

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. Nasdaq 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 proposed rule amendments are in accordance with the Plan. For these reasons, the Commission designates that the proposal, as amended, become operative immediately upon filing with the Commission.¹⁴

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 such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-00-46 and should be submitted by September 29, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

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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.

¹⁴ For purposes only of accelerating the operative date of this proposal, as amended, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁵ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43230; File No. SR-NYSE-00-22]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by the New York Stock Exchange, Inc. Relating to 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 May 3, 2000, the New York Stock Exchange, Inc. ("NYSE" 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 NYSE. The Exchange amended the proposal on August 7, 2000.³ The NYSE filed the proposal pursuant to Section 19(b)(3)(A) of the Act,⁴ and Rule 19b-4(f)(6) thereunder,⁵ which renders the proposal effective upon filing with the Commission.⁶ 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 Exchange proposes to amend various NYSE rules, as listed below, to implement decimal pricing, as provided for in the Plan. The Exchange also proposes to amend NYSE Rule 15 to make it conform to a proposed amendment to the Intermarket Trading System ("ITS") Plan. The NYSE has designated this proposal as non-controversial, and requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.⁷ The text of the proposal is available at the NYSE and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Daniel P. Odell, Assistant Secretary, NYSE, to Alton Harvey, Chief, Office of Market Watch, Division of Market Regulation ("Division"), Commission, dated August 7, 2000 ("Amendment No. 1"). Amendment No. 1 replaced and superseded the original filing in its entirety.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

⁶ The Commission agreed to waive the 5-day pre-filing notice requirement because the proposal implements decimal pricing pursuant to the "Decimals Implementation Plan for the Equities and Options Markets" ("Plan") submitted to the Commission on July 24, 2000.

⁷ 17 CFR 240.19b-4(f)(6)(iii).

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 NYSE 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 and is set forth in Sections A, B, and C below.

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 national securities exchanges and the National Association of Securities Dealers, Inc. ("NASD") 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 phase-in of decimal pricing for at least some Nasdaq securities by March 12, 2001.⁸ The June 8th Order also requires the exchanges and the NASD to file by August 7, 2000 rule changes necessary to implement the Plan.

Phase I will begin on August 28, 2000. The Exchange will begin quoting on that date seven listed securities in decimals on a pilot basis. The seven listed securities and their trading symbols are: Anadarko Petroleum Corp. (APC); Forest City Enterprises Inc. Class A (FCE A); Forest City Enterprises Inc. Class B (FCE B); FedEx Corp. (FDX); Gateway Inc. (GTW); Hughes Supply Inc. (HUG); and MSC Software Corp. (MNS).

Quoting in all other listed securities will continue in fractions of $\frac{1}{16}$ of a dollar. After approximately one month, the pilot will be expanded to include approximately 50 stocks. Additional expansion of the program will take place after extensive evaluation by the Exchange and other securities industry participants. It is anticipated that decimal pricing will be extended to all listed securities in the first quarter of 2001.

The Exchange proposes to amend various NYSE rules, changing references from fractions to decimals within the rules to accommodate the implementation of decimal pricing in accordance with the Plan. Specifically, the Exchange proposes to amend NYSE

⁸ Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38010 (June 19, 2000) ("June 8th Order").

Rules 15, 62, 64, 72(b), 79A.30, 105, 123A.30, 123A.40, 192, and 440B.15. The Exchange represents that if an Exchange rule uses a fraction of $\frac{1}{4}$, the Exchange proposes to amend the reference to \$.25 for those stocks quoting in decimal variations. Where the reference is a fraction that does not convert to a two-place decimal, e.g., $\frac{1}{8}$, the Exchange proposes in most cases to amend the reference to round down the reference to the nearest multiple of \$.05 for ease of reference. Thus $\frac{1}{8}$ (0.125) would become \$.10; $\frac{3}{8}$ (0.375) would become \$.35 for those stocks quoting in decimal variations. However, references in NYSE Rule 440B.15 to $\frac{1}{32}$ and $\frac{2}{32}$ would be rounded to \$.05 and \$.10, respectively, for ease of reference.

Most of the fractional references in the rules of the Exchange are for illustrative purposes only. However, the Exchange has reviewed the impact that the proposed changes will have on the operation of those rules where the reference is not merely used as an example, and has concluded that the change in the rule to a decimal amount, as outlined above, is justified. For example, NYSE Rule 64 requires that Floor Officials approve non-regular way trades⁹ in circumstances where the execution price will be more than $\frac{2}{16}$ away from the regular way bid or offer. The Exchange proposes to amend the requirement for Floor Official approval to \$.10 for those stocks priced in decimal variations. The Exchange believes this will provide ample regulatory oversight for these orders at this level.

The proposal will apply only to transactions in those stocks that are designated by the Exchange as eligible for decimal pricing, as stated above. The NYSE rules that are expressed in fractions will continue to apply to transactions in stocks that are currently not eligible for decimal pricing. In addition, the MPV for stocks not designated for decimal pricing will remain at $\frac{1}{16}$.

The Exchange will announce the proposed amendments in an Information Memo that will be sent to all NYSE members and member organizations, and will publish the same on the Exchange's website.

The Exchange's proposed rule changes are as follows:

Rule 62 (Minimum Price Variation)

Exchange Rule 62 provides that bids and offers in securities traded on the

Exchange will be at an MPV set by the Exchange. Notwithstanding the latter provision, the Exchange proposes to amend NYSE Rule 62 to set the MPV for decimal pricing at one cent (\$.01) with respect to stocks trading on the Exchange in decimal price variations. The MPV for stocks not designated for decimal trading will remain at one-sixteenth ($\frac{1}{16}$).

Rule 15 (ITS and Pre-Opening Applications)

The Exchange proposes to amend NYSE Rule 15 to conform it to a proposed amendment to the ITS Plan.

Rule 64 (Bonds, Rights and 100 Share-Unit Stocks)

The Exchange also proposes to amend NYSE Rule 64 to reflect how Floor Official approval will be obtained for non-regular way trades for stocks trading in decimals. The $\frac{2}{16}$ parameter would be changed to \$.10 for stocks quoting in decimals in situations where Floor Official approval must be obtained on a non-regular way trade. For trades during the last calendar week of the year, the approval level would be \$.25 for stocks quoting in decimals, as it is currently $\frac{1}{4}$ for stocks quoting in fractions.

Rule 72(b) (Clean Agency Cross)

Two examples have been added to NYSE Rule 72, to demonstrate how members would effect cross transactions pursuant to NYSE Rule 72(b) with respect to those securities quoting in decimals.

Examples 1 and 1a demonstrate the operation of NYSE Rule 72(b) in MPV markets. Examples 2 and 2a demonstrate the operation to Rule 72(b) in markets where the spread in the quotation is greater than the MPV.

Rule 79A.30 (Miscellaneous Requirements on Stock and Bond Market Procedures)

The Exchange proposes to amend NYSE Rule 79A.30 to illustrate how Floor Official approval should be obtained for those stocks quoting in decimal variations.

Rule 105 (Guidelines For Specialists' Speciality Stock Opinion Transactions Pursuant to Rule 105)

The Exchange proposes to amend NYSE Rule 105 to indicate how the rule would operate with respect to stocks quoting in decimal variations.

Rule 123A.30 (Percentage Orders)

The Exchange proposes an amendment to NYSE Rule 123A.30 to illustrate the conversion of percentage

orders for stocks quoting in decimal variations. Percentage orders may be converted on a destabilizing tick if the order meets certain requirements of size (10,000 shares or more or \$500,000 in market value) and the execution price of the converted percentage order is no more than $\frac{1}{4}$ point away from the last sale. The $\frac{1}{4}$ parameter would be converted to \$.25 for those stocks quoting in decimal variations. Percentage orders may also be converted on a destabilizing tick to narrow a quotation spread as long as the bid is no more than $\frac{1}{8}$ higher than the last sale. The $\frac{1}{8}$ parameter would be changed to \$.10 for those stocks quoting in decimal variations.

Rule 123A.40 ("Stop Orders")

The Exchange proposes amending NYSE Rule 123A.40 to indicate where Floor Official approval must be obtained pursuant to the rule for stocks quoting in decimals. For example, the $\frac{2}{16}$ parameter would be changed to \$.10 (for stocks quoting in decimals) in situations where Floor Official approval must be obtained when a specialist's transaction for his or her own account elects stop orders.

Rule 192 (Part-Paid Securities)

The Exchange proposes amending NYSE Rule 192 to reflect the method of computation pursuant to the Rule, for those stocks quoting in decimal variations.

Rule 440B.15 (Short Sale Rule Interpretations)

The Exchange proposes to amend NYSE Rule 440B.15 to reflect the application of the Rule with respect to those stocks quoting in decimals. The examples in the last paragraph at which short sales in bonds may be made would be changed from $\frac{1}{32}$ and $\frac{2}{32}$ to \$.05 and \$.10 respectively, for those stocks quoting in decimal variations.

2. Statutory Basis

The NYSE believes that the proposed rule change is consistent with Section 6(b) of the Act¹⁰ 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.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

⁹ A "non-regular way" trade is a trade that is settled in a different time frame from "regular-way" trades, which settle on the third business day following the transaction.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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 either 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 amended, it has become effective pursuant to section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6) thereunder.¹³ At any time within 60 days of the filing of the proposed rule change, as amended, 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.¹⁴

The NYSE 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, as amended 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, 2000.¹⁵

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ The Commission considers the abrogation period to begin on the date the last substantive amendment is filed with the Commission. In this case, the NYSE filed Amendment No. 1 on August 7, 2000.

¹⁵ The Plan provides for MPV's for equities and options of no less than one cent. The June 8th Order requires the Participants to submit joint or individual studies two 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

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 NYSE 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 proposed rule amendments are in accordance with the Plan. For these reasons, the Commission designates that the proposal, as amended, become operative immediately upon filing with the Commission.¹⁶

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 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 NYSE. All submissions should refer to File No. SR-NYSE-00-22 and should be submitted by September 29, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Margaret H. McFarland,

Deputy Secretary.

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Participants individually must submit for notice, comment, and Commission action, proposed rule changes under Section 19(b) of the Act to establish their individual chose of minimum increments by which equities or options are quoted on their respective markets.

¹⁶ 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).

¹⁷ 17 CFR 200.30-3(a)(12).

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3285]

State of Arizona (And Contiguous Counties in California, Nevada, and Utah)

Mohave County and the contiguous counties of Coconino, LaPaz, and Yavapai in Arizona; San Bernardino County, California; Clark and Lincoln Counties in Nevada; and Kane and Washington Counties in Utah constitute a disaster area as a result of damages caused by a monsoon storm that occurred on August 16, 2000. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on October 30, 2000 and for economic injury until the close of business on May 30, 2001 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, P. O. Box 13795, Sacramento, CA 95853-4795.

The interest rates are:

	Percent
For Physical Damage:	
Homeowners With Credit Available Elsewhere	7.375
Homeowners Without Credit Available Elsewhere	3.687
Businesses With Credit Available Elsewhere	8.000
Businesses and Non-Profit Organizations Without Credit Available Elsewhere	4.000
Others (Including Non-Profit Organizations) With Credit Available Elsewhere	6.750
For Economic Injury: Businesses and Small Agricultural Cooperatives Without Credit Available Elsewhere	4.000

The numbers assigned to this disaster for physical damage are 328511 for Arizona, 328611 for California, 328711 for Nevada, and 328811 for Utah. For economic injury the numbers are 914300 for Arizona, 914400 for California, 914500 for Nevada, and 914600 for Utah.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: August 30, 2000.

Kris Swedin,

Acting Administrator.

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