considered, and does not raise any new regulatory issues.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change be, and hereby is, approved on an accelerated basis as a pilot program through November 29, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[14]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–23028 Filed 9–7–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43233; File No. SR–Amex–00–03]

Self-Regulatory Organizations; American Stock Exchange LLC.; Order Approving Proposed Rule Change Relating to the Reporting of Options Transactions

August 30, 2000.

I. Introduction

On February 22, 2000, the American Stock Exchange LLC (''Amex'' or the ''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'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change relating to the reporting of options transactions. The Amex filed Amendment No. 1 to this proposal on June 12, 2000.[3] The proposed rule change, as amended, was published for comment in the **Federal Register** on June 27, 2000.[4] The Commission received no comments on the proposal. This order approves the proposal, as amended.

II. Description of the Proposal

The Amex proposes to adopt a new rule, Amex Rule 992, to require the reporting of options transactions within 90 seconds of the execution. In Amendment No. 1, the Exchange confirmed that any transaction not reported within 90 seconds after execution would be designated as ''late'' and would be a violation of proposed Amex Rule 992. In addition, pursuant to the proposed rule, a pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trade.

Currently, the Amex Options Display Book (''AODB'') handles the reporting of options transactions.[5] The AODB processes orders routed to it both electronically and manually. Orders routed electronically are either executed automatically by the Exchange's Auto-Ex system or executed by the specialist through the AODB.[6] These options transactions are immediately reported to the Amex Option Market Data System, which processes all Amex trades, and the Options Price Reporting Authority, which disseminates trade information to the Amex's members and the investing public through vendors. Orders manually routed to the Exchange through a floor broker and executed in the trading crowd are reported to the specialist or his clerk for entry into the AODB and processed in the same manner as electronically routed and executed trades.[7]

III. Discussion

The Commission finds that the proposal is consistent with the requirements of the Act.[8] In particular, the Commission finds that the proposed rule change furthers the objectives of section 6(b)(5),[9] in that it is designed to prevent fraudulent 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 and a national market system.

The Commission believes that the proposal, which requires the reporting of all options transactions within 90 seconds of execution, should help to prevent fraudulent and manipulative acts and practices, as well as to promote just and equitable principles of trade. The Commission believes that the proposed rule change, as amended, should enable the Exchange to provide accurate trade information to investors more efficiently. The enhanced transparency associated with timely trade reporting should facilitate price discovery for investors and assist the Amex's surveillance of its members' trading in listed options.

IV. Conclusion

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act,[10] that the proposed rule change (SR-Amex-00-03) is approved, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–23031 Filed 9–07–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43231; File No. SR–Amex–00–41]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by the American Stock Exchange LLC Relating to Rules Regarding Decimal Pricing

August 30, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on August 7, 2000, the American Stock Exchange LLC ''Amex'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Amex. The Amex filed the proposal pursuant to Section 19(b)(3)(A) of the Act,[3] and Rule 19b–4(f)(6) thereunder,[4] which renders the proposal effective upon filing with the Commission.[5] The Commission is

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[14] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* letter from Claire P. McGrath, Vice President and Special Counsel, Derivative Securities, Amex to Nancy Sanow, Assistant Director, Division of Market Regulation (''Division''), Commission, dated June 9, 2000 (''Amendment No. 1''). In Amendment No. 1, the Exchange clarified the proposed rule text and confirmed that a member's failure to report an options transaction within 90 seconds would be considered a violation of proposed Amex Rule 992.

[4] Securities Exchange Act Release No. 42966 (June 20, 2000), 65 FR 39638 (June 27, 2000).

[5] According to the Exchange, the AODB is an electronic order book and execution-processing system that was adopted to replace and improve upon what was once a paper-based specialist's book.

[6] The Exchange estimates that 60–70% of options transactions are electronically routed and executed orders that are immediately reported and printed on the tape.

[7] An example of such a trade is one that does not include either the specialist or a customer limit order as a party to the trade.

[8] 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).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78s(b)(2).

[11] 17 CFR 200.30–3(a)(12)

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(3)(A).

[4] 17 CFR 240.19b–4(f)(6).

[5] The Commission agreed to waive the 5-day pre-filing notice requirement because the proposal implements decimal pricing pursuant to the ''Decimal Implementation Plan for the Equities and Options Markets'' (''Plan'') submitted to the Commission on July 24, 2000.

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 Exchange proposes to revise various Exchange equities and options rules to provide for decimal pricing pursuant to the Plan. The Exchange also proposes to amend Amex Rule 232 to conform it to a proposed amendment to the Intermarket Trading System (''ITS'') Plan. The Amex has designated this proposal as non-controversial, and requests that the Commission waive the 30-day operative waiting period contained in Rule 19b–4(f)(6)(iii) under the Act.[6] The text of the proposal 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 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

On June 8, 2000, the Commission ordered the exchanges and the NASD (''Participants'') to submit a phase-in plan to the Commission by July 24, 2000 providing for decimal pricing in exchange-listed securities and options by September 5, 2000, and for phasing in of decimal pricing for at least some Nasdaq securities by March 12, 2001, with decimalization extended to all exchange-listed securities, options and Nasdaq securities by April 9, 2001.[7] The June 8th Order also requires the Participants to file by August 7, 2000 any rule changes necessary to implement the Plan.

The Participants have developed recommendations for a Phase-In Period for conversion to decimal pricing. These recommendations are contained in the Plan, which was presented to the Commission on July 24, 2000. This Phase-In Period, which consists of four phases, will begin on August 28, 2000, and end with full implementation of decimal pricing for all equities and options on or before April 9, 2001.

The Participants have recommended that a specified Minimum Price Variation (''MPV'') schedule be implemented during phase-in by all markets. The recommended MPVs are as follows: for equity issues, $.01 MPV; for options issues quoted under $3 a contract, $.05 MPV; for options issues quoted at $3 a contract and greater, $.10 MPV. These MPVs will apply through the last day the Plan is in effect or until any other date identified by the Commission.

Phase I will begin on August 28, 2000 with quotations in decimals in seven New York Stock Exchange (''NYSE'') listed stocks and six Amex listed stocks. Three of the NYSE listed stocks also have options. These options have also been priced in decimals. Amex has announced that it will begin decimal pricing in the following six stocks on August 28th: Regal Beloit Corp.; Media General Inc.; ON2.com Inc.; eMagin Corp.; Psychemedics Corp.; and Global Light Telecommunications Inc. In addition, Amex will also begin decimal pricing of options on FedEx Corporation and Gateway Inc. on August 28, 2000.

In Phase IIA, beginning on September 25, 2000, an additional 50–100 equities will be added industry wide, together with associated options. The Participants will continue to evaluate the transition to decimal pricing, especially as relating to capacity, liquidity and trading patterns. Under Phase IIB, the Participants along with other interested parties (*i.e.* National Securities Clearing Corporation, Depository Trust Company, Options Clearing Corporation, Options Price Reporting Authority, Securities Industry Automation Corporation, Consolidated Tape Association, and ITS Operating Committee), will evaluate Phases I and IIA and, if the Participants believe they are technically prepared for full implementation and there would be no adverse impact on the investing public, may choose to convert all equities and/or all options issues (both exchange-listed and Nasdaq-listed options) to decimal quoting. The Participants could also elect to implement a penny pilot in selected option issues pursuant to the Plan. Any decisions under Phase IIB will be made during the period between November, 2000 and April, 2001.

In Phase III a limited number of Nasdaq issues (approximately 10 to 15) will begin decimal pricing on or before March 12, 2001, under the recommended MPV schedule. In Phase IV, Participants will evaluate results of previous phases, and after consultation with the SEC and other industry participants, could recommend full implementation of decimal quoting for all equities and options under the recommended MPV schedule on or before April 9, 2001 through the last day the Plan is in effect.

The Amex also proposes to amend Exchange Rule 232 to conform it to a proposed amendment to the ITS Plan.

A. Amendments to Amex Equity Rules

The Exchange proposes to amend its rules relating to equities trading to accommodate implementation of decimal pricing in accordance with the Plan. Equities rules that currently reference quoting in fractions are amended to reflect the transition to decimals. References to fractions have been converted to two decimal places. When this is not possible (*e.g.*, ⅛), the fraction generally has been rounded down to the nearest five cent increment (*e.g.*, $.10 for ⅛). Conforming changes have been made to Exchange Rules 103, 111, 127, 132, 134, 154, 175 (Guidelines) and 205.

Rule 103 (General Floor Prohibitions). The Exchange proposes to amend Commentary .03 to provide examples stated in decimals for equities subject to decimal pricing, in addition to current fractional references for equities quoting in fractions.

Rule 109 (''Stopping'' Stock). The Exchange proposes to amend Amex Rule 109 such that references to ''minimum fractional change'' are charged to ''minimum price variation.'' In addition, reference is made to Amex Rule 127 for different MPVs applicable to equities quoting in fractions and those subject to decimal pricing.

Rule 111 (Restrictions on Registered Traders). The reference to ''one-eighth of a point'' in paragraph (e)(2) of Amex Rule 111 is pr0posed to be changed to the ''minimum price variation.''

Rule 127 (Minimum Price Variations). Amex Rule 127 would be amended to subject current minimum fractional change parameters to Commentary .01 of the same rule relating to decimal pricing. Commentary .01 states that, notwithstanding the provisions of Amex Rule 127 for equity securities that are priced in decimals pursuant to the Plan, the MPV shall be one cent ($.01). In addition, Commentary .01 makes clear that equities not subject to decimal pricing pursuant to the Plan will continue to be subject to the minimum fractional change set forth in the Rule. Existing Commentaries .01, .02 and .03

[6] 17 CFR 240.19b–4(f)(6)(iii).

[7] Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38010 (June 19, 2000) (''June 8th Order'').

are re-numbered to .02, .03 and .04, respectively, and provide that the minimum fractional changes provided there (*e.g.* 1⁄64 for SPDRs), are subject to Commentary .01, thus providing for prospective decimal pricing under the Plan.

Rule 132 (Price Adjustment of Open Orders on ''Ex-Date''). The examples in Commentaries .01 and .03 of Amex Rule 132, which refer to rounding to a higher 1⁄8 point variation, are proposed to be eliminated. Commentary .01 of Amex Rule 132 proposes to state that orders would be reduced by the next higher ''minimum price variation'' (instead of ''variation''), with reference to Amex Rule 127. The Exchange also proposes in Commentary .03 of Amex Rule 132 that orders be rounded to the next lower ''minimum price variation'' instead of ''variation,'' and also reference to Amex Rule 127.

Rule 134 (Cash, Next Day and Seller's Option Transactions). Amex Rule 134(b) would provide that publication of a cash or next day transaction will not be expected if the transaction can be effected at a price not greater than 1⁄8 point away from the regular way market. The rule clarifies that reference to 1⁄8 point in paragraph (b) applies to equities quoting in fractions. For equities subject to decimal pricing, the applicable increment would be $.10.

Rule 154 (Orders Left with Specialist). References to ''point'' or ''points'' are proposed to be changed to ''cents,'' ''dollar'' or ''dollars'' as the context requires. Except for the reference to ''1⁄8 of a point'' in Commentary .15 of Amex Rule 154, which is proposed to be changed to ''ten cents,'' all fractional references are proposed to be changed to their exact equivalents in cents. The seventh paragraph of Commentary .15 of Amex rule 154 provides that the specialist (subject to specified exceptions) may convert a percentage order on a destabilizing tick to establish a new bid in such size as he deems appropriate to narrow the quotation spread, provided that no such bid may be more than 1⁄8 point higher than the last sale. The amendment clarifies that the 1⁄8 point parameter applies to equities quoting in fractions and that, for equities priced in decimals, the applicable parameter would be $.10.

Rule 175 (Specialist Prohibitions). Fractional references are proposed to be changed to equivalents in cents in Amex Rule 175. References to ''point'' or ''points'' would be changed to ''dollar'' or ''dollars,'' as appropriate.

Rule 205 (Manner of Executing Odd-Lot Orders).

In Amex Rule 205, references to ''point'' or ''points'' would also be changed to ''dollar'' or ''dollar,'' as appropriate. The change to the title of Amex Rule 127 (Minimum Price Variation) is reflected in Commentary .04 of the same rule.

Rule 232 (Pre-Opening Application Rule).

The Exchange also proposes to amend Exchange Rule 232 to implement a proposed amendment to the ITS plan.

Rule 1000 (Portfolio Depositary Receipts) and 1000A (Index Fund Shares).

The references to fractional trading increments in Amex Rule 1000, Commentary .03(e) and Rule 1000A, Commentary .02(e) are proposed to be amended to clarify that these increments are subject to Amex Rule 127, Commentary .01, thus providing for prospective decimal pricing.

B. Amendments to Amex Options Rules

The Exchange has also identified various options rules that require revision in connection with the implementation of the conversion from fractions to decimals discussed above. These proposed changes are found in Exchange Rules 915, 918, 952, 958, 951C and 903G. Of these, the most significant proposed changes concern Exchange Rules 918, 958 and 952, which govern the minimum and maximum spreads for options quotations and the MPV for dealings on the Exchange in options contracts for which the underlying security is a stock. The remaining proposed changes to Exchange Rules 915, 951, and 903G convert existing fractional price references to their decimal equivalent, rounding up (down) where necessary.

Rule 915 (Criteria for Underlying Securities).

Amex Rule 915 provides eligibility criteria for underlying securities, which, among other things, require that the market price per share of the underlying security has been at least $7½ for the majority of business days during the three calendar months preceding the date of selection. This price requirement, which will remain the same, is proposed to be revised to read $7.50.

Rule 918 (Trading Rotations, Halts and Suspensions).

Exchange Rule 918, Commentary .03 provides that a specialist is required to announce to the trading crowd a price indication at the tightest bid/ask interval (1⁄8th of a point for options contracts quoting at $3 per share per option or higher and 1⁄16th of point for those quoting below $3), prior to executing a transaction in an options series during a rotation. The term ''tightest bid/ask interval'' would be amended to ''minimum price variation.'' This provision will continue to apply for options series trading in fractions. The amended rule states that the MPV for options priced in decimals pursuant to the Plan is $.05 for options issues quoted under $3 a contract, and $.10 for options issues priced at $3 and greater. Reference is made to Amex Rule 952 (Minimum Price Variations).

Rule 952 (Minimum Price Variations).

Exchange Rule 952(a) states that the minimum fractional change for options on stocks or Exchange-Traded Fund shares is one-eighth point in option contracts quoted at $3 per share per option or higher, and one-sixteenth point in option contracts quoting under $3. These parameters will continue to apply to options trading in fractions. The same rule further states that no change may be made to the MPV for options quoting in decimals that is inconsistent with the Plan or that otherwise changes the MPV for options quoting in decimals, unless such change has been filed with the SEC pursuant to Rule 19b–4(f)(6) under the 1934 Act.[8] The Exchange proposes to amend Exchange Rule 952(a) to state that the MPVs for option contracts priced in decimals, pursuant to the Plan, are $.05 MPV for options issues quoted under $3 a contract, and $.10 for options issues quoted at $3 a contract and greater. Options contracts that are not subject to decimal pricing would continue to be subject to the current Rule's minimum fractional parameters.

Rule 958 (Options Transactions of Registered Traders).

Maximum permissible spread parameters applicable to options are currently set forth in Exchange Rule 958(c). Conversion from fractions to decimals will not substantively affect Exchange Rule 958. However, the fractional spread parameters would be revised to state the same parameters expressed in cents. The proposed conversions are as follows:

[8] 17 CFR 240.19b–4(f)(6).

Current spreads expressed as fractions		Spreads following conversion to decimals	
Prevailing bid	Maximum spread	Prevailing bid	Maximum spread
<$2.00	1/4	<$2.00	$0.25
> or = $2.00, but < or = $5.00	3/8	> or = $2.00, but < or = $5.00	0.37
> $5.00, but < or = $10.00	1/2	> $5.00, but < or = $10.00	0.50
> $10.00, but < or = $20.00	3/4	> $10.00, but < or = $20.00	0.75
> $20.00	1	> $20.00	1.00

Rule 951C (Premium Bids and Offers). Exchange Rule 951C provides that, except as provided in Commentary .01, bids and offers in stock index options should be expressed in terms of a percent, with fractions of a percent expressed in sixteenths in the case of a premium of less than $300, and in eights in the case of a premium greater than $300. The amended rule provides that such fractions apply to stock index options trading in fractions, and states that bids and offers for stock index options priced in decimals would be expressed in terms of a percent expressed in an MPV of $.05, in the case of a premium less than $300, and an MPV of $.10, in the case of a premium greater than $300. The second paragraph of Exchange Rule 951C would be amended to refer to percentages in addition to fractions of a percent. Exchange Rule 951C also states that no change may be made to the percentages set forth in the Rule that is inconsistent with the Plan or that otherwise changes such percentages for options quoting in decimals unless such change is filed with the SEC, pursuant to Rule 19b–4(f)(6) under the 1934 Act.[9] Commentary .01 would also be amended to clarify that the reference to bids and offers in sixteenths refers to options quoting in fractions, for options on reduced value stock index groups having more than twelve months to expiration. Bids and offers in such options, subject to decimal pricing, would be in increments of $.05, representing a rounding down of the 1/16 parameter.

Rule 903G (Terms of FLEX Options). Paragraph (c)(2) of Exchange Rule 903G would be amended to state that exercise prices and premiums would be rounded to the nearest MPV, referencing Exchange Rule 952 (Minimum Price Variation). Language relating to rounding exercise prices to the nearest 1/8 of a dollar is proposed to be deleted.

2. Statutory Basis

The Amex believes that the proposed rule change is consistent with section 6(b) of the Act[10] in general and furthers the objectives of Section 6(b)(5)[11] in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest by providing for certain securities to be quoted in decimals beginning on August 28, 2000.

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.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from August 7, 2000, the date on which it was filed, it has become effective pursuant to section 19(b)(3)(A) of the Act[12] and Rule 19b–4(f)(6) thereunder.[13] At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

The Amex has requested that the Commission accelerate the operative date. The Commission believes that it is consistent with the protection of investors and the public interest and therefore finds good cause to designate the proposal to become immediately operative upon filing. Acceleration of the operative date will permit the Exchange to begin decimal quoting for various securities described above starting on August 28, 2000.[14]

The Commission also believes that the proposed amendments are non-controversial as they provide housekeeping changes with respect to rules that express price values in fractions being changed to decimals. The Amex has also requested that the Commission waive the 5-day pre-filing requirement. The Commission also finds good cause to waive the 5-day pre-filing requirement since the proposal is in accordance with the Plan. For these reasons, the Commission designates that the proposal become operative immediately upon filing with the Commission.[15]

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[9] *Id.*

[10] 15 U.S.C. 78f(b).

[11] 15 U.S.C. 78f(b)(5).

[12] 15 U.S.C. 78s(b)(3)(A).

[13] 17 CFR 240.19b–4(f)(6).

[14] The Plan provides for MPVs for equities and options of no less than one cent. The June 8th Order requires the Participants to submit joint or individual studies tow months after Full Implementation (as defined in the Plan) regarding the impact of decimal pricing on systems capacity, liquidity, and trading behavior, including an analysis of whether there should be a uniform minimum quoting increment. If a Participant wishes to move to quoting in an increment of less than one cent, the Participant should include in its study a full analysis of the potential impact of such trading on the Participant's market and the markets as a whole. Within thirty days after submitting the study, and absent Commission action, the Participants individually must submit for notice, comment, and Commission action, proposed rule changes under section 19(b) of the Act to establish their individual choice of minimum increments by which equities or options are quoted on their respective markets.

The Plan also contemplates that the options exchanges may wish to consider a pilot program for one-cent minimum price variations for quoting in a limited number of options (''Penny Pilot'') at some point in the implementation process. The Commission expects that, before implementing a Penny Pilot, the options exchanges will carefully coordinate on such issues as the selection and number of options to be included in the pilot to ensure the continued orderly operation of the markets and clearing organizations. In particular, the Commission expects that the options exchanges will consult with the Commission regarding the impact on market-wide capacity. Before implementing a Penny Pilot, each options exchange should also submit appropriate rule filings to the Commission under section 19(b) of the Act.

[15] For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C 78c(f).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change in 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. 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–00–41 and should be submitted by September 29, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[16]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–23077 Filed 9–7–00; 8:45 am]

BILLING CODE 8010–01–M

[16] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43234; File No. SR–BSE–00–10]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by the Boston Stock Exchange, Inc. To Provide Generic Listing Standards for Portfolio Depositary Receipts Pursuant to Rule 19b–4(e) Under the Securities Exchange Act of 1934

August 31, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder, notice is hereby given that on August 7, 2000, the Boston Stock Exchange, Inc. (''Exchange'' or ''BSE'') 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 Exchange. On August 28, 2000, the BSE filed Amendment No. 1 to the proposed rule change.[2] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approval the proposal as amended, on an accelerated basis.

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

The Exchange seeks to amend Chapter XXIV of the BSE rules, *Portfolio Depositary Receipts*, to provide standards that permit listing and trading, or trading pursuant to unlisted trading privileges (''UTP''), of certain products pursuant to Rule 19b–4(e) under the Act.

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 Exchange currently trades a number of securities pursuant to UTP under its listing standards for Portfolio Depositary Receipts (''PDRs'').[3] These standards, found in BSE Chapter XXIV, are similar to those maintained by other exchanges.[4] The Exchange's proposed amendments to Chapter XXIV would permit it to list and trade PDRs pursuant to Rule 19b–4(e) under the Act.[5] The Exchange believes that application of Rule 19b–4(e) to these securities will further the intent of that Rule by allowing trading to begin in these securities, subject to the proposed generic standards, without the need for notice and comment and Commission approval. The Exchange believes that this new procedure has the potential to reduce the time frame for bringing these securities to market or for trading them pursuant to UTP.

a. *Generic Listing Criteria.* The Exchange proposes to implement generic listing criteria to ensure that a substantial portion of the weight of a portfolio underlying PDRs is composed of securities with substantial market capitalization and trading volume. The proposed amendments to Chapter XXIV provide that the Exchange may approve for listing pursuant to Rule 19b–4(e) a series of PDRs if the components that, in the aggregate, account for at least 90% of the weight of the underlying portfolio have a minimum market value of at least $75 million. In addition, the component stocks representing at least 90% of the weight of the portfolio must have a minimum monthly trading volume during each of the last six months of at least 250,000 shares.

Moreover, the most heavily weighted component stocks in an underlying portfolio cannot together exceed 25% of the weight of the portfolio, and the five most heavily weighted component stocks cannot together exceed 65% of the weight of the portfolio. The portfolio must include a minimum of 13 stocks,[6] and all securities in an underlying portfolio must be listed on a national securities exchange or The Nasdaq Stock Market (including The Nasdaq SmallCap Market). Finally, any series of PDRs traded pursuant to generic standards must meet these eligibility criteria as of the date of the initial deposit of securities and cash into the trust.

Under the proposed amendments to Chapter XXIV, the underlying portfolio

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[1] 15 U.S.C. 78s(b)(1).

[2] In Amendment No. 1, the BSE added sections to the proposed rule text on minimum price variation, surveillance procedures and the applicability of other rules. *See* Letter from Esther Radovsky, Listings Analyst, BSE, to Heather Traeger, Attorney, Division of Market Regulation, Commission, dated August 25, 2000 (''Amendment No. 1'').

[3] *See* Securities Exchange Act Release No. 39660 (February 12, 1998), 63 FR 9026 (February 28, 1998).

[4] *See e.g.,* American Stock Exchange (''Amex'') Rule 1000, *et seq.* (Portfolio Depositary Receipts) and Chicago Stock Exchange (''CHX'') Article XXVIII, Rule 25 (Portfolio Depositary Receipts).

[5] Rule 19b–4(e) permits self-regulatory organizations (''SROs'') to list and trade new derivatives products that comply with existing SRO trading rules, procedures, surveillance programs and listing standards, without submitting a proposed rule change under Section 19(b) of the Act. 17 CFR 240.19b–4(e). *See* Securities Exchange Act Release No. 40761 (December 8, 1998), 63 FR 70952 (December 22, 1998).

[6] Thirteen stocks is the minimum number to permit qualification as a regulated investment company under Subchapter M of the Internal Revenue Code. Under subchapter M of the Internal Revenue Code, for a fund to qualify as a regulated investment company the securities of a single issuer can account for no more than 25% of a fund's total assets, and at least 50% of a fund's total assets must be comprised of cash (including government securities) and securities of single issuers whose securities account for less than 5% of the fund's total assets.