

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42957; File No. SR-Amex-00-32]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC Amending Its Rules To Mandate Decimal Pricing Testing

June 19, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 12, 2000, the American Stock Exchange LLC ("Amex" 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 Amex has designated this proposal as one concerned solely with the administration of the Exchange under Section 19(b)(3)(A)(iii) of the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. 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 adopt Amex Rule 431 relating to mandatory decimal pricing testing. In addition, the Exchange proposes to rescind Rule 430 (Mandatory Participation in Year 2000 Testing).

The text of the proposed rule change is available upon request from the Amex or 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 regarding 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

On January 28, 2000, the Commission issued an order ("January 28 Order") directing the securities markets to begin phasing in decimal pricing by July 3, 2000.<sup>4</sup> The Commission subsequently suspended all deadlines set forth in the January 28 Order and stated its intention to issue a new order for the implementation schedule of decimal pricing.<sup>5</sup> On June 8, 2000, the Commission issued an order ("June 8 Order") directing the securities markets to begin phasing in decimal pricing no later than September 5, 2000.<sup>6</sup>

Proposed Amex Rule 431 requires members and member organizations to conduct or participate in decimal pricing testing in order to facilitate compliance with the Commission's June 8 Order, as well as with any subsequent Commission directives relating to implementation of decimal pricing.

Proposed Amex Rule 431 requires members and member organizations to participate in or conduct, in a manner and frequency to be prescribed by the Exchange, testing of their computer systems to ascertain the compatibility of those systems with decimal pricing.

In addition, the proposed rule requires members and member organizations to provide such reports about the required tests as the Exchange may prescribe. Members and member organizations will be responsible for maintaining adequate documentation of any testing required by this rule, as well as the results of such testing, for examination by the Exchange. Members and member organizations subject to the rule who fail to test as required or to file any required reports would be subject to disciplinary action by the Exchange.

The Exchange also proposes to rescind Amex Rule 430 relating to mandatory Year 2000 testing because such testing has been completed and the rule is no longer necessary.

##### 2. Statutory Basis

The Exchange believes proposed Amex Rule 431, whose purpose is to ensure the participation of Exchange members in important testing prior to the securities industry's conversion to decimal pricing, is consistent with

Section 6(b) of the Act<sup>7</sup> in general and furthers the objectives of Section 6(b)(5)<sup>8</sup> in particular in that it is 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; and in that it is not designed to permit unfair discrimination between customers, issuers, brokers and dealers.

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

The Amex does not believe that the proposed rule change will impose any burden on competition 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

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing rule change is concerned solely with the administration of the Exchange, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>9</sup> and subparagraph (f)(3) of Rule 19b-4 thereunder.<sup>10</sup> At any time within 60 days of the filing of such 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

<sup>4</sup> Securities Exchange Act Release No. 42360 (Jan. 28, 2000), 65 FR 5003 (Feb. 2, 2000).

<sup>5</sup> Securities Exchange Act Release No. 42685 (Apr. 13, 2000), 65 FR 21046 (Apr. 19, 2000).

<sup>6</sup> Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38010 (June 19, 2000).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(3).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

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, 450 Fifth Street, NW, Washington, DC. 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-Ame-00-32 and should be submitted by July 17, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42959; File No. SR-CHX-00-21]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated, Amending Its Rules To Mandate Decimal Price Testing

June 20, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 14, 2000, the Chicago Stock Exchange, Incorporated ("CHX" 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 CHX. The CHX has designated this proposal as one concerned solely with the administration of the CHX under Section 19(b)(3)(A)(iii) of the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. 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 add a new rule (Article XI, Rule 12) to require Exchange members to participate in such decimalization-related testing as the Exchange may mandate and to maintain documentation of that testing. The text of the proposed rule change is available upon request from the CHX or 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 regarding 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

Although the starting dates and specific details of an industry-wide implementation plan have not yet been finalized, national securities exchanges and other market participants have begun testing the systems involved in the conversion to decimal-based trading. The CHX, in cooperation with the Commission, the Securities Industry Association, and other self-regulatory organizations, has been participating in this important testing effort. The proposed rule described in this filing requires CHX member firms to participate in such decimalization-related testing as the Exchange may require and to maintain documentation, including the results, of that testing.<sup>4</sup>

Specifically, the proposed new rule requires CHX members to participate in any point-to-point and industry-wide computer testing that the Exchange may require.<sup>5</sup> It also requires members to

prepare and submit such reports relating required testing as the Exchange may request, and to retain other testing-related documentation for inspection by the Exchange.

These requirements are similar to those that the Exchange imposed in 1999 as part of its Year 2000 testing effort, and are similar to those currently being proposed by at least one other national securities exchange. This proposed new rule shall expire upon the full implementation of decimal pricing.

###### 2. Statutory Basis

The CHX believes the proposed rule is consistent with the requirements of the Act and the rules and regulations thereunder governing national securities exchanges, and, in particular, with the requirements of Section 6(b) of the Act.<sup>6</sup> Specifically, the CHX believes the proposed rule is consistent with Section 6(b)(5) of the Act<sup>7</sup> 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, in general, to 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 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

Written comments were neither solicited nor received with respect to the proposed rule change.

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

Because the foregoing rule change is concerned solely with the administration of Exchange, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>8</sup> and subparagraph (f)(3) of Rule 19b-4 thereunder.<sup>9</sup> At any time within 60 days of the filing of such proposed rule

Industry-wide testing involves a wide variety of industry participants, including national securities exchange, registered clearing corporations and broker-dealers. The Exchange currently intends to require each of its active members (or their service providers) to participate in point-to-point test, and may require certain members to participate in industry-wide testing.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>9</sup> 17 CFR 240.19b-4(f)(3).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> The Exchange will file additional decimalization-related rule changes within the time frame required by the Commission's recent order. See Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38010 (June 19, 2000). This proposed rule change has been submitted first to ensure that member firms receive appropriate notice of the contemplated testing requirements.

<sup>5</sup> Point-to-point tests are conducted between a member's system (or the systems of the member's service provider) and the Exchange's systems.