

applying off-board trading restrictions to equity securities listed after April 26, 1979.⁵

The Exchange's off-board trading rules originally were intended to centralize buying and selling interest in listed securities to ensure the execution of orders at the best possible prices. Over time, however, these off-board trading restrictions came to be viewed by many as anti-competitive. In this regard, the Exchange notes that SEC Chairman Arthur Levitt recently called for the elimination of off-board trading rules.⁶

The Amex believes that Exchange Rule 5 is largely irrelevant to the trading of Amex-listed equity securities because it applies only to equity securities listed before April 26, 1979, and the great majority of Amex-listed stocks were listed for trading after that date. In addition, Exchange Rule 5 applies only to Amex members. Therefore, non-member firms may trade Amex-listed equity securities off-board—and in fact, non-member firms do so. The Exchange's off-board trading rule for bonds, similarly, is of little practical consequence due to the exceptions in Exchange Rule 6 that permit the great bulk of listed bond transactions to occur over-the-counter.

In light of the limited practical impact of the Exchange's off-board trading rules and the changing view on their propriety, the Exchange proposes to repeal Exchange Rules 5 and 6, and eliminate cross references to these Rules found elsewhere in the Exchange's rules.

2. Statutory Basis

The Exchange believes 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)(5),⁸ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, and dealers.

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

The Exchange believes that the proposed rule change will not impose any 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

The Exchange has neither solicited nor received written comments on 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 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. The Commission also invites interested persons to submit written data, views, and arguments on the market fragmentation issues presented in the NYSE Notice.⁹ 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 persons, 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 Section, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions

should refer to File No. SR-Amex-00-05 and should be submitted by March 24, 2000. Comments responding to the Commission's request for comment on market fragmentation issues should refer to File No. SR-NYSE-99-48 and should be submitted by April 28, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42459; File No. SR-CHX-99-28]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated To Delete Certain Exchange Provisions That Prohibit Off-Floor Transactions by Exchange Members

February 25, 2000.

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 December 27, 1999, the Chicago Stock Exchange, Incorporated ("Exchange" or "CHX") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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.

The Exchange's proposed rule change raises issues similar to those raised by the New York Stock Exchange's ("NYSE") proposal to repeal NYSE Rule 390, which rule generally prohibits NYSE members and their affiliates from effecting transactions in certain NYSE-listed securities away from a national securities exchange. The Commission recently issued the notice of filing for the NYSE's proposal ("NYSE Notice") and solicited comment on a number of important issues that have broad implications for the structure of the U.S. securities markets.³ Specifically, the

¹⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 42450 (Feb. 23, 2000) (File No. SR-NYSE-99-48). The Commission notes that similar proposals have been filed by the American Stock Exchange and the Philadelphia Stock Exchange. See Securities

Continued

⁵ See 17 CFR 240.19c-3.

⁶ Remarks of SEC Chairman Arthur Levitt, "Dynamic Markets, Timeless Principles" September 23, 1999.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ See *supra* notes 3 and 4.

Commission requested comment on market fragmentation—the trading of orders in multiple locations without interaction among those orders—and on several options for addressing market fragmentation. To promote a comprehensive discussion of off-board trading restrictions and related market fragmentation issues, the Commission requests that persons interested in the Exchange's proposal refer to the NYSE Notice and submit comments that respond to the questions presented in the NYSE Notice.⁴

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

The Exchange seeks to delete provisions in Article VIII, Exchange rule 9, "Transactions Off the Floor," that restrict off-floor transactions by Exchange members. The text of the proposed rule change is available at the Exchange 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

In December 1999, the NYSE proposed to repeal NYSE Rule 390, which restricts NYSE members from effecting certain off-floor transactions in specific securities ("19c-3 securities"). Furthermore, on December 9, 1999, the Commission adopted amendments to the Intermarket Trading System Plan ("ITS Plan") to expand the ITS linkage with the NASD's Computer Assisted Execution System to all listed securities, including 19c-3 securities.⁵ The ITS Plan amendment became effective on

February 14, 2000. To confirm the Exchange's commitment to the competitive ideals on which those actions are based, the Exchange believes it is appropriate to delete portions of Article VIII, Exchange Rule 9 to remove any restrictions that might potentially limit a member's ability to engage in certain off-floor transactions.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act⁶ in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

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

The Exchange believes that the proposed rule change will not impose any 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

The Exchange has neither solicited nor received written comments on 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 (i) 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. The Commission also invites interested persons to submit written data, views, and arguments on the market fragmentation issues presented in the NYSE Notice.⁷ 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 communications relating to the proposed rule change between the Commission and any persons, 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 Section, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-99-28 and should be submitted by March 24, 2000. Comments responding to the Commission's request for comment on market fragmentation issues should refer to File No. SR-NYSE-99-48 and should be submitted by April 28, 2000.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42453; File Nos. SR-NYSE-97-28; SR-CBOE-97-58; SR-Phlx-97-56; SR-PCX-97-49; SR-CHX-98-12; SR-Amex-99-26]

Self-Regulatory Organizations; New York Stock Exchange, Inc., Chicago Board Options Exchange, Incorporated, Philadelphia Stock Exchange, Inc., Pacific Exchange, Inc., Chicago Stock Exchange, Incorporated and American Stock Exchange LLC; Order Approving Proposed Rule Changes and Notice of Filing and Order Granting Accelerated Approval of Amendment to the Proposed Rule Changes That Adopt Capital and Equity Requirements for Joint Back Office Arrangements

February 24, 2000.

1. Introduction

On October 2, 1997, the New York Stock Exchange, Inc. ("NYSE"), October 27, 1997, the Chicago Board Options Exchange, Incorporated ("CBOE"), November 7, 1997, the Philadelphia Stock Exchange, Inc. ("Phlx"), December 18, 1997, the Pacific

Exchange Act Release Nos. 42460 (Feb. 25, 2000) (File No. SR-Amex-00-05) and 42458 (Feb. 25, 2000) (File No. SR-Phlx-00-12).

⁴ The Commission notes that the NYSE Notice is available on the Commission's website at: (<http://www.sec.gov/rules/sros/ny9948n.htm>).

⁵ See Securities Exchange Act Release No. 42212 (Dec. 9, 1999), 64 FR 70297 (Dec. 16, 1999).

⁶ 15 U.S.C. 78f(b)(5).

⁷ See *supra* notes 3 and 4.

⁸ 17 CFR 200.20-3(a)(12).