

a stated policy and interpretation with respect to the meaning of an existing rule.

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 proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 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 NASD. All submissions should refer to file number SR-NASD-00-26 and should be submitted by May 30, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. 00-11400 Filed 5-05-00; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-42740; File No. SR-CHX-00-11)

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Trading of Nasdaq/NM Securities on the CHX

May 1, 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 April 25, 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 and II 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 and to grant accelerated approval of the proposed rule change.

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

The Exchange has requested a six-month extension<sup>3</sup> of the pilot program relating to the trading of Nasdaq/NM securities on the Exchange. Specifically, the pilot program amended Article XX, Rule 37 and Article XX, Rule 43 of the Exchange's rules. The pilot currently is due to expire on May 1, 2000. The Exchange proposes that the pilot remain in effect on a pilot basis through November 1, 2000. The text of the proposed rule 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 regarding 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

On May 4, 1987, the Commission approved certain Exchange rules and procedures relating to the trading of Nasdaq/NM securities on the Exchange.<sup>4</sup> Among other things, these rules rendered the Exchange's BEST Rule guarantor (Article XX, Rule 37(a)) applicable to Nasdaq/NM securities and made Nasdaq/NM securities eligible for the automatic execution feature of the Exchange's Midwest Automated Execution System (the "MAX" system).<sup>5</sup>

On January 3, 1997, the Commission approved,<sup>6</sup> on a one year pilot basis, a program that eliminated the requirement that CHX specialists automatically execute orders for Nasdaq/NM securities when the specialist is not quoting at the national best bid or best offer disseminated pursuant to Commission Rule 11Ac1-1 (the "NBBO"). When the Commission approved the program on a pilot basis, it requested that the Exchange submit a report to the Commission describing the Exchange's experience with the pilot program. The Commission stated that the report should include at least six months of trading data. Due to programming issues, the pilot program was not implemented until April 1997. Six months of trading data did not become available until November 1997. As a result, the Exchange requested an additional three-month extension to collect the data and prepare the report for the Commission.

<sup>4</sup> See Securities Exchange Act Release No. 24424 (May 4, 1987), 52 FR 17868 (May 12, 1987) (order approving File No. SR-MSE-87-2); *see also*, Securities Exchange Act Release Nos. 28146 (June 26, 1990), 55 FR 27917 (July 6, 1990) (order expanding the number of eligible securities to 100); 36102 (August 14, 1995), 60 FR 43626 (August 22, 1995) (order expanding the number of eligible securities to 500); 41392 (May 12, 1999), 64 FR 27839 (May 21, 1999) (order expanding the number of eligible securities to 1000).

<sup>5</sup> The MAX system may be used to provide an automated delivery and execution facility for orders that are eligible for execution under the Exchange's BEST Rule and certain other orders. *See* CHX Rules, Art. XX, Rule 37(b). A MAX order that fits within the BEST parameters is executed pursuant to the BEST Rule via the MAX system. If an order is outside the BEST parameters, the BEST rule does not apply, but MAX system handling rules remain applicable.

<sup>6</sup> *See* Securities Exchange Act Release No. 38119 (January 3, 1997), 62 FR 1788 (January 13, 1997).

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

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

<sup>3</sup> In the original filing, the Exchange requested a one-year extension of the pilot program. In a telephone call on May 1, 2000, between Paul O'Kelly, Executive Vice President, Market Regulation and Legal, CHX, and Katherine England, Assistant Director, Division of Market Regulation ("Division"), Commission, the Exchange agreed to a six month extension for the pilot.

<sup>9</sup> 17 CFR 200.30-3(a)(12).

On December 31, 1997, the Commission extended the pilot program for an additional three months, until March 31, 1998, to give the Exchange additional time to prepare and submit the report and to give the Commission adequate time to review the report prior to approving the pilot on a permanent basis.<sup>7</sup> The Exchange submitted the report to the Commission on January 30, 1998. Subsequently, the Exchange requested another three-month extension, in order to give the Commission adequate time to approve the pilot program on a permanent basis.

On March 31, 1998, the Commission approved the pilot for an additional three-month period, until June 30, 1998.<sup>8</sup> On July 1, 1998, the Commission approved the pilot for an additional six-month period, until December 31, 1998.<sup>9</sup> On December 31, 1998, the Commission approved the pilot for an additional six-month period, until June 30, 1999.<sup>10</sup> On June 30, 1999, the Commission approved the pilot for an additional seven-month period, until January 31, 2000.<sup>11</sup> On January 31, 2000, the Commission approved the pilot for an additional three-month period, until May 1, 2000.<sup>12</sup> The Exchange now requests another extension of the current pilot program, through November 1, 2000. The Exchange also submitted to the Commission a report relating to executions in accordance with the pilot program, to enable the Commission to continue its review of the pilot program on April 27, 2000.<sup>13</sup>

Under the pilot program, specialists must continue to accept agency<sup>14</sup> market orders or marketable limit orders, but only for orders of 100 to 1,000 shares in Nasdaq/NM securities rather than the 2,099 share limit previously in place. Specialists,

however, must accept all agency limit orders in Nasdaq/NM securities from up to and including 10,000 shares for placement in the limit order book. As described below, however, specialists are required to automatically execute Nasdaq/NM orders only if they are quoting at the NBBO when the order was received.

The pilot program requires the specialists to set the MAX auto-execution threshold at 1,000 shares or greater for Nasdaq/NM securities. When a CHX specialist is quoting at the NBBO, orders for a number of shares less than or equal to the auto-execution threshold designated by the specialist are executed automatically (in an amount up to the size of the specialist's quote). Orders in securities quoted with a spread greater than the minimum variation are executed automatically after a fifteen second delay from the time the order is entered into MAX. The size of specialist's bid or offer is then automatically decremented by the size of the execution. When the specialist's quote is exhausted, the system will generate an autoquote at an increment away from the NBBO, as determined by the specialist from time to time, for either 100 or 1,000 shares, depending on the issue.<sup>15</sup>

When the specialist is not quoting a Nasdaq/NM security at the NBBO, it can elect, on an order-by-order basis, to manually execute orders in that security. If the specialists does not elect manual execution, MAX market and marketable limit orders in the security that are of a size equal to or less than the auto-execution threshold is less than or equal to the NBBO. If the specialists elects manual execution, the specialist must either manually execute the order at the NBBO or a better or act as agent for the order in seeking to obtain the best available price for the order on a marketplace other than the Exchange. If the specialist decides to act as agent for the order, the pilot program requires the specialist to use order-routing systems to obtain an execution where appropriate. Market and marketable limit orders that are for a number of shares greater than the auto-execution threshold are not subject to these requirements, and may be canceled within one minute of being entered into MAX to designated as an open order.

<sup>15</sup> Specifically, the autoquote is currently for one normal unit of trading (usually 100 shares) for issues that became subject to mandatory compliance with Commission Rule 11Ac1-4 on or prior to February 24, 1997 and 1000 shares for other issues.

## 2. Statutory Basis

The CHX believes that the proposed rule is consistent with the requirements of the Act and rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>16</sup> In particular, the proposed rule is consistent with Section 6(b)(5)<sup>17</sup> of the Act in that it designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The CHX's proposal is intended to conform CHX specialist obligations to those applicable to OTC market makers in Nasdaq/NM securities, while recognizing that the CHX provides a separate, competitive market for Nasdaq/NM securities. The rules establish execution procedures and guarantees that attempt to provide executions reflective of the best quotes among OTC market makers and specialists in Nasdaq/NM securities without subjecting CHX specialists to execution guarantees that are substantially greater than those imposed on their competitors.

### 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

Written comments were neither solicited nor received.

## III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing including whether the proposal is consistent with the Act. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., 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

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> See Securities Exchange Act Release No. 39512 (December 31, 1997), 62 FR 1517 (January 9, 1998).

<sup>8</sup> See Securities Exchange Act Release No. 39823 (March 31, 1998), 63 FR 17246 (April 8, 1998).

<sup>9</sup> See Securities Exchange Act Release No. 40150 (July 1, 1998), 63 FR 36983 (July 8, 1998).

<sup>10</sup> See Securities Exchange Act Release No. 40868 (December 31, 1998), 64 FR 1845 (January 12, 1999).

<sup>11</sup> See Securities Exchange Act Release No. 41586 (June 30, 1999), 64 FR 36938 (July 8, 1999).

<sup>12</sup> See Securities Exchange Act Release No. 42372 (January 31, 2000), 65 FR 6425 (February 9, 2000).

<sup>13</sup> See Letter to Katherine England, Assistant Director, Division, Commission, from Paul B. O'Kelly, Executive Vice President, Market Regulation and Legal, CHX, dated April 27, 2000.

<sup>14</sup> The term "agency order" means an order for the account of a customer, but does not include professional orders, as defined in CHX Rule, Art. XXX, Rule 2, Interp. and Policy .04. The rule defines a "professional order" as any order for the account of a broker-dealer, the account of an associated person of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest.

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 filings will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-00-11 and should be submitted by May 30, 2000.

#### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the Exchange's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>18</sup> Specifically, the Commission finds that the proposed rule change is consistent with Section 6(b)(5)<sup>19</sup> of the Act, which requires that an Exchange have rules 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. The Commission also believes that the proposal is consistent with Section 11A(a)(1)(C)<sup>20</sup> and 11A(a)(1)(D)<sup>21</sup> of the Act. The proposal is consistent with Section 11A(a)(1)(C) in that it seeks to ensure economically efficient execution of securities transactions. Moreover, the proposal is consistent with Section 11A(a)(1)(D) in that it attempts to foster the linking of markets for qualified securities through communication and data processing facilities.

The Commission notes, however, that while the Exchange has been working toward establishing a linkage, specialists and OTC market makers do not yet have an effective method of routing orders to each other. The Commission expects the Exchange to continue to work towards establishing a linkage with the Nasdaq systems as requested in the January 1997 Order.<sup>22</sup> In connection with this effort, the Commission has requested an update on the information provided in the December 21, 1999 and April 27, 2000 reports using the Exchange's surveillance system. The Commission requests that the Exchange supplement the available trading data so that it can

consider issues concerning the pilot program, including the circumstances involving orders that are not automatically executed through MAX, whether orders are given the NBBO shown at the time the order is received or the NBBO posted at the time the order is executed, and what explanations are available for price disimprovement. The Commission's is extending the pilot program through November 1, 2000 so that the Exchange may compile this data for the Commission's review. The Commission requests that the Exchange provide a report addressing the above no later than August 15, 2000.

Upon approval of SR-CHX-99-27,<sup>23</sup> wherein the Exchange last sought an extension of this pilot, the Commission also requested that the Exchange rewrite Article XX, Rule 37 and Article XX, Rule 43 of the Exchange's rules so these rules clearly explain the difference between how listed (or dually traded) securities and over-the-counter (or Nasdaq/NM) securities are routed and executed by the Exchange, and submit the new proposed language to the Commission for review and approval. Further, the Commission requested that the Exchange include in its rules an explanation of how the provisions of the Exchange's Best Rule interact with the Exchange's Rules governing automatic execution of orders. The Exchange has been working with Commission staff in an effort to revise these rules, and the Commission expects that these efforts will continue until the Exchange has sufficiently clarified these rules for their members and the public.

Thus, the Commission's approval of the pilot extension has several ramifications. Approval will: (1) Allow the Exchange to operate the BEST pilot without interruption; (2) provide a period for compilation of additional data; and (3) allow the Exchange additional time to revise the language of the existing rules for clarity and ease of understanding in the public interest and for protection of investors.

The Commission does not want to interrupt the current operations of the Exchange's pilot while the above-described issues are being addressed. The Commission, therefore, finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**.

*It is therefore ordered*, pursuant to Section 19(b)(2)<sup>24</sup> of the Act that the proposed rule change (SR-CHX-00-11),

be, and hereby is, approved through November 1, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>25</sup>

**Jonathan G. Katz,**  
*Secretary.*

[FR Doc. 00-11402 Filed 5-5-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Agency Meeting

**FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT:** [65 FR 25410, May 1, 2000]

**STATUS:** Closed meeting.

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

**DATE PREVIOUSLY ANNOUNCED:** April 28, 2000.

**CHANGE IN THE MEETING:** Cancellation of meeting.

The closed meeting scheduled for Wednesday, May 3, 2000, at 2 p.m. has been cancelled.

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: May 3, 2000.

**Jonathan G. Katz,**  
*Secretary.*

[FR Doc. 00-11473 Filed 5-3-00; 4:10 pm]

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## OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

### Notice With Respect to List of Countries Denying Fair Market Opportunities for Government-Funded Airport Construction Projects

**AGENCY:** Office of the United States Trade Representative.

**ACTION:** Notice with respect to a list of countries denying fair market opportunities for products and suppliers of the United States in airport construction procurements.

**SUMMARY:** Pursuant to section 533 of the Airport and Airway Improvement Act of 1982, as amended (49 U.S.C. 50104), the United States Trade Representative ("USTR") has determined not to include

<sup>18</sup> In reviewing this proposal, the Commission has considered its impact on efficiency, competition and capital formation. 15 USC 78c(f).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

<sup>20</sup> 15 U.S.C. 78k-1(a)(1)(C).

<sup>21</sup> 15 U.S.C. 78k-1(a)(1)(D).

<sup>22</sup> See January 1997 Order, *supra* note 7.

<sup>23</sup> See Securities Exchange Act Release No. 42372 (January 31, 2000), 65 FR 6425 (February 9, 2000).

<sup>24</sup> 15 U.S.C. 78sZ(b)(2).

<sup>25</sup> 17 CFR 200.30-3(a)(12).