

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44468; File No. SR-PCX-00-03]

Self-Regulatory Organizations; Order Approving Proposing Rule Change, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 to Proposed Rule Change, by the Pacific Exchange, Inc. Implementing a One-Year Pilot Program Relating to Its Automatic Execution System

June 22, 2001.

I. Introduction and Description of the Proposed Rule Change

On February 15, 2000, the Pacific Exchange, Inc. ("PCX" or "Exchange") file with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to implement a one-year pilot program relating to its automatic execution system.

The Exchange proposes to amend its rules to allow, for the duration of the pilot program, automatic executions of orders in its Limit Order Book ("Book") when those orders become marketable. Specifically, when one or more orders in the Book become marketable, as indicated by a locked or crossed market being displayed on the trading floor, the Lead Market Maker ("LMM") may direct the Order Book Official to initiate the "Auto-Ex Book" function, which will cause marketable orders in the Book to be automatically executed against the accounts of market makers who are participating in the Exchange's Auto-Ex system at the time.³

Notice of the proposed rule change was published for comment in the **Federal Register** on May 7, 2001.⁴ No comments were received on the proposed rule change. On June 21, 2001, the Exchange filed Amendment No. 1 to the proposed rule change.⁵ This order approves the proposed rule change. In addition, the Commission is publishing

this notice to solicit comments on Amendment No. 1 to the proposed rule change and is simultaneously approving Amendment No. 1 on an accelerated basis.

II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁶ In particular, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act,⁷ which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market, and to protect investors and the public interest. The proposed rule change should help to facilitate the more efficient execution of orders; eliminate inefficiencies associated with manual trading; eliminate backlogs of unexecuted orders; promoted fair participation in trading against orders in the Book, and in general market efficiency on the PCX. Moreover, the Exchange is proposing to implement the Auto-Ex Book function as a one-year pilot program, which will enable the Exchange and the Commission to evaluate its operation before it can be renewed.

The Commission further finds good cause to approve Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. In Amendment No. 1, the Exchange simply re-numbered and re-lettered certain paragraphs of rule text, and made no substantive changes to the proposal. Therefore, the Commission finds good cause to approve Amendment No. 1 on an accelerated basis.

III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1, including whether Amendment No. 1 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 PCX. All submissions should refer to File No. SR-PCX-00-03 and should be submitted by July 19, 2001.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (File No. SR-PCX-00-03) be, and it hereby is, approved as a pilot program through June 22, 2002.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 01-16259 Filed 6-28-01; 8:45 am]

BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3341]

State of Minnesota; Amendment #3

In accordance with a notice received from the Federal Emergency Management Agency, dated June 19, 2001, the above-numbered Declaration is hereby amended to reopen the incident period for this disaster as beginning on March 23, 2001 and continuing.

All other information remains the same, i.e., the deadline for filing applications for physical damage is July 15, 2001 and for economic injury the deadline is February 15, 2002.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: June 21, 2001.

Herbert L. Mitchell,
Associate Administrator for Disaster Assistance.

[FR Doc. 01-16283 Filed 6-27-01; 8:45 am]

BILLING CODE 8025-01-P

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Alternatively, however, the LMM or members of the trading crowd may provide price improvement to the customer orders in the book. In such case, the Auto-Ex Book feature would not be used.

⁴ See Securities Exchange Act Release No. 44234 (April 30, 2001), 66 FR 23059 (May 7, 2001).

⁵ In Amendment No. 1, the Exchange made certain changes to the numbering and lettering of the proposed rules. The Amendment did not make any changes to the substance of the proposal. See Letter from Michael D. Pierson, Vice President, Regulatory Policy, PCX, to Andrew Shipe, Attorney, Division of Market Regulation, dated June 20, 2001.

⁶ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f(b)(5).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).