

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42040; File No. SR-NYSE-99-26]

### Self-Regulatory Organizations; New York Stock Exchange, Inc., Order Approving Proposed Rule Change Amending Cancellation Procedures for MOC/LOC Orders

October 20, 1999.

#### I. Introduction

On June 14, 1999, the New York Stock Exchange, Inc. ("NYSE" 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"),<sup>1</sup> and Rule 19b-4,<sup>2</sup> a proposed rule change to amend market-on-close ("MOC") and limit-on-close ("LOC") order cancellation procedures.

The proposed rule change was published for comment in the **Federal Register** on August 18, 1999.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposal.

#### II. Description of the Proposal

The Exchange utilizes special order cancellation procedures for MOC/LOC orders. Current procedures prohibit the cancellation of MOC/LOC orders after 3:40 p.m., except: (1) To correct a legitimate error, (2) to comply with the provisions of Exchange Rule 80A<sup>4</sup> or, (3) when a regulatory trading halt is in effect at or after 3:40 p.m.<sup>5</sup>

The proposed rule change would prohibit the cancellation or reduction in size of MOC/LOC orders after 3:50 p.m. for any reason. If Rule 80A goes into effect before 3:50 p.m., then members and member organizations must cancel MOC index arbitrage orders that are

related to a derivative index product that is not expiring and that do not meet the tick restrictions no later than 3:50 p.m.

#### III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>6</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act<sup>7</sup> which requires, among other things, that the rules of an exchange be 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 a national market system and, in general, to protect investors and the public interest.

The Exchange proposes to amend its MOC/LOC order cancellation procedures by prohibiting any cancellations after 3:50 p.m. The Commission finds that prohibiting cancellations after 3:50 p.m. may increase the effectiveness of the MOC/LOC publication procedures thereby reducing volatility at the close. Currently, a market participant is permitted to cancel a MOC/LOC order until the market closes if Rule 80A has been triggered or if a legitimate error has been made or when a regulatory trading halt is in effect after 3:40 p.m. Under this current procedure, a specialist with a large order imbalance who may have been attempting to find contra side interest may have an imbalance change dramatically with very little time to arrange an orderly close. Under the proposed rule change, no MOC/LOC orders could be cancelled after 3:50 p.m. under any circumstances. As a result, specialists should be able to rely on their 3:50 p.m. imbalance figure because after that time, cancellations will no longer be permitted to alter the existing order imbalance. This proposal should allow specialists to effectively close a stock in an orderly fashion because they will no longer have to process cancellations after 3:50 p.m.

The Commission further finds that market participants should have sufficient time to cancel any MOC/LOC orders that may have been entered as the result of a legitimate error by 3:50 p.m. In addition, in the event that Rule

80A has been triggered, market participants should have sufficient time to cancel orders that do not meet the Rule's tick restrictions by 3:50 p.m. In both of these instances, market participants have the responsibility to make sure that the orders they have entered are accurate by this time.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-NYSE-99-26) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-27893 Filed 10-25-99; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42035; File SR-PCX-99-13]

### Self-Regulatory Organizations; Notice of Filing of a Proposed Rule Change and Amendment No. 1 by the Pacific Exchange, Inc. Relating to Options Trading Rules for Market Makers and Lead Market Makers

October 19, 1999.

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 10, 1999, the Pacific Exchange, Inc. ("PCX" 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 Exchange. Amendment No. 1 was filed with the Commission on June 15, 1999.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

<sup>1</sup> 15 U.S.C. 78s(b)(2).

<sup>2</sup> 17 CFR 200.30-3(a)(12).

<sup>3</sup> 15 U.S.C. 78s(b)(1).

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

<sup>5</sup> See letter to Michael A. Walinskas, Associate Director, Division of Market Regulation ("Division"), SEC from Robert P. Pacileo, Staff Attorney, Regulatory Policy, PCX, dated June 8, 1999. In Amendment No. 1, the PCX expanded the "proposal" section of the filing and made several technical corrections to the text of the proposed rule change. The additions are incorporated into this notice.

<sup>6</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>7</sup> 15 U.S.C. 78f(b)(5)

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

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

<sup>3</sup> Securities Exchange Act Release No. 41726 (August 11, 1999), 64 FR 44985.

<sup>4</sup> NYSE Rule 80A requires index arbitrage orders in any stock in the Standard & Poor's 500 Stock Price Index entered on the Exchange to be stabilizing (*i.e.*, the order must be marked either buy minus or sell plus) when the DOW Jones Industrial Average ("DJIA") advances or declines from its closing value on the previous trading day by 2% of the DJIA average closing value for the last month of the previous calendar quarter. Current procedures require that, when Rule 80A goes into effect, a MOC index arbitrage order without the appropriate tick restriction must be cancelled unless it is related to an expiring derivative index product.

<sup>5</sup> See Securities Exchange Act Release No. 41497 (June 9, 1999), 64 FR 32595 (June 17, 1999). If a regulatory trading halt is in effect at or after 3:40 p.m., MOC/LOC orders can be cancelled until 3:50 p.m. or the time the stock reopens, whichever is first.

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

The PCX proposes to modify its rules pertaining to Market Makers and Lead Market Makers on the trading floor by clarifying existing provisions, eliminating superfluous provisions, incorporating current policies and procedures and otherwise updating its current Market Maker and Lead Market Maker rules. The text of the proposed rule change is available at the Office of the PCX, the Secretary, 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 is proposing to make the following changes to the text of PCX Rule 6 ("Options Trading—Rules Principally Applicable to Trading of Options Contracts") with regard to Market Makers and Lead Market Makers ("LMMS"):

The PCX proposes to change the registration procedures for Market Makers under PCX Rule 6.33. Under the rule change, the application of Market Makers for registration will be approved when the applicant passes a Market Maker examination. The Exchange proposes to remove the review process whereby the Options Floor Trading Committee ("OFTC") must review and approve applications.<sup>4</sup> The Exchange believes that the OFTC review and approval of each Market Maker is unnecessary because each Market Maker's name is routinely posted and if there are any problems with a particular Market Maker, they can be brought to the attention of the Exchange before the

Market Maker's application for membership is approved. In addition, the rule change will provide that an applicant Market Maker's name be posted on the bulletin board of the Floor of the Exchange for ten calendar days (rather than three business days, as currently stated).<sup>5</sup> The Exchange proposes these changes to expedite the registration process and to make the rules reflect current practices on the PCX.

The PCX also proposes to change PCX Rules 6.35 and 6.38(a) regarding the procedures for selection of Market Maker Primary Appointment Zones, which is akin to a post, so that in all cases, Market Makers will be required to select a primary zone before the expiration of a 60-day grace period.<sup>6</sup> The proposed change will allow Market Makers to select a Primary Appointment Zone during their first 60 days of trading to allow them to participate in the Exchange's Automatic Execution System ("Auto-Ex").<sup>7</sup> The proposed change will also delete PCX Rule 6.35, Commentary .02, which provides that the PCX Board of Governors may act to make all initial Primary Appointments. The Exchange proposes this change to simplify the process for Primary Appointment Zone selection and approval. Finally, the Exchange proposes to make PCX Rule 6.38 consistent with the changes to PCX Rule 6.35 by providing that certain Members "must obtain" a Primary Appointment Zone instead of "shall be given" a Primary Appointment Zone as currently provided.

To clarify PCX Rule 6.36 on the requirements pertaining to letters of guarantee and letters of authorization, the PCX proposes to add a provision (d) on FLEX Options, prohibiting Market

Makers from transacting in FLEX options unless one or more letters of guarantee have been issued on behalf of the Market Maker. The Exchange also proposes to incorporate OFPA B-4, Subject: Market Maker Trading on the PSE Equity Floors into PCX Rule 6.36, Commentary .02. The Exchange proposes to remove the specific requirements from the provision pertaining to the form of a letter of guarantee and replace the requirements with a general statement whereby a letter of guarantee must be "in a form approved by the Exchange." The Exchange proposes to make this change to simplify and ease the PCX requirements on letters of guarantee.

To simplify PCX Rule 6.37, the PCX proposes the following changes. The PCX proposes to incorporate PCX Rule 6.37, Commentary .05, regarding a Market Maker's obligation to trade at least one contract at the quoted price, into PCX Rule 6.37(f). To clarify this obligation, the Exchange proposes to require that a Market Maker who makes a one-sided market will be obligated to trade at least one contract at the "implied" price, (e.g., if a Market Maker provides a bid but not an offer, the Market Maker's offering price will be implied by that bid price plus the maximum bid/ask spread differential specified in PCX Rule 6.37(b)(1)). The Exchange also proposes to add a provision to proposed new Rule 6.37(f) stating that if a Market Maker at a trading post fails to provide a bid or offer after having a reasonable opportunity to do so, the Market Maker will be obligated to trade one contract at the best price quoted in the crowd, or if there are no prices quoted, at that Market Maker's disseminated price. Finally, the PCX proposes to eliminate the provision in PCX Rule 6.37(c)(1) that states that Market Makers should not "congregate in a particular class of option contract."<sup>8</sup>

The PCX also proposes to amend PCX Rule 6.37, Commentary .08 (new Rule 6.37, Commentary .05), to specify the circumstances under which Market Makers, while on a leave of absence, may make opening transactions in Exchange-listed options for their Market Maker accounts. Specifically, the only circumstances permitted will be those specified under current PCX Rule 6.32, Commentary .03, which states in part

<sup>8</sup> PCX contends that this provision, which was intended to promote trading in thinly traded securities, is no longer needed because there is sufficient liquidity across the trading floor and PCX rules on primary appointment zones (PCX Rule 6.35) and LMMs (PCX Rule 6.82) serve to assure that there is adequate coverage by Market Makers in all areas of the trading floor.

<sup>4</sup> Currently, PCX Rule 6.33 requires the OFTC to review applications and consider an applicant's ability, as demonstrated by his passing a Market Maker examination, financial resources and such other factors as the OFTC deems appropriate.

<sup>5</sup> In the future, the Exchange will propose similar rule changes to the procedure for registration of floor brokers under PCX Rule 6.44.

<sup>6</sup> Currently, PCX Rule 6.35 requires the Options Appointment Committee to assign Market Makers to a Primary Appointment Zone, however, it does not expressly require that Market Makers apply for such appointments. PCX Rule 6.35 states that a Market Maker's refusal to accept a Primary Appointment Zone may be deemed a sufficient cause for termination or suspension of a Market Maker's registration.

<sup>7</sup> Under Rule 6.87, Market Makers without a primary zone are not permitted to log on to the Auto-Ex system. Additionally, in the future, the Exchange proposes to modify its Minor Rule Plan and Recommended Fine Schedule to provide that Market Makers who fail to select a Primary Appointment Zone prior to the expiration of their 60-day grace periods, or thereafter, during any one-month period, will be subject to fines of \$500, \$1,000 and \$1,500 for first-, second-, and third-time violations, respectively. See PCX Rules 10.13(h) and (i). The Exchange believes such sanctions to be more appropriate than termination or suspension of a Market Maker's registration, as currently provided.

that "limit orders to buy and sell in the same series, discretionary orders, and market not-held orders may not be handled on a GTC basis without being treated as orders entered from off the floor." Accordingly, the Exchange proposes to change the current reference in PCX Rule 6.37, Commentary, .08, Subsection (3) from PCX Rule 6.032, Commentary .01 to PCX Rule 6.32, Commentary .03.

The PCX proposes to change its rule on LMMs (PCX Rule 6.83) by replacing references to "alternate LMMs" and "substitute LMMs" with references to "interim LMMs" and "back-up LMMs," respectively.

The Exchange also proposes to make various housekeeping, editorial and structural changes to the current rules on Market Makers and LMMs. The Exchange proposes to create Commentary .01 to PCX Rule 6.34 from the text of OFPA A-5, Subject: Prohibitions Against Use of the Book by Floor Brokers in Closing Out Errors, which states that "[s]ince bids, offers and transactions make to close out a position carried for a Floor Broker as a result of a brokerage error are clearly for the proprietary account of a member, they should not receive the priority treatment accorded to public customer orders held in the Book. Accordingly, the placing of such orders in the Book is deemed a violation of PCX Rule 6.52(a)." The Exchange proposes to delete the portion of text from OFPA A-5 which forbids any member, while on the Floor, from initiating a transaction in which the member has an interest, unless the member is acting as a Market Maker, or unless the member is liquidating a position taken into his own account as a result of an error made while attempting to execute an order for a customer because the Exchange believes this language is similar to the text of PCX Rule 6.34. The Exchange also proposes to incorporate PCX Rule 6.37, Commentary .07 into Rule 6.37(e) as "In Person Trading Requirements," and OFPA G-11, Subject: Marking, into Rule 6.37, Commentary .07. The Exchange proposes to make these changes to centralize rules applicable to Market Makers.

The Exchange also proposes to make the following minor changes to PCX Rule 6 pertaining to Market Makers. In PCX Rule 6.32, Commentary .04, the Exchange proposes to qualify commentary .04 by adding the following language: "[w]ith regard to orders of Market Makers entered from off the floor that are not entitled to special margin treatment pursuant to Commentaries .02 or .03." The Exchange proposes this

language to clarify the commentary with respect to identification of orders.

In PCX Rule 6.35(f) the Exchange proposes to change the reference that currently reads "Rule 6.35. Com. .03" to "Commentary .03" to simplify and clarify that the Exchange is proposing to move commentary .03 or PCX rule 6.35 into the text of PCX rule 6.35.

The Exchange proposes to require, pursuant to PCX Rule 6.38(d), that a member who wishes to act as a Market Maker and Floor Broker apply for and receive approval "from the Exchange" and not "through the Option Appointment Committee."<sup>9</sup> The Exchange proposes this rule change to reflect the current practice for a Member applying for and receiving approval to act as Market Maker and Floor Broker.

Finally, in PCX Rule 6.84 (d) and (g), the Exchange proposes to change the reference from "Member Services Department" to "Exchange" to accurately reflect the practice of applying for joint accounts pursuant to PCX Rule 6.84(d), in which each participant in a joint account must file with the Exchange and thereafter keep current a completed application on a form prescribed by the Exchange. The Exchange also proposes to clarify, under PCX Rule 6.84(h) that a Market Maker trading for a joint account must have a primary appointment, but the joint account itself is not required to have a primary appointment.<sup>10</sup> The Exchange proposes this rule change to clarify the responsibilities of Market Makers with respect to joint accounts.

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b)(5) of the Act<sup>11</sup> because it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and in general, to protect investors and the public interest. The Exchange also believes the proposal is consistent with Section 6(b)(6) of the

<sup>9</sup> "From the Exchange" means from the Exchange's Membership Department. Telephone conversation between Robert P. Pacileo, Staff Attorney, Regulatory Policy, PCX, and Heather Trigger, Attorney, Division, SEC, on August 25, 1999.

<sup>10</sup> PCX Rule 6.84(g) currently provides that joint accounts shall not be permitted to enter: (1) opening transactions from off the Floor for option contracts listed on the Exchange; (2) any transactions for option contracts not listed on the Exchange; and (3) transactions for any other security. This prohibition shall not apply to transactions entered for securities underlying Exchange option contracts in the joint account.

<sup>11</sup> 15 U.S.C. 78f(b)(5).

Act<sup>12</sup> because it is designed to provide that the PCX members will be cross-only disciplined for violations of the PCX Rules.

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

The Exchange represents that the proposed rule change will impose no 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

Written comments were not 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 the 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, 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All

<sup>12</sup> 15 U.S.C. 78f(b)(6).

submissions should refer to File No. SR-PCX-99-13 and should be submitted by November 16, 1999.

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

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 99-27886 Filed 10-25-99; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

Release No. 34-42041; File No. SR-PCX-99-31]

### Self-Regulatory Organization; Noticed of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Cross-Only Contingency Orders

October 20, 1999.

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 August 25, 1999, the Pacific Exchange, Inc. ("PCX" 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 Exchange. 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 PCX is proposing to amend its rules to permit Floor Brokers to represent orders with a "cross-only" contingency. The text of the proposed rule change is set forth below. Addition are italicized.

\* \* \* \* \*

#### PACIFIC EXCHANGE, INC. RULES TRADING PRACTICES AND PROCEDURES

##### ¶4987 "Crossing" Orders

###### Rule 6.47

(a)-(c)—No change.

##### Cross-Only Contingency Orders

(d) *A Floor Broker who holds cross-only orders as defined in rule 6.62(c)(3) may cross those orders by proceeding in the following manner: Prior to representing the orders in the trading crowd, the floor Broker must make the crowd aware of the total number of*

*contracts the Floor Brokers wishes to cross, the order are to executed on a cross-only basis, the price at which the Floor Broker wishes to cross the orders, and the name of the clearing member or members through whom the transaction will clear. The price must be or within the bid or offer.*

\* \* \* \* \*

##### ¶5061 Certain Types of Orders Defined

###### Rule 6.62

(a)-(b)—No change.

(c) Contingency Orders.—No change.

(12)-(2)—No change.

(3) *Cross-Only Orders. A cross-only order is a contingency order that is to be executed in whole in equity options only, the amount determined by the Member Organization Placing the order, in a cross transaction with an order for another customer or the Member Organization itself. If the trading crowd does not allow the cross to take place, the Member Organization placing the order may withdraw it from consideration by the trading crowd.*

\* \* \* \* \*

##### ¶5127 Manner of Bidding and Offering

###### Rule 6.73

No change.

###### Commentary:

*.01 Notwithstanding the above provision that all bids and offers must be general ones, a Floor Broker may represent orders with a cross-only contingency as defined in Rule 6.62.*

\* \* \* \* \*

#### 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 PCX 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 PCX proposes to amend certain Exchange Rules to permit a Member Organization to enter and a Floor Broker to represent orders with a cross-only contingency. The purpose of the proposed rule change is to allow a Floor Broker to disclose to the trading crowd,

prior to execution, that the Floor Broker wishes to cross two orders for a certain number of contracts, at a certain price within or at the quoted bid or offer. The Floor Broker must also disclose, prior to execution, the name of the clearing member or members through whom the transaction will clear. If the crowd does not permit the Floor Broker to do this, then the cross-only contingency provides that the Member Organization placing the orders may withdraw the orders, as if they never existed in the trading crowd. The two orders the Floor Broker holds to cross under this contingency may be two customer orders or orders between a customer and the firm itself. There are no restrictions on who the customer may be, e.g., a customer could be a Market Maker, broker-dealer, or a public customer. The cross would be effected at or between the bid and offer. A cross-only order is defined to include only equity options orders that are to be executed in whole.

The Exchange believes that by allowing for the cross-only contingency, the Exchange will help to develop customer business and will expedite crosses yielding a similar result to what occurs on the floor currently, although currently it is done in a much more circuitous route. With the current competition in the marketplace, the Exchange believes that by providing the cross-only contingency more firms will want to bring business to the PCX, since the firm will have the ability to take the order elsewhere if the crowd does not allow the cross.

Although Exchange Rules currently allow a similar result as the cross-only contingency, it is much more cumbersome. The proposed rule change provides that the Floor Broker may make the crowd aware in advance of the number of contracts the Floor Broker wishes to cross; the price at which the cross would take place, at or between the quoted prices; the customer "give up" information;<sup>3</sup> and if the crowd bars the cross from taking place, the Member Organization may withdraw the orders. As the rules stand currently, a Floor Broker does not disclose in advance that he or she is holding two orders to cross; the Floor Broker must bid above the highest bid or offer below the lowest offer in the open market; if the bid or offer is not taken by the crowd, then the Floor Broker may cross at the higher bid or lower offer.<sup>4</sup> The difference in result between the proposed Rule and the current Rule is not substantial; however it is a much quicker result since the Floor Broker will know immediately

<sup>13</sup> 17 CFR 200.30-3(A)(12).

<sup>14</sup> 15 U.S.C. 78s(b)(2).

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

<sup>3</sup> See PCX Rule 6.66(a).

<sup>4</sup> See PCX Rule 6.47(a).