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(5 U.S.C. 552(a))

Dated at Rockville, Maryland, this 13th day of December 2000.

For the Nuclear Regulatory Commission.

Ashok C. Thadani,

Director, Office of Nuclear Regulatory Research.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43729; File No. SR-ISE-00-09]

Self Regulatory Organizations; Order Approving Proposed Rule Change by the International Securities Exchange LLC Relating to Chinese Wall Procedures

December 15, 2000.

I. Introduction

On September 12, 2000, the International Securities Exchange LLC ("ISE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), 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 amend ISE Rule 810 relating to Chinese Wall procedures. The proposed rule change was published for comment in the **Federal Register** on November 13, 2000.³ The Commission received no comments on the proposed rule change and this order approves the proposal.

I. Description of the Proposal

ISE Rule 810 requires that ISE market makers erect a "Chinese Wall" between their market making activity and certain

other business activities, including their trading as an Electronic Access Member ("EAM"). The wall is intended prevent any real-time communication between the various business lines. Without the wall, a trader entering an order as an EAM could potentially inform the person making markets about the pending order. The market maker could then, based on this knowledge, move its quotation either (i) to "intercept" an order against which the firm wants to trade, or (ii) to avoid an order against which it does not want to trade. The Exchange adopted ISE Rule 810 because such behavior would be inconsistent with the agency auction market structure of the Exchange.

The ISE noted, however, that the broad restrictions of ISE Rule 810 limit the ability of certain market makers to send proprietary order flow to the ISE in options outside of their assigned groups of options ("bins").⁴ In particular, many market makers do not have the facilities to establish a "Chinese Wall," which requires physical separation of functions (generally on separate floors), between their proprietary traders and individuals performing ISE market making activities.

The proposed rule change, therefore, will allow members to conduct proprietary trading in the same physical space as their market making activities, but only: (i) In options that are not within their market making assignments; or (ii) in options which, pursuant to regulatory requirements, the member is prohibited from making markets. This latter provision is intended to apply to market makers that are specialists in the underlying stock on the New York Stock Exchange, Inc. ("NYSE"), whose rules limit the options trading of specialists and affiliated firms to "hedging activities," thus prohibiting them from making markets in options.⁵ In addition, the proposed rule change would permit only proprietary trading without the Chinese Wall and would not permit the market maker to enter agency orders (except with respect to proprietary orders for its affiliates)

⁴ The ISE assigns market makers to bins of options. There are 10 bins, and each bin has one Primary Market Maker ("PMM") and up to 10 Competitive Market Makers ("CMM") assigned to each.

⁵ See NYSE Rule 105. This applies solely to CMMs. Because CMMs are required to provide continuous quotes in only 60 percent of the options in a bin, it is possible that a CMM could be assigned a bin in which it is not permitted to make markets in certain options classes. Such a CMM simply would not quote in these "restricted" options. PMMs must provide continuous quotes in all options in a bin and thus were not assigned bins where these regulatory restrictions apply.

without complying with the full restrictions of ISE Rule 810.

III. Discussion

The Commission has reviewed the ISE's proposed rule change and finds, for the reasons set forth below, that the proposal is consistent with the requirements of Section 6 of the Act⁶ and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes the proposal is consistent with Section 6(b)(5) of the Act,⁷ because it promotes just and equitable principles of trade, removes impediments to and perfects the mechanism of a free and open market and a national market system, and protects investors and the public interest, by maintaining an information barrier that respects the integrity of the ISE while still permitting members, under certain circumstances, to conduct proprietary trading in the same physical space as their market making activities.⁸

The Commission notes that amending ISE Rule 810 will help attract proprietary order flow to the ISE. Although members will be allowed to conduct proprietary trading in the same physical space as their market making activities, they may do so only in options that are not within their market making assignments or in options which, pursuant to regulatory requirements, the member is prohibited from making markets. In addition, the proposed rule change would permit only proprietary trading without the Chinese Wall and would not permit the market maker to enter agency orders (except with respect to proprietary orders for its affiliates) without complying with the full restrictions of ISE Rule 810. Limiting such activity to these specific situations reduces the potential for the type of harm against which ISE Rule 810 is intended to protect, since the member will not be making markets in the stocks in which it is engaging in proprietary trading. The Commission emphasizes, however, that the information barrier between a market maker and affiliated EAM should protect against any inappropriate sharing of information that could result in market manipulation. The Commission continues to expect the ISE to be vigilant in monitoring for possible abuses in this context.

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(5).

⁸ In approving the proposal, the Commission has considered the rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 43508 (November 2, 2000), 65 FR 67784 (November 13, 2000).

IV. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SE-ISE-00-09) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Maragret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43730; File No. SR-NYSE-00-54]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the New York Stock Exchange, Inc., Amending Section 807 of Its Listed Company Manual

December 18, 2000.

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 29, 2000, the New York Stock Exchange, Inc. ("NYSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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)(1) thereunder,⁴ which renders the proposal effective upon filing with the Commission. 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 Listed Company Manual, Section 807, Voluntary Transfer to Another Exchange by Company That Falls Below Criteria for Continued Listing, to state that the Exchange will daily disseminate ticker and information notices, and provide similar information on the Exchange's website, reflecting the status of the securities of a company which the Exchange has determined no longer meets its continued listing criteria and

which has voluntarily undertaken to transfer the listing of its securities to another national securities exchange.

The text of the proposed rule change is available upon request from the Office of the Secretary, the NYSE, or 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 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.

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

1. Purpose

In May 2000, the Commission approved amendments to the Exchange's procedures for delisting securities and handling related issuer appeals.⁵ In its proposal filed with the Commission, the Exchange stated its belief that it is important for investors to have timely notice whenever the Exchange determines that an issuer's listed securities no longer meet the NYSE's continued listing criteria or when the Exchange has initiated delisting proceedings against an issuer for any reason. The Exchange therefore proposed, among other things, to attach an identifier suffix (.DL) to the ticker symbol of a company during the transition phase in which, having failed to meet the NYSE's continued listing criteria, such company undertook to transfer the listing of its securities to another national securities exchange.

The Exchange subsequently determined that, without making significant and costly changes to its systems to accommodate the identifier suffix, appending such a suffix would in fact change a company's ticker symbol.⁶ In other words, if the suffix were added to a subject company's ticker symbol, an investor or broker would have to know to enter the "new" symbol (with .DL

suffix) into a quotation device in order to obtain quotation or last sale information. Entering the "former" symbol of one, two, or three letters (without the suffix) would elicit the message "security not found." The NYSE felt that this possible confusion about a company's ticker symbol would not meet its stated goal of informing interested parties about the status of the securities of a company subject to delisting. In addition, the Exchange has noted that clearance and settlement systems do not recognize non-alphabetic characters in ticker symbols. The use of the .DL suffix might therefore give rise to possible confusion between a symbol bearing the suffix and another symbol that uses DL as its last two characters.

The Exchange has stated that, even if the necessary work were done to its systems to permit the use of a suffix without effecting a symbol change, it would remain concerned that the added suffix might not be carried by every vendor. This potential for inconsistency, like the possible confusion about a company's ticker symbol, would undermine the Exchange's motive of better disclosure in seeking to employ the identifier suffix.

As a result of these realizations, the Exchange has not yet implemented the amended procedure previously approved by the Commission. In order to do so now, the Exchange proposes to employ the following mechanisms to inform investors when a company that fails to meet NYSE continued listing criteria has undertaken to transfer listing of its securities to another national securities exchange:

a. The Exchange will circulate a ticker notice each day prior to the opening, specifying the delisting status of each subject company;

b. The Exchange will distribute the same information notice daily via the Exchange's online information notices system to vendors, member firms, and other interested parties;

c. The Exchange will post a subject company's delisting status and information on the Exchange's web site.

The Exchange believes that implementing these mechanisms will achieve better dissemination of information about companies subject to delisting to all market participants, both professional and non-professional, than would use of the .DL suffix previously proposed.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act⁷ in general and

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 17 CFR 200.30-3(a)(12).

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 240.19(b)-4(f)(1).

⁵ See Securities Exchange Act Release No. 42863 (May 30, 2000), 65 FR 36488 (June 8, 2000).

⁶ See Securities Exchange Act Release No. 43442 (Oct. 13, 2000), 65 FR 63280 (Oct. 23, 2000) (notice of filing and immediate effectiveness of proposed rule change by the NYSE to amend its Listed Company Manual, Section 804).

⁷ 15 U.S.C. 78f(b).