

approved¹⁰ and, therefore, the proposed rule change raises no new issues of regulatory concern. 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 furtherance of the purposes of the Act.¹¹

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 Amex.

All submissions should refer to File No. SR-Amex-2001-99 and should be submitted by December 18, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45077; File No. SR-PCX-2001-39]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. To Eliminate References to Fractional Pricing From PCX and PCXE Rules

November 19, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 30, 2001, 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 Exchange filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(6)⁴ thereunder, which renders the proposal effective upon filing with the Commission.⁵ 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 its Rules and those of its subsidiary, the PCX Equities, Inc. ("PCXE"), so that prices for securities traded on the Exchange and trading differentials for bids and offers made on the Exchange may be expressed in decimal form. The Exchange proposes these amendment in anticipation of the industry-wide conversion to quoting and trading in decimals. The text of the proposed rule change is available at the PCX 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 PCX included statements concerning the purpose of and basis of its proposal and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The

PCX 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 provided a framework for the national securities exchanges and the National Association of Securities Dealers, Inc. (collectively "Participants") to convert quotation pricing in equity securities and options from fractions to decimals.⁶ The Commission's Order required that: (i) by June 8, 2001, Participants submit studies analyzing how decimal conversion affects systems capacity, liquidity and trading behavior, and (ii) by July 9, 2001, Participants submit rule filings that individually establish the minimum price variation ("MPV") for each market. On May 22, 2001, the Commission extended the deadlines to September 10, 2001 (for submitting studies) and to November 5, 2001 (for submitting rule filings). On September 25, 2001, in view of the market disruption caused by the attacks of September 11, 2001, the Commission extended the deadline for rule filings to January 14, 2002.

Participants Submitted an implementation plan and successfully completed the phasing-in of decimal pricing in all equity securities and options by April 9, 2001. In connection with the full implementation, the Exchange modified its Rules to include pricing in decimal format with cross-references to fractional pricing. This was done to allow the Exchange to trade, during the phase-in, some securities in decimals and some in fractions. The Exchange also established an MPV scheme for each market (equities and options) and submitted its study of the results on September 10, 2001.⁷ The Exchange now proposes to eliminate references to fractional pricing.

Equity Trading Rules

PCXE Rule 7.10(a)—Trading Differentials: The PCX is amending PCXE Rule 7.10(a) to delete text relating to trade differential increments priced in fractions and to eliminate references to fractions currently present in the Commentary examples.

⁶ See Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38101.

⁷ See The Pacific Exchange, Report on Decimal Trading (September 10, 2001).

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 Exchange provided the Commission with written notice of its intent to file the proposal on or about October 22, 2001. See Rule 19b-4(f)(6). 17 CFR 240.19b-4(f)(6).

¹⁰ See Securities Exchange Act Release No. 44964 (October 19, 2001), 66 FR 54559 (October 29, 2001) (order approving File No. SR-CBOE-2001-29).

¹¹ See Section 19(b)(3)(C) of the Act, 15 U.S.C. 78b(3)(C).

¹² 17 CFR 200.30-3(a)(12).

PCXE Rule 7.12(b)—Firm Quotations: The PCX is amending PCXE Rule 7.12(b), Commentary .05 for the purpose of deleting reference to fractional pricing in the example.

PCXE Rule 7.66(b)(8)(i)(A)(1)—Intermarket Trading System: The PCX is modifying PCXE Rule 7.66(b)(8)(A)(1) relating to price changes that trigger obligations in order to delete cross-references to fractional pricing in the “applicable price change.”

The PCX is modifying PCXE Rule 7.70(h) relating to the Pacific Computerized Order Access System (“P/COAST”) in order to replace the fractional pricing in the example to decimal values.

The PCX is modifying Rule 7.79(e) relating to information on tape in order to replace the fractional pricing to a decimal value.

Options Trading Rules

PCX Rule 1.15(b)—Point to Point Testing: The PCX is deleting PCX Rule 1.15(b) in its entirety because it relates to testing requirements for the conversion of fractional pricing to decimal pricing. Because the Exchange has fully implemented decimal pricing, the Rule is no longer applicable or necessary.

PCX Rules 6.37(b)(1) and 6.37(b)(3)—Obligations of Market Makers: The PCX is modifying the maximum bid/ask spread differentials to eliminate the cross-references to fractional pricing.

PCX Rules 6.47(b)(4)(A) and 6.47(b)(4)(B)—Crossing Orders: The PCX is modifying the examples relating to crossing markets in order to eliminate cross-references to fractional pricing.

PCX Rule 6.64 Commentary .01(c) and (d)—Trading Rotations: The PCX is modifying the examples relating to the determination of opening prices in order to eliminate cross-references to fractional pricing.

PCX Rule 6.72(a)(2) and Commentary .01—Trading Differentials: The PCX is amending its Rules to delete text relating to treatment of option issues quoted in fractions. Because the Exchange and all Member and Member Organizations have fully-implemented decimal pricing, the contingency language is no longer applicable.

PCX Rule 6.75(a)–(e)—Priority of Bids and Offers: The PCX is modifying the example relating to bids and offers in order to eliminate cross-references to fractional pricing.

PCX Rule 6.80 Commentary .01—Accommodation Transactions: The PCX is modifying its Rules on cabinet securities to delete cross-references to fractions.

PCX Rule 7.9—Meaning of Premium and Offers: The PCX is modifying its Rules on bids and offers to change the example by deleting cross-references to fractional pricing.

PCX Rule 8.102(f)—Terms of FLEX Options: The PCX is amending its Rules to delete text relating to percentage pricing and to delete cross-references to fractional pricing.

2. Statutory Basis

The Exchange believes the proposal is consistent with the requirements of Section 6(b) of the Act,⁸ in general, and furthers the objectives of Section 6(b)(5),⁹ in particular, in that it is designed to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, protect investors and the public interest.

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

Written comments on the proposed rule change were neither solicited nor 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 the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹ At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appear to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing,

including whether the proposal 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 PCX. All submissions should refer to file number SR-PCX-2001-39 and should be submitted December 18, 2001.

For the Commission, by the division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45080; File No. SR-PCX-2001-24]

Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Synchronization of Member Organization Business Clocks

November 19, 2001.

On June 18, 2001, the Pacific Exchange, Inc. (“PCX” or “Exchange”) filed with the Securities and Exchange Commission (“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 requiring all PCX member organization business clocks, used for purposes of recording order or trade data to the Exchange, to be synchronized to a single time designated by the PCX, and that member organizations adopt those procedures as may be necessary to maintain such synchronization during each trading day.

The proposed rule change was published for comment in the **Federal**

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.