

case of a tie, the Exchange will invite arbitrators to serve in alphabetical order.

The Exchange will notify the arbitrators of their selection and advise the parties of any disclosures under Rule 610.

(c) **Enhanced List Selection.** The second alternative is a hybrid of Exchange Rules and Random List Selection. Under Enhanced List Selection, the Exchange provides the parties with the names and profiles of nine arbitrators; six public arbitrators and three securities industry arbitrators, unless the public customer or non-member requests a panel consisting of at least a majority from the securities industry. The staff attorney selects these arbitrators based upon their qualifications and experience. The parties may exercise three peremptory challenges and number, in order of their preference (with "1" being the highest preference) the remaining names. If the Exchange removes any arbitrator from the list for cause before the end of the time to return the lists, the Exchange will provide a replacement name. The staff attorney then invites the arbitrators to serve based upon the parties' combined rankings. In case of a tie in the rankings, the Exchange will invite arbitrators to serve in alphabetical order.

If the Exchange cannot appoint a complete panel from the list, the staff attorney will appoint an arbitrator or arbitrators to complete the panel. Each party has one non-renewable peremptory challenge for each arbitrator the Exchange appoints. A party must use a peremptory challenge within ten business days of receiving notice of the appointment. The parties have unlimited challenges for cause.

Voluntary Pilot Program. The Exchange does not believe a rule requiring one of the alternative selection methods is appropriate at this time. Since July of 1998, the Exchange has offered parties the opportunity to select arbitrators on a voluntary basis similar to those detailed above. The Exchange has attempted to gauge the parties' interest in using alternatives to appoint arbitrators. After approximately 24 months of offering these alternatives, less than 15 percent of the parties in arbitration have chosen the alternatives. The modest rate of acceptance leads us to recommend that the alternatives be continued on a voluntary basis.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(5)³ of the Act in that it promotes just and equitable principles

of trade by ensuring that members and member organizations and the public have a fair and impartial forum for the resolution of their disputes.

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 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

Because the foregoing proposed rule: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days or such shorter time as the Commission may designate,⁴ the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁵ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁶

The Commission also notes that under Rule 19b-4(f)(6)(iii), the proposal does not become operative for 30 days after date of its filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange requests a waiver of this 30-day period for the following reasons. First, the Supplemental Procedures are voluntary. Second, the Exchange notes that it based its Supplemental Procedures on the Uniform Code of Arbitration developed by SICA. Finally, the Exchange notes that the Commission approved a similar rule change by the National Association of Securities Dealers, Inc. that provides for a list selection of arbitrators.⁷ For the reasons discussed above, the Commission finds that the waiver of the 30-day period is consistent with the protection of investors and the public interest.⁸

⁴ The Exchange provided the Commission with the five business day notice required by Rule 19b-4(f)(6) of the Act on July 25, 2000.

⁵ 15 U.S.C. 78s(b)(3)(A).

⁶ 17 CFR 240.19b-4(f)(6).

⁷ See Exchange Act Release No. 40555 (October 14, 1998), 63 FR 56670 (October 22, 1998).

⁸ For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on

At any time within 60 days of the filing of the proposed rule change, as amended, 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 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 NYSE. All submissions should refer to File No. SR-NYSE-00-34 and should be submitted by September 22, 2000.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43207; File No. SR-NYSE-00-17]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to Format Requirements for Securities Certificates

August 25, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 1, 2000, the New York Stock

efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

³ 15 U.S.C. 78f(b)(5).

Exchange ("NYSE") filed with the Securities and Exchange Commission ("Commission") and on July 24, 2000, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The proposed rule change consists of an amendment to Section 5 of the NYSE's Listed Company Manual ("Manual").² Section 5 of the Manual pertains to certificate forms and printing and engraving requirements.

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 NYSE 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 Items IV below. The NYSE has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of these statements.³

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In the past, the NYSE has applied specific criteria to the production of certificates of listed issuers to guard against the counterfeiting of certificates. However, in light of the continued move toward dematerialization and the evolving technology to support the movement of securities, the NYSE has reviewed its current requirements contained in the Manual. The NYSE notes that no comparable requirements exist in the NASDAQ rules. The NYSE also notes that the Commission has recently approved an American Stock Exchange ("Amex") rule filing that eliminated the existing Amex certificate requirements.⁴ Furthermore, public companies not listed on any exchange often use certificates which do not

comply with the traditional NYSE criteria which results in additional compliance expense when those companies seek an NYSE listing. In light of all the foregoing, the NYSE proposes to eliminate its requirements pertaining to the appearance of certificates and retain only the requirements that specify what must be contained on the face of each certificate (e.g., company name, par value if required by law, proper form of assignment, etc.).

In its internal discussions, the NYSE reviewed the rationale behind the various printing and engraving policies and is aware that in the past counterfeiting and other security concerns prompted many of the requirements. While the NYSE believes that for the reasons referred to above it is appropriate to go forward with this proposal, it appreciates that others in the industry may have issues or questions that they would like to raise. The NYSE is of course ready to discuss relevant issues and is prepared to appropriately address concerns that may be raised during the comment period.

The NYSE notes that as a result of discussions with both the Commission staff and representatives from The Depository Trust Company ("DTC"), the NYSE is proposing to amend Section 501 of the Manual. Specifically, the NYSE is proposing to add new language to Section 501 and to add a new Section 501.13 so that the certificate requirements address both security (counterfeiting) concerns and control or processing concerns raised by DTC.⁵

The NYSE believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act and the rules and regulations thereunder applicable to the NYSE because the proposed rule change 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, in general, to protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The NYSE does not believe that the proposed rule change will have any

impact, or impose any burden, on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments relating to the proposed rule change have not yet been solicited or received. The NYSE will notify the Commission of any written comments received by the NYSE.

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

Within thirty-five 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 ninety 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 self-regulatory organization 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the NYSE. All submissions should refer to File No. SR-NYSE-00-17 and should be submitted by September 22, 2000.

² A copy of the text of the NYSE's proposed rule change and the attached exhibit are available at the Commission's Public Reference Section or through the NYSE.

³ The Commission has modified the text of the summaries prepared by the NYSE.

⁴ Securities Exchange Act Release No. 42539 (March 17, 2000), 65 FR 15672.

⁵ By way of clarification, the Commission notes that NYSE is proposing to entirely eliminate Section 502 of the Manual which pertains to certificate printing and engraving requirements. Certain provisions contained in Section 502 that address security and processing have been retained in the proposed additions to Section 501. The text of the proposed rule change is set forth in Exhibit A to the filing, which may be obtained by contacting the NYSE or through the Commission's Public Reference Room.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval to a Proposed Rule Change and Amendment No. 1 by the Philadelphia Stock Exchange, Incorporated, Establishing a Pilot Program Relating to Price Improvement in a Decimals Environment

August 25, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-1 thereunder,² notice is hereby given that on August 22, 2000, the Philadelphia Stock Exchange, Incorporated ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. On August 24, 2000, the Exchange amended the proposal.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons and to grant accelerated approval to the proposed rule change.

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

The Exchange proposes to amend PHLX Rule 229, Philadelphia Stock Exchange Automated Communications and Execution System (PACE),⁴ on a pilot basis through February 28, 2001, as part of the industry-wide plan to implement the transition from quoting in fractions in quoting in decimals. The text of the proposed rule change is

available to the PHLX and at the Commission.

The Exchange proposes to amend PHLX Rule 229 at Supplementary Material .07(c)(i) to state that automatically executable market and marketable limit orders of equities that trade in decimals pursuant to PHLX Rules 134 and 125 and are received through PACE shall be provided with automatic price improvements of at least \$.01 from the PACE quote. The PHLX proposes to amend Supplementary Material .07(c)(i)(B) to state that a specialist may choose to provide automatic price improvement where the PACE quote is $\frac{3}{16}$ or greater or $\frac{1}{8}$ or greater for equities trading in fractions, or \$.03 or greater or \$.05 or greater for equities trading in decimals.

The Exchange proposes to amend Supplementary Material .07(c)(ii) respecting mandatory manual double-up/double-down price protection, which currently requires the specialist to provide each protection in any instance where the bid/ask of the PACE quote is $\frac{1}{8}$ or greater. Regarding equities trading in decimals, the specialist would have to provide manual double-up/double-down price protection when the bid/ask of the PACE quote is \$.01 or greater. The definition of double-up/double-down price protection would be updated at Supplementary Material .07(c)(ii) to reflect trades of at least \$.10 from the last regular way sale on the primary market for equities trading in decimals.

The PHLX also proposes to amend Supplementary Material .05 as follows: if the PACE quote at the time of order entry into the system reflects a $\frac{1}{8}$ point spread or less (the difference between the best bid and offer) for equities trading in fractions, or \$.05 or less for equities trading in decimals, that order will be executed immediately without the 30 second delay.

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 III 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

The purpose of the proposed rule change is to amend existing PHLX Rule 229 to comply with the implementation of decimal pricing in the securities industry on August 28, 2000, and thereafter in phases. Certain proposes amendment to PHLX Rule 229 would clarify existing language that refers only to pricing in fractions. The Exchange proposes to add language that is applicable to both fractional and decimal pricing. For example, price improvement on PACE would be in fractions as well as in decimals expressed in multiples of the Minimum Price Variation ("MPV") for equities trading in decimals.

Other proposed amendments would add mandatory price protection in multiples of the MPV for equities trading in decimals, where it currently exists only in fractions. The Exchange also proposes to add decimal equivalents of existing fractional values.

2. Statutory Basis

The PHLX believes that the proposed rule change is consistent with Section 6 of the Act,⁵ in general, and with Section 6(b)(5),⁶ 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 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. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing,

⁵ 15 U.S.C. 78f.

⁶ 15 U.S.C. 78f(b)(5).

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See August 24, 2000 letter from John Dayton, Assistant Secretary and Counsel, PHLX, to Alton Harvey, Esquire, Office Chief, Division of Market Regulation, SEC ("Amendment No. 1"). In Amendment No. 1, the PHLX deleted Supplementary Material .20 to Rule 229 in its entirety, and requested the proposed rule change be implemented as a pilot program through February 28, 2001.

⁴ PACE provides a system of automatic delivery and execution of orders on the Exchange equity floor under predetermined conditions.