.

<sup>4</sup> In Amendment No. 2, the Exchange revised the proposed surveillance agreement requirements. See Letter to Nancy Sanow, Assistant Director, Division, SEC, from Scott G. Van Hatten, Legal Counsel Derivative Securities, Amex, dated December 16, 1999.

<sup>5</sup> In Amendment No. 3, the Exchange amended the text of proposed Amex Rule 916 to make it

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

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation, 15 U.S.C. 78c(f).

<sup>10</sup> 15 U.S.C. 78f(b)(5), 78k-1(a)(1)(C)(iii) and (iv).