

fractions and dual pricing in fractions and in decimals are no longer necessary in Phlx rules.

The Exchange therefore proposes to delete references to fractions and dual pricing from the following Phlx Rules of the Board of Governors:⁵ 125, Variations in Bids and Offers; 229, Philadelphia Stock Exchange Automated Communication and Execution System; 245, Terms of Offering on Tape; 307 "Part-Paid" Securities; and 803 Criteria for Listing—Tier I.

The Exchange proposes to delete references to fractions and dual pricing from the following Phlx options rules: 1014, Obligations and Restrictions Applicable to Specialists and Registered Options Traders; 1015 Quotation Guarantees; 1034 Minimum Trading Increments; 1079 FLEX Index and Equity Options;⁶ 1080 Philadelphia Stock Exchange Automated Options Market ("AUTOM") and Automatic Execution System ("AUTO-X");⁷ and 1033A, Meaning of Premium Bids and Offers.

The Exchange proposes to delete references to fractions and dual pricing from the following Options Advises: A-9, All-or-None Option Orders; A-11, Responsibility to Fill Customer Orders; and F-6, Option Quote Parameters.⁸

An example of the non-substantive changes proposed is that the language of Exchange Rules 125 and 1034 will be modified to eliminate references to fractional increments so that the remaining language will refer only to quoting in decimals. A further example is that references to fractional pricing in Exchange Rule 1080(c)(i)(C) will be eliminated so that the example of a crossed trade in the rule that currently reflects fractional pricing (2 $\frac{1}{8}$ bid, 2 asked) would reflect only decimal pricing (2.10 bid, 2 asked).

⁵ The Exchange's Rules of the Board of Governors (numbered between 1 and 1000) are applicable to equity trading. By virtue of Phlx Rule 1000, they are also applicable to options trading except to the extent that specific options rules (numbered 1000 et. seq.) govern or unless the context otherwise requires.

⁶ FLEX options are customized index options that trade on the Phlx as well as on other exchanges.

⁷ AUTOM is the Exchange's electronic order routing, delivery, execution, and reporting system for equity and index options. AUTO-X, the automatic execution feature of AUTOM, automatically executes eligible public customer market and marketable limit orders in equity and index options.

⁸ In addition, subsequent to an amendment of the joint exchange Intermarket Trading System ("ITS") Plan to remove references to fractional pricing, Phlx intends to modify its Rule 2001, Intermarket Trading System, to delete such references. Phlx and the other ITS participants have substantially similar rules implementing the ITS Plan.

According to the Exchange, the proposed amendments are non-substantive, technical changes for the purpose of conforming Exchange rules to the development of full decimalization in the securities industry.⁹

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,¹⁰ in general, and with Section 6(b)(5),¹¹ in particular, in that it promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest.

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

The Exchange does not believe that the proposed rule, as amended, 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.

I. 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 Phlx consents, the Commission will:

(A) by order approve such 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

⁹ Certain Phlx rules, such as Rule 650, Mandatory Participation in Decimalization Testing, and Rule 134, Decimal Pricing, expired automatically upon the full, industry-wide implementation of decimal pricing, and do not require any rule change.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

change, as amended, 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 Phlx. All submissions should refer to File No. SR-Phlx-2002-05 and should be submitted by April 12, 2002.

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. 34-45580; File No. SR-Phlx-2002-18]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. To Make Permanent a PACE Automatic Price Improvement Pilot Program and a PACE Order Execution and Price Protection Pilot Program

March 18, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder, notice is hereby given that on March 11, 2002, the Philadelphia Stock Exchange, Inc. ("Phlx" 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 has requested accelerated approval of the proposed rule change. The Commission is publishing this notice to solicit comments on the

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 make permanent two Philadelphia Stock Exchange Automated Communication and Execution System ("PACE")³ pilot programs that were introduced with the advent of decimal pricing in the securities industry. The first PACE pilot program, which is found in Supplementary Material .07(c)(i) to Phlx Rule 229, consists of an automated price improvement feature that incorporates a percentage of the spread between the bid and the offer ("Price Improvement Pilot"). It has been in effect since January 30, 2001.⁴

The second PACE pilot program, which is found in Supplementary Material .05 and .07(c)(ii) to Phlx Rule 229, incorporates immediate execution of certain market orders through the Public Order Exposure System ("POES") and mandatory double-up/double-down price protection ("Order Execution/Price Protection Pilot"). It has been in effect since August 25, 2000.⁵

The Phlx is not making any changes to the Price Improvement Pilot or the Order Execution/Price Protection Pilot, with the exception of deleting language that indicates that they are pilot programs. Upon approval of the proposed rule change, the Price Improvement Pilot and the Order Execution/Price Protection Pilot will be permanent. The text of the proposed rule change is available at the Phlx and at the Commission.

³ PACE is the Phlx's automated order routing, delivery, execution and reporting system for equities.

⁴ The price improvement pilot program was established in SR-Phlx-2001-12. See Securities Exchange Act Release No. 43901 (January 30, 2001), 66 FR 8988 (February 5, 2001) (SR-Phlx-2001-12). It was extended several times, currently through April 15, 2002. See Securities Exchange Act Release Nos. 44672 (August 9, 2001), 66 FR 43285 (August 17, 2001) (SR-Phlx-2001-67); 45078 (November 19, 2001), 66 FR 59293 (November 27, 2001) (SR-Phlx-2001-101); and 45284 (January 15, 2002), 67 FR 3253 (January 23, 2002) (SR-Phlx-2002-01).

⁵ The order execution and price protection pilot program was established in SR-Phlx-00-08. See Securities Exchange Act Release No. 43206 (August 25, 2000), 65 FR 53250 (September 1, 2000). It was extended several times, currently through April 15, 2002. See Securities Exchange Act Release Nos. 44185 (April 16, 2001), 66 FR 20511 (April 23, 2001) (SR-Phlx-2001-20); 44818 (September 19, 2001), 66 FR 49240 (September 26, 2001) (SR-Phlx-2001-81); 45079 (November 19, 2001), 66 FR 59292 (November 27, 2001) (SR-Phlx-2001-102); and 45295 (January 16, 2002), 67 FR 3624 (January 24, 2002) (SR-Phlx-2002-03).

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 Phlx 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 Phlx 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 Phlx proposes to make permanent the Price Improvement Pilot and the Order Execution/Price Protection Pilot. No other changes are proposed to these pilot programs.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6 of the Act⁶ in general, and in particular, with Section 6(b)(5),⁷ 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 a national market system, and protect investors and the public interest by providing for automatic price improvement and automatic execution of certain market orders and mandatory double-up/double-down price protection for equities traded over the PACE system on a permanent basis.

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

The Phlx 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

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 Exchange consents, the Commission will:

(A) By order approve such 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, 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 filings will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-2002-18 and should be submitted by April 12, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF TRANSPORTATION

Office of the Secretary

Aviation Proceedings, Agreements Filed During the Week Ending March 8, 2002

The following Agreements were filed with the Department of Transportation under the provisions of 49 U.S.C. Sections 412 and 414. Answers may be filed within 21 days after the filing of the application.

Docket Number: OST-2002-11783
Date Filed: March 6, 2002

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(5).

⁸ 17 CFR 200.30-3(a)(12).