III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of section 17A of the Act and the rules and regulations thereunder.

It is Therefore Ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR–GSCC–00–13) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[15]

Jonathan G. Katz,

Secretary.

[FR Doc. 01–12824 Filed 5–21–01; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44307; File No. SR–NASD–2001–37]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Trading Halt Authority

May 15, 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 May 11, 2001, the National Association of Securities Dealers, Inc. (''NASD''), through its subsidiary, The Nasdaq Stock Market, Inc. (''Nasdaq'' or ''Association''), 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 Nasdaq. 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

Nasdaq is proposing to amend NASD Rule 4120, Trading Halts, to clarify the extent of Nasdaq's authority to halt trading in a security in response to extraordinary market activity that Nasdaq believes may be caused by the misuse or malfunction of an electronic system that is operated by, or linked to, Nasdaq. The text of the proposed rule change is below. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

4120. Trading Halts

(a) No change.

(1)–(5) No change.

(6) Halt trading in a security listed on Nasdaq when:

(i) extraordinary market activity in the security is occurring, such as the execution of a series of transactions for a significant dollar value at prices substantially unrelated to the current market for the security, as measured by the national best bid and offer, and

(ii) Nasdaq believes that such extraordinary market activity may be caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, Nasdaq.

(b)(1)–(3) No change.

(4) Should Nasdaq determine that a basis exists under Rule 4120(a)[(1), (a)(2), (a)(3), (a)(4), or (a)(5)] for initiating a trading halt, the commencement of the trading halt will be effective simultaneously with appropriate notice in the Nasdaq ''NEWS'' frame.

(5) No change.

(6) A trading halt initiated under Rule 4120(a)(6) shall be terminated as soon as Nasdaq determines either that the system misuse or malfunction that caused the extraordinary market activity has been corrected or that system misuse or malfunction is not the cause of the extraordinary market activity.

* * * * *

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

In its filing with the Commission, Nasdaq 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 IV below. Nasdaq 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 clarify Nasdaq's authority to initiate and continue trading halts in circumstances where Nasdaq believes that extraordinary market activity in a security listed on Nasdaq may be caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, Nasdaq. NASD Rule 4120 provides Nasdaq with authority to halt trading in securities in a number of circumstances in which Nasdaq deems a trading halt necessary to protect investors and the public interest. The specific bases for initiating a trade halt that are currently listed in Rule 4120 focus primarily on ensuring that investors have access to material news about an issuer. Thus, trading may be halted to allow the issuer to disseminate material news or to allow Nasdaq to request from the issuer information relating to material news or other information that is necessary to protect investors and the public interest. Trading of a security may also be halted in certain circumstances to ensure coordination with a halt of the same or a related security imposed by another market. The decision to halt trading and to resume trading in a particular security are communicated to market participants via the Nasdaq ''NEWS'' frame of the Nasdaq Workstation.

As a result of the decentralized and electronic nature of the market operated by Nasdaq, the price and volume of transactions in a Nasdaq-listed security may be affected by the misuse or malfunction of electronic systems, including systems that are linked to, but not operated by, Nasdaq. In circumstances where misuse or malfunction results in extraordinary market activity, Nasdaq believes that it may be appropriate to halt trading until the system problem can be rectified. As is true for all trading halts initiated under Rule 4120, a decision to halt trading would require a determination that the action is necessary to protect investors and the public interest. Thus, a misuse or malfunction that has a limited effect on a particular security may not warrant a trading halt. In extraordinary circumstances, however, the system misuse or malfunction may generate significant misinformation about the demand for a particular security in a manner that distorts prices to the detriment of investors.

Under the proposed rule change, Nasdaq would be authorized to initiate a halt if it believes that a particular insurance of extraordinary market activity may be caused by system misuse of malfunction. However, the trading halt would continue only until Nasdaq determines either that the system misuse or malfunction that caused the extraordinary market activity has been corrected or that system misuse or malfunction is not the cause of the extraordinary market activity. Thus, the existence of extraordinary market activity, unrelated to an instance of system misuse or malfunction, would

[15] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

not provide a basis for continuing a trade halt.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with the provisions of section 15A(b)(6) of the Act,[3] which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. Nasdaq believes the proposed rule change is consistent with these requirements because the amendment will provide Nasdaq with clearer authority to respond to and alleviate market disruptions and thereby protect investors and the public interest.

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

Nasdaq does not believe that the proposed rule change will result in 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

Written comments were neither solicited nor received.

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

Within 35 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 90 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 NASD 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 Room. Copies of such filing will also be available for inspection and copying at the principal office of Nasdaq. All submissions should refer to file number SR–NASD–2001–37 and should be submitted by June 12, 2001.

[3] 15 U.S.C. 78o–3(b)(6).

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[4]

Jonathan G. Katz,

Secretary.

[FR Doc. 01–12825 Filed 5–21–01; 8:45 am]

BILLING CODE 8010–01–M

[4] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44302; File No. SR–NYSE–00–61]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc., To Amend the Interpretation of NYSE Rule 412, ''Customer Account Transfer Contracts''

May 14, 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 December 22, 2000, the New York Stock Exchange, Inc. (''NYSE''), filed with the Securities and Exchange Commission (''Commission'') the proposed rule change and on February 12, 2001, amended the proposed rule change[3] as described in Items I, II, and III below, which Items have been prepared primarily by the NYSE. The Commission is publishing this notice to solicit comments on the amended proposed rule change from interested persons.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Letter from Darla C. Stuckey, Assistant Secretary, NYSE to Jerry Carpenter, Assistant Director, Division of Market Regulation (February 8, 2001).

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

The NYSE proposes to amend its Interpretation of NYSE Rule 412, ''Customer Account Transfer Contracts,'' to expedite the transfer of customer accounts containing proprietary and/or third party products. The text of the proposed rule change is available upon request from the NYSE's Office of the Secretary or through the Commission's Public Reference Branch.

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 prupose 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 IV below. The NYSE has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.[4]

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

1. Purpose

a. *Introduction.* NYSE Rule 412 prescribes procedures for member organizations transfering customer accounts and requires the use of the automated Customer Account Transfer Service (''ACATS'') which is administered by the National Securities Clearing Corporation (''NSCC''). Since ACATS's inception in 1985, several enhancements to the system and to NYSE Rule 412 have allowed for faster and more efficient transfers to customer accounts. Recent ACATS modifications offer the capability to facilitate the transfer of accounts containing third party and/or proprietary products. The proposed amendments to the Interpretation of NYSE Rule 412 relate to these modifications and would provide the number greater flexibility to expedite the transfer of such accounts.

b. *Background.* The transfer process is initiated when, upon a customer's written instructions, the receiving firm[5] submits a Transfer Instruction Form or Transfer Initiation Form (''TIF'') to the

[4] The Commission has modified the text of the summaries prepared by the NYSE.

[5] Within the context of NYSE Rule 412, the term ''receiving firm'' refers to a member organization to which a customer is transferring his account.