

**SECURITIES AND EXCHANGE
COMMISSION****Sunshine Act Meeting**

Federal Register Citation of Previous Announcement: [66 FR 58543, November 21, 2001]

STATUS: Open/Closed Meetings.

PLACE: 450 Fifth Street, NW., Washington, DC.

DATE AND TIME OF PREVIOUSLY ANNOUNCED MEETING: Thursday, November 29, 2001, at 10 a.m.

CHANGE: Additional Meeting and Time Change.

An open meeting will be held on Thursday, November 29, 2001 at 10 a.m.

The closed meeting scheduled for Thursday, November 29, 2001 at 10 a.m., will follow the 10 a.m. open meeting.

The subject matter of the open meeting scheduled for Thursday, November 29, 2001, at 10 a.m., will be:

The Commission will consider whether to extend a stay relating to the application of certain requirements contained in Regulation ATS under the Securities Exchange Act of 1934 to alternative trading systems that facilitate trading in investment grade and non-investment grade corporate debt securities. Those requirements relate to fair access and systems capacity, security, and integrity. The current stay of those requirements expires on December 1, 2001.

For further information contact: Gordon Fuller, Counsel to the Assistant Director, at (202) 942-0792, Office of Market Supervision, Division of Market Regulation.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: November 21, 2001.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01-29514 Filed 11-21-01; 4:06 pm]

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**SECURITIES AND EXCHANGE
COMMISSION**

[Release No. 34-45074; File No. SR-Amex-2001-99]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC Relating to the Withdrawal of Continued Approval for Securities Underlying Options Traded on the Exchange

November 16, 2001

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 November 16, 2001, 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 Amex. The proposed rule change has been filed by the Amex as a "non-controversial" rule change under Rule 19b-4(f)(6) under the Act.³ 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 Amex proposes to amend Amex Rule 916 governing the withdrawal of approval for securities underlying options traded on the Exchange.

The text of the proposed rule change is available at the Amex 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 Amex included statements concerning the purpose of and statutory 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

1. Purpose

Commentary .01 to Amex Rule 916 currently provides guidelines to be used in determining whether an underlying security previously approved for options trading meets requirements for continuance of such approval. Specifically, one guideline states that the Exchange may not list additional series for an option class if the underlying security has failed to close above \$5 for the majority of business days during the preceding six calendar months as measured by the highest closing price reported in any market in which the underlying security traded. If the underlying security does not meet the guideline price then the Exchange will not open for trading additional series of that class and may take other actions such as prohibiting opening purchase transactions in existing series. There is a limited exception from this guideline for highly capitalized, actively-traded securities whose options have significant investor open interest. The exception allows series to be added if such underlying securities closed at or above an initial standard of \$3 and a subsequent standard of \$4.

Change in Guideline Price. The Exchange is proposing to amend Commentary .01 to Rule 916 in the following manner. First, the Exchange proposes to change the guideline price from \$5 to \$3, which is used to determine whether an underlying security previously approved for options transactions meets the requirements for continued approval. Second, the Exchange proposes to shorten the time period used to determine the guideline price from the majority of business days during the preceding six calendar months to whether the underlying security closed above the guideline price on just the preceding trading day. And, third, the Exchange proposes to use the highest closing price reported in the primary market in which the underlying security trades rather than the closing price in "any market" to determine whether the \$3 guideline has been met. The other criteria set forth in Commentary .01 used to determine whether a class of options meets the requirements for continued approval (such as, the number of shares outstanding and held by non-insiders, the number of holders, and trading volume) will remain the same.

Additions of Series. Commenter .02 to Amex rule 916 prohibits the opening of

trading any additional series of options on an underlying security at any time when the market price per share of such security is less than \$5, as measured by the highest closing price reported in any market in which the underlying security trades. The Exchange proposes to amend Commentary .02 to Amex Rule 916 by reducing from \$5 to \$3 the price above which the underlying security must be traded before the Exchange may add additional series of options. This means if the Exchange is adding a series intra-day, the underlying security must have closed above \$3 the previous day (in order to meet the proposed requirement of Commentary .01) and must be at \$3 or above at the time the new series is added (in order to meet the proposed requirement of Commentary .02 to Amex Rule 916). In addition, the Exchange proposes to use the highest closing price reported in the primary market, as that term is defined in Rule 900(26), in which the underlying security trades, rather than the closing price in "any market" to determine whether the \$3 guideline has been met. Finally, for purposes of Commentary .02, the Exchange proposes to use the market price for each underlying security as measured by (i) for intra-day series additions, the last reported trade in the primary market in which the underlying security trades at the time the Exchange determines to add these additional series; and (ii) for next-day and expiration series additions, the closing price reported in the primary market in which the underlying security traded on the last trading day before the series are added.

Exemption from Commentaries .01 and .02. Commentary .04 to Amex Rule 916 provides an exemption from the \$5 guideline for highly capitalized, actively traded underlying securities whose options have significant customer open interest. The Exchange may add series if: (1) The closing price of the underlying security was at or over \$3 for a majority of the days during the six calendar month period preceding the addition, and (2) the closing price of the underlying security was at or over \$4 for a majority of the days during a subsequent six calendar month period. Since the Exchange is proposing to reduce the guideline from \$5 to \$3 in Commentaries .01 and .02, the exemption provided in Commentary .04 no longer needed.

When many of the maintenance criteria were first implemented, the list options market was in its infancy. Now more than twenty-six years later, the listed options market is a mature market with sophisticated investors. The Exchange does not believe that the \$5

guideline is necessary to accomplish its presumed intended purposes: (1) To provide for the listing of options on securities that are not susceptible to manipulation; and (2) to prevent the proliferation of option classes on underlying securities that lack liquidity needed to maintain fair and orderly markets. The Exchange believes that it should allow the desires of its customers and the workings of the marketplace determine the securities on which options will continue to be traded. The Exchange represents that it will continue to apply its other guidelines, which assure that there are a large number of shares outstanding and held by non-affiliates of the issuer, the underlying security is actively traded, there are a large number of holders of the security, and the underlying security continues to be listed on a national securities exchange or traded through the facilities of a national securities association. The Exchange represents that the use of the revised guidelines will continue to ensure that options will be traded on securities of companies that are financially sound and are still subject to adequate minimum standards. In addition, the Exchange asserts that it will ensure that its own systems and those of the Options Price Reporting Authority can handle any increased capacity requirements due to the listing of new option series under the proposed less restrictive guidelines.

2. Statutory Basis

The Amex believes that the proposed rule change is consistent with Section 6 of the Act,⁴ in general, and with Section 6(b)(5) of the Act,⁵ specifically, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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.

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 proposed rule change, as amended: (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 after the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission,⁶ the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(6)⁸ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Amex seeks to have the proposed rule change become operative immediately. The Commission, consistent with the protection of investors and the public interest, has determined to make the proposed rule change operative as of November 16, 2001.⁹ The Commission notes that the proposed rule change is substantially similar in all material respects to the rule of another exchange that the Commission has already noticed for public comment and

⁶ See Letter from Claire P. McGrath, Vice President and Deputy General Counsel, Amex, to Nancy Sanow, Assistant Director, Division of Market Regulation, Commission, dated November 2, 2001.

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁴ 15 U.S.C. 78f.

⁵ 15 U.S.C. 78f(b)(5).

approved¹⁰ and, therefore, the proposed rule change raises no new issues of regulatory concern. 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.¹¹

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 Room. Copies of such filing will also be available for inspection and copying at the principal office of the Amex.

All submissions should refer to File No. SR-Amex-2001-99 and should be submitted by December 18, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01-29404 Filed 11-26-01; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45077; File No. SR-PCX-2001-39]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. To Eliminate References to Fractional Pricing From PCX and PCXE Rules

November 19, 2001.

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 October 30, 2001, the Pacific Exchange, Inc. ("PCX" 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 Exchange filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(6)⁴ thereunder, which renders the proposal effective upon filing with the Commission.⁵ 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 amend its Rules and those of its subsidiary, the PCX Equities, Inc. ("PCXE"), so that prices for securities traded on the Exchange and trading differentials for bids and offers made on the Exchange may be expressed in decimal form. The Exchange proposes these amendment in anticipation of the industry-wide conversion to quoting and trading in decimals. The text of the proposed rule change is available at the PCX 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 PCX included statements concerning the purpose of and basis of its proposal and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The

PCX 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 June 8, 2000, the Commission provided a framework for the national securities exchanges and the National Association of Securities Dealers, Inc. (collectively "Participants") to convert quotation pricing in equity securities and options from fractions to decimals.⁶ The Commission's Order required that: (i) by June 8, 2001, Participants submit studies analyzing how decimal conversion affects systems capacity, liquidity and trading behavior, and (ii) by July 9, 2001, Participants submit rule filings that individually establish the minimum price variation ("MPV") for each market. On May 22, 2001, the Commission extended the deadlines to September 10, 2001 (for submitting studies) and to November 5, 2001 (for submitting rule filings). On September 25, 2001, in view of the market disruption caused by the attacks of September 11, 2001, the Commission extended the deadline for rule filings to January 14, 2002.

Participants Submitted an implementation plan and successfully completed the phasing-in of decimal pricing in all equity securities and options by April 9, 2001. In connection with the full implementation, the Exchange modified its Rules to include pricing in decimal format with cross-references to fractional pricing. This was done to allow the Exchange to trade, during the phase-in, some securities in decimals and some in fractions. The Exchange also established an MPV scheme for each market (equities and options) and submitted its study of the results on September 10, 2001.⁷ The Exchange now proposes to eliminate references to fractional pricing.

Equity Trading Rules

PCXE Rule 7.10(a)—Trading Differentials: The PCX is amending PCXE Rule 7.10(a) to delete text relating to trade differential increments priced in fractions and to eliminate references to fractions currently present in the Commentary examples.

⁶ See Securities Exchange Act Release No. 42914 (June 8, 2000), 65 FR 38101.

⁷ See The Pacific Exchange, Report on Decimal Trading (September 10, 2001).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ The Exchange provided the Commission with written notice of its intent to file the proposal on or about October 22, 2001. See Rule 19b-4(f)(6). 17 CFR 240.19b-4(f)(6).

¹⁰ See Securities Exchange Act Release No. 44964 (October 19, 2001), 66 FR 54559 (October 29, 2001) (order approving File No. SR-CBOE-2001-29).

¹¹ See Section 19(b)(3)(C) of the Act, 15 U.S.C. 78b(3)(C).

¹² 17 CFR 200.30-3(a)(12).