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''),[1] and Rule 19b–4,[2] 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.[3] 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 [4] or, (3) when a regulatory trading halt is in effect at or after 3:40 p.m. [5]

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.[6] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act [7] 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,[8] that the proposed rule change (SR–NYSE–99–26) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[9]

Margaret H. McFarland,

Deputy Secretary.

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

BILLING CODE 8010–01–M

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

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 41726 (August 11, 1999), 64 FR 44985.

[4] 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.

[5] *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.

[6] 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).

[7] 15 U.S.C. 78f(b)(5)

[8] 15 U.s.C. 78s(b)(2).

[9] 17 CFR 200.30–3(a)(12).

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''),[1] and Rule 19b–4 thereunder,[2] 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.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

[2] 17 CFR 240.19b–4.

[3] *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.