III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing rule change establishes or changes a due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) [5] of the Act and subparagraph (f)(2) of Rule 19b-4 [6] thereunder. 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.

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 at the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. All submissions should refer to File No. SR–ISE–2001–13 and should be submittd by July 16, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–15800 Filed 6–22–01; 8:45 am]

BILLING CODE 8010–01–M

[5] 15 U.S.C. 78s(b)(3)(A).

[6] 17 CFR 240.19b–4(f)(2).

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44453; File No. SR–ISE–01–03]

Self-Regulatory Organizations; International Securities Exchange, LLC; Order Granting Approval to Proposed Rule Change Relating to Market Maker Block Transactions

June 20, 2001.

On January 12, 2001, the International Securities Exchange (''ISE'') 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 to permit market makers to enter block-size orders into the ISE's Block Order mechanism.

The proposed rule change was published for comment in the **Federal Register** on February 8, 2001.[3] The Commission received no comments on the proposal.

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 [4] and, in particular, the requirements of Section 6 of the Act [5] and the rules and regulations thereunder. The Commission finds specifically that the proposed rule change is consistent with Section 6(b)(5) of the Act [6] because it allows ISE market makers to participate in the Block Order Mechanism to the same extent as Electronic Access Members and thus to more easily hedge or liquidate positions resulting from their market making activities on the ISE.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[7] that the proposed rule change (File No. SR–ISE–01–03) be, and it hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–15945 Filed 6–22–01; 8:45 am]

BILLING CODE 8010–01–M

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 43290 (February 2, 2001), 66 FR 9613.

[4] In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[5] 15 U.S.C. 78f.

[6] 15 U.S.C. 78f(b)(5).

[7] 16 U.S.C. 78s(b)(2).

[8] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44450; File No. SR–NYSE–00–30]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change by the New York Stock Exchange, Inc. Amending NYSE Rule 104

June 19, 2001.

I. Introduction

On June 29, 2000, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') filed witht he 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 thereunder,[2] a proposed rule change to amend NYSE Rule 104. On February 21, 2001, the Exchange filed Amendment No. 1 to the proposed rule change with the Commission.

The proposed rule change, as presented in Amendment No. 1, was published for comment in the **Federal Register** on March 9, 2001.[3] No comments were received on the proposal. This order approves the proposal, as amended.[4]

II. Description of the Proposal

Current, NYSE Rule 104 requires specialists to obtain Floor Official approval when purchasing on a direct plus tick or selling on a direct minus tick, or when purchasing on a zero plus tick more than 50% of the stock offered. These transactions are considered destabilizing, and therefore require Floor Official approval to effect. The Exchange is proposing to amend NYSE Rule 104.10(7) to permit specialists to effect these destabilizing transactions, under certain circumstances, to bring the price of a listed foreign security into parity with the price of a foreign ordinary security.

Specifically, in order for a specialist to effect a destabilizing transaction under the proposed rule, the price of the transaction to bring the security into parity (a) must be based on the last sale

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 44033 (March 2, 2001), 66 FR 14239.

[4] The Commission has requested from the Exchange an explanation of the surveillance procedures it intends to implement to ensure that specialists comply with the proposed rule as amended. This approval order is contingent upon the Commission's finding that such surveillance procedures are adequate.

price in the home country market,[5] if that market is open, or (b) if the home country market is not open, the parity price must be between the then current bid and offer in the London (UK) market, *i.e.,* the London Stock Exchange, or (c) must be based at any time on changes in the home country—U.S. dollar exchange rate.[6] A destabilizing transaction effected to bring the price of a listed foreign security into parity with the price of the foreign ordinary security in any other market would continue to require Floor Official approval.

The proposed amendment also clarifies that the relief afforded from obtaining Floor Official approval for destabilizing transactions to bring the price of a listed foreign security into parity with the price of the foreign ordinary security is available only where the NYSE is not the principal market for the foreign security. As previously noted, for purposes of this rule, the home country market will be considered the principal market for a foreign security, unless a significant volume of the shares traded in that security take place outside that market.

The proposal also would permit, with Floor Official approval, a specialist to effect consecutive direct tick destabilizing parity trades. The Exchange's proposed rule makes clear that a specialist may not effect consecutive direct tick destabilizing trades unless these transactions are effected to bring the price of a listed foreign security into parity with the price of the foreign ordinary security and a Floor Official has approved the transaction.

III. Discussion

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, and, in particular the requirements of Section 6(b)(5)[7] that the rules of an exchange be 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, in general, to protect investors and the public interest.[8] The Commission also finds that the proposed rule change is consistent with Section 11(b)[9] and Rule 11b–1 thereunder[10] in that it preserves a specialist's obligation to assist in the maintenance of a fair and orderly market.

The Commission believes that the Exchange's proposal to amend NYSE Rule 104.10(7) to faciliate specialist market making in foreign securities traded on the NYSE is consistent with the Act. The Exchange's proposal is limited to ''parity'' transactions on direct destabilizing ticks to bring the price of a listed foreign security into parity with the price of a foreign ordinary security. Moreover, the only change being effected by the proposal is that such transactions will not require Floor Official approval as currently mandated by NYSE Rule 104. As discussed below, the Commission notes that such transactions must still comply with all of the other requirements of NYSE Rule 104.

The Commission believes that it is appropriate to allow specialists to effect certain destabilizing transactions without Floor Official approval because these transactions can benefit the market and public investors by maintaining parity if there is an absence of public orders on the NYSE while a stock is active in its home country. The requirement to secure Floor Official approval could delay the specialist from effecting such transactions, during which time the price of the listed foreign security could continue to move. The Commission believes, therefore, that the proposal is reasonable to address the above situation.

Furthermore, the Commission believes that the Exchange's proposal requiring a specialist to obtain Floor Official approval to effect a consecutive direct tick destabilizing parity trade is reasonable to ensure that the specialist does not set the price of a speciality stock. Specifically, the Commission expects a specialist to stabilize stock price movements in the stocks traded by the specialist unit by buying and selling from its own account against the prevailing trend of the market.

Moreover, the Exchange's proposal does not relieve specialists from the general requirement of NYSE Rule 104 that they effect transactions that are reasonably necessary for them to maintain a fair and orderly market in listed foreign securities.[11] Specialists in these securities remain subject to the specific negative and affirmative obligations imposed on them by NYSE Rule 104. Thus, for example, consistent with the maintenance of a fair and orderly market, transactions for a specialist's own account should be such that they maintain price continuity with reasonable depth, and minimize the effects of temporary disparities between supply and demand.[12] Furthermore, a specialist's quotation made for transactions on his own account should bear a proper relation to proceeding transactions and anticipated succeeding transactions.[13]

Finally, the Commission expects the Exchange to issue a memorandum to all specialists and Floor Officials to explain the relief afforded by the change to MTSE Rule 104. This memorandum will provide specific reference to the interaction between specialists' destabilizing parity transactions and certain Exchange rules, including the requirement that specialists continue to comply with NYSE Rule 123A.30 on percentage orders, NYSE Rule 123A.40 on election of stop orders, NYSE Rule 127 on specialists trading as principal in parity adjustment situations, and NYSE Rule 440B on the short sale rule. Specialists will also be informed that destabilizing parity trades must be reported on Form 81. The Commission believes that the reporting requirement is appropriate because it will assist the Exchange in surveiling for violations of the proposed rule.

As noted above, the Commission has requested submission of adequate surveillance procedures to assure compliance with the rule. This approval order is contingent on the submission of such adequate surveillance procedures.[14]

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[15] that the proposed rule change (SR–NYSE–00–30) is approved.[16]

[5] The proposed rule states that the home country market for a security is the principal market. However, the Exchange clarified in Amendment No. 1 that if a significant volume of the shares traded in a security takes place outside the home country market, another market will be considered the home country market.

[6] The Exchange represents that currency exchange rate information is displayed on the Floor of the Exchange utilizing information from Reuters. While specialists may also utilize other sources of vendor-supplied exchange rate information, they must keep a record of the source of the exchange rate information they utilize.

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

[8] In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[9] 15 U.S.C. 78k(b).

[10] 17 CFR 240.11b–1.

[11] The Commission requires all national securities exchanges that utilize the services of specialist to enact rules that require a specialist to engage in a course of dealings for his own account to assist in the maintenance of a fair and orderly market. 17 CFR 240.11b–1(a)(2)(ii).

[12] NYSE-Rule 104.10(1)–(3).

[13] NYSE Rule 104.10(4).

[14] *See* note 4, *supra.*

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

[16] *See* notes 4 and 14 and accompanying text, *supra.*

For the Commission, by the Division of market Regulation, pursuant to delegated authority.[17]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–15851 Filed 6–22–01; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No 34–44442; File No. SR–PCX–01–03]

Self-Regulatory Organizations, Pacific Exchange, Inc.; Order Granting Approval To Proposed Rule Change To Permit an Officer or Director of a Facility of PCX Equities To Serve on the PCX Equities Board of Directors

June 18, 2001.

I. Introduction

On January 9, 2001, the Pacific Exchange, Inc. (''PCX'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC''), 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 to amend the bylaws of its wholly-owned subsidiary, PCX Equities, Inc. (''PCXE'' or ''Corporation'') to permit an officer or director of a facility to PCXE to serve on its Board of Director (''Board''). On February 20, 2001, PCX filed Amendment No. 1 to the proposal.[3] The proposed rule change and Amendment No. 1 was published for comment in the **Federal Register** on March 7, 2001.[4] The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

In a related filing, PCX has proposed to create a new electronic trading facility of the PCXE called Archipelago Exchange.[5] Under that proposal, Archipelago Exchange, L.L.C. (''Arca''), a subsidiary of Archipelago Holdings. L.L.C. (''Archipelago''), would operate as a facility of the PCXE pursuant to Commission approval and various agreements between PCX, PCXE and Archipelago. In this proposal, the PCX proposes to amend the PCXE Bylaws to permit an officer or director of a facility of PCXE to serve on its Board. The proposed rule change would permit an Archipelago officer or director to serve on the PCXE Board.

Specifically, the proposed amendment to the bylaw states that ''(a)n officer or director of a facility of the Corporation may serve on the Board of Directors.'' Although the proposal would permit an officer or director of a PCXE facility to serve on the PCXE Board, the proposal will not alter any of the PCXE Board composition or nomination requirements.[6] The PCXE Board will continue to be comprised of fifty percent public directors (*i.e.,* not a broker or dealer in securities or affiliate thereof) and at least twenty percent of the directors (but no fewer than two directors) will be nominees of the ETP/Equity ASAP Nomination Committee. In addition, the PCXE Board will continue to consist of not less then ten or more than twelve directors.

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. The Commission finds that the proposed rule change is consistent with section 6(b) of the Act,[7] in general, and furthers the objectives of section 6(b)(3),[8] in particular, in that it is consistent with the fair representation principles set forth in the Act. Under section 6(b)(3) of the Act,[9] the rules of an exchange must assure that its members are fairly represented in the selection of its directors and in the administration of its affairs.[10] The fair representation requirement of section 6(b)(3)[11] allows statutory members to have a voice in an exchange's use of its self-regulatory authority. Moreover, this statutory requirement helps to ensure that members are protected from unfair, unfettered actions by an exchange pursuant to its rule, and that, in general, an exchange is administered in a way that is equitable to all those who trade on its market or through its facilities.

The proposed rule change will allow an officer or a director of a facility of the Corporation to be on the PCXE Board, but will not alter the composition or nomination requirements for the PCXE Board that the Commission approved and found to be consistent with the Act in the order establishing the PCXE.[12] Under the proposal, the PCXE Board will continue to consist of fifty percent public directors[13] and at least twenty percent of the directors (but no fewer than two directors) will be nominees of the ETP/Equity ASAP Nomination Committee. In addition, the PCXE Board will continue to consist of not less than ten or more than twelve directors. Presently, the PCXE Board consists of ten directors, however, the Exchange has represented that requirements set forth by the bylaws, rules and statues will continue to be met whether the Board's size continues to be ten directors or is expanded to twelve directors. Thus, the PCXE Board will be structured in a manner that satisfies both the fair representation and public participation requirements of section 6(b)(3) of the Act.[14]

IV. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[15] that the proposed rule change (SR–PCX–91–03) is approved. For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[16]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–15799 Filed 6–22–01; 8:45 am]

BILLING CODE 8010–01–M

[17] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] *See* letter from Cindy L. Sink, Senior Attorney, Regulatory Policy, PCX, to Marc F. McKayle, Special Counsel, Division of Market Regulation, Commission, dated February 16, 2001 (''Amendment No. 1'').

[4] *See* Securities Exchange Act Release No. 34–44026 (Feb. 28, 2001), 66 FR 13822.

[5] *See* Securities Exchange Act Release No. 34–43608 (Nov. 21, 2000), 65 FR 78822 (Dec. 15, 2000) (Notice of File No. SR–PCX–00–25 proposing to create a new electronic trading facility of the PCXE called Archipelago Exchange).

[6] *See* Amendment No. 1 *supra* note 3.

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

[8] 15 U.S.C. 78f(b)(3).

[9] 15 U.S.C. 78f(b)(3).

[10] In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation, 15 U.S.C. 78c(f).

[11] 15 U.S.C. 78f(b)(3).

[12] Securities Exchange Act Release No. 34–42759 (May 5, 2000), 65 FR 30654 (May 12, 2000) (''PCXE Order'').

[13] The Commission has previously stated its belief that the inclusion of public, non-industry representatives on exchange oversight bodies is critical to make certain that an exchange activity works to protect the public interest in the exchange governance process. The Commission believes that public directors can provide unique, unbiased perspectives, which should enhance the ability of the PCXE Board to address issues in a nondiscriminatory fashion and foster the integrity of PCXE. *See* PCXE Order, *supra* note 12.

[14] 15 U.S.C. 78f(b)(3).

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

[16] 17 CFR 200.30–3(a)(12).