

**SECURITIES AND EXCHANGE COMMISSION****17 CFR Part 240**

[Release No. 34-44852; File No. S7-17-00]

RIN 3235-AH96

**Firm Quote and Trade-Through Disclosure Rules for Options****AGENCY:** Securities and Exchange Commission.**ACTION:** Final rule; extension of compliance date.

**SUMMARY:** The Securities and Exchange Commission ("Commission") is extending the compliance date for Rule 11Ac1-7 under the Securities Exchange Act of 1934 ("Exchange Act"). Rule 11Ac1-7 requires a broker-dealer to disclose to its customer when the customer's order for listed options is executed at a price inferior to a better published price, unless the transaction was effected on a market that participates in an intermarket linkage plan approved by the Commission. This rule was published on December 1, 2000 (66 FR 75439).

**DATES:** *Effective Date:* The effective date for Rule 11Ac1-7, published on December 1, 2000 (65 FR 75439), remains February 1, 2001.

*Compliance Date:* On March 15, 2001, the Commission extended the compliance date for Rule 11Ac1-7 (§ 240.11Ac1-7) from April 1, 2001 to October 1, 2001 (66 FR 15792). The Commission now extends the compliance date from October 1, 2001 to April 1, 2002.

**FOR FURTHER INFORMATION CONTACT:** Jennifer Colihan, Special Counsel, at (202) 942-0735, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-1001.

**SUPPLEMENTARY INFORMATION:** On November 17, 2000, the Commission adopted Rule 11Ac1-7<sup>1</sup> ("Rule") under the Exchange Act to require a broker-dealer to disclose to its customer when the customer's order for listed options is executed at a price inferior to a better published quote ("intermarket trade-through"), and to disclose the better published quote available at that time.<sup>2</sup> This disclosure must be made in writing at or before the completion of the transaction, and may be provided in conjunction with the confirmation statement routinely sent to investors.

However, a broker-dealer is not required to disclose to its customer an intermarket trade-through if the broker-dealer effects the transaction on an exchange that participates in an approved linkage plan that includes provisions reasonably designed to limit customers' orders from being executed at prices that trade through a better published price. In addition, broker-dealers will not be required to provide the disclosure required by the Rule if the customer's order is executed as part of a block trade.

In the Adopting Release, the Commission noted that it would consider granting exemptive relief to broker-dealers from the disclosure requirements of the Rule if the options exchanges continued to make substantial progress towards implementing a linkage plan.<sup>3</sup> On March 15, 2001, the Commission extended the compliance date from April 1, 2001 to October 1, 2001, noting that while progress had been made toward implementing the linkage plan approved by the Commission in July,<sup>4</sup> the exchanges' efforts had not yet resulted in a linkage that could be implemented before the compliance date of April 1, 2001.

The Commission believes that the options exchanges have continued to make substantial progress on implementing the linkage. Specifically, on March 23, 2001, the options markets selected The Options Clearing Corporation ("The OCC") as the linkage provider. The OCC has advised the Commission that it expects to have finalized the technical specifications for the linkage by early November 2001. Each of the options exchanges is currently evaluating its internal systems to determine the modifications, development, and testing that will be needed to accommodate the linkage.

In addition, on June 27, 2001, the Commission approved an amendment to the Linkage Plan proposed by the options exchanges that satisfies the minimal requirements of the Trade-Through Disclosure Rule and, once implemented, would except broker-dealers who effect transactions on any of the linked markets from making the required disclosures under the Trade-Through Disclosure Rule.<sup>5</sup> Finally, each

of the options exchanges has filed proposed rule changes intended to incorporate the requirements of the Linkage Plan.<sup>6</sup>

Therefore, the Commission finds that good cause exists at this time to extend the compliance date for six months, to April 1, 2002, to allow the options exchanges to make further advancements towards implementing a linkage before imposing the disclosure requirements of the Rule on broker-dealers.

The Commission finds, in accordance with Section 553(b)(3)(A) of the Administrative Procedure Act,<sup>7</sup> that extending the compliance date relates solely to agency organization, procedure, or practice, and does not relate to a substantive rule. Accordingly, notice, opportunity for public comment, and publication prior to the extension are unnecessary.

By the Commission.

Dated: September 26, 2001.

**Margaret H. McFarland,**  
*Deputy Secretary.*

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**DEPARTMENT OF THE TREASURY****Customs Service****19 CFR Part 122**

[T. D. 01-70]

**User Fee Airports****AGENCY:** U.S. Customs Service, Department of the Treasury.**ACTION:** Final rule.

**SUMMARY:** This document amends the Customs Regulations to reflect the establishment of one additional user fee airport and the cancellation of another user fee airport. A user fee airport is one which, while not qualifying for designation as an international or landing rights airport, has been approved by the Commissioner of Customs to receive, for a fee, the services of a Customs officer for the processing of aircraft entering the United States and their passengers and cargo.

requires plan participants to actively surveil their markets for trades executed at prices inferior to those publicly quoted on other exchanges; and (3) makes clear that the failure of a market with a better quote to complain within a specified period of time that its quote was traded-through may affect potential liability, but does not signify that a trade-through has not occurred.

<sup>6</sup> See File Nos. SR-Amex-2001-64; SR-CBOE-2001-46; SR-ISE-2001-23; SR-PCX-2001-30; and SR-Phlx-2001-78.

<sup>7</sup> 5 U.S.C. 553(b)(3)(A).

<sup>3</sup> *Id.*

<sup>4</sup> See Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000) ("Linkage Plan").

<sup>5</sup> See Securities Exchange Act Release No. 44482, 66 FR 35470 (July 5, 2001). Specifically, the amendment: (1) Limits participants from trading through, not only the quotes of other linkage plan participants, but also, the quotes of exchanges that are not participants in an approved linkage plan; (2)

<sup>1</sup> 17 CFR 240.11Ac1-7.

<sup>2</sup> See Securities Exchange Act Release No. 43591 (November 17, 2000), 65 FR 75439 (December 1, 2000) ("Adopting Release").