

American Stock Exchange LLC and the New York Stock Exchange, will be subject to, and afforded, the same grace periods they would have received under their previous market's implementation schedule.⁵

III. Discussion

After careful review, 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 association,⁶ and in particular, the requirements of section 15A(b)(6) of the Act.⁷ The proposed rule change applies Nasdaq's recently amended independent director and audit committee listing requirements to limited partnerships. As noted above, the Commission approved those requirements on December 14, 1999.⁸

The Commission believes it appropriate for Nasdaq to extend the recent amendments to its independent director and audit committee listing standards to limited partnerships, and that these standards should provide investors in limited partnerships the same protections as the shareholders of other issuers. As the Commission noted in its order with respect to the amendments approved on December 14, 1999, the proposed rule change will protect investors by improving the effectiveness of audit committees of limited partnerships listed on Nasdaq, and should enhance the reliability and credibility of their financial statements by making it more difficult for limited partnerships to inappropriately distort their true financial performance.

Specifically, the Commission notes that directors without financial, familial, or other material personal ties to management will be more likely to objectively evaluate the propriety of management's accounting, internal control, and financial reporting practices. The Commission also believes that the proposal's resulting prohibition against employees serving on the audit committee is appropriate. The Commission further believes that the proposed rule change's application of requirements for the qualifications of audit committee members will enhance the effectiveness of the audit committee and help to ensure that audit committee

members are able to adequately fulfill their responsibilities.

IV. Conclusion

For the foregoing reasons, the Commission finds that Nasdaq's proposal to apply its independent director and audit committee listing requirements to limited partnerships is consistent with the requirements of the Act and rules and regulations thereunder.

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-NASD-00-31) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43193; File No. SR-PCX-00-28]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Minor Rule Plan Citation Authority

August 22, 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 August 16, 2000, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The proposed rule change has become effective on filing with the Commission pursuant to Section 19(b)(3)³ of the Act and subparagraph (f)(3) of Rule 19b-4⁴ under the Act because it is concerned solely with the administration of the Exchange. 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 Minor Rule Plan ("Plan") to allow any PCX Regulatory Staff designated by the PCX to have the authority to issue a Floor Citation pursuant to the Plan. The text of the proposed rule change is below. Additions are italicized; deletions are bracketed.

6133 Minor Rule Plan

Rule 10.13.(a)—(f) No Change.

(g) Floor Citations. A Floor Official, [and/or] an Options Order Book Official *or any PCX Regulatory Staff designated by the Exchange* may issue a Floor Citation to any member, member organization or person associated with a member or member organization, when it appears to such Official(s) that a Minor Rule Plan violation specified in subsections (h) or (i) of this Rule has occurred. In issuing a Floor Citation, the Floor Official, [and/or] an Options Order Book Official *or any PCX Regulatory Staff designated by the Exchange* [shall] *must*:

- (1) Apprise the person cited of the alleged violation;
- (2) Ask the person cited to indicate by signature on the citation acknowledgment of receipt of the citation; provided that the requested signature is for receipt purposes only and a failure or unwillingness to sign is not to be considered as invalidating the issuance of the citation;
- (3) Give the top copy of the citation to the person alleged to have committed the violation; and
- (4) Give the remaining copies of the citation to the Order Book Official or an appropriate staff person, who will then forward such copies to the Regulation Department for processing.

Except as provided in Rule 10.14 (Summary Sanction Procedure), the circumstances underlying the issuance of each floor citation shall be reviewed by a designated committee for a determination of whether the evidence is sufficient to find a violation of Exchange rules.⁵

(h)—(k)—No Change.

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

⁵ Telephone conversation between John Nachmann, Attorney, Office of General Counsel, NASDAQ, and Andrew Shipe, Attorney, Division of Market Regulations, SEC, on August 22, 2000.

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

⁷ 15 U.S.C. 78o(b)(6).

⁸ See *supra* note 4.

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(f)(2).

³ 15 U.S.C. 78s(b)(3).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ This paragraph is being removed pursuant to SR-PCX-99-48.

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

Under PCX's Minor Rule Plan, Rule 10.13, a Floor Official and/or an Options Order Book Official may issue a Floor Citation to any member, member organization or person associated with a member or member organization when it appears that a Minor Rule Plan violation has occurred. The Exchange seeks to amend Rule 10.13 to allow any PCX Regulatory Staff designated by the Exchange to have the ability to issue such floor citations.

Currently under PCX Rule 10.4(a) "Any standing committee designated by the Board of Governors to review disciplinary proceedings, and Exchange Regulatory Staff designated by the Exchange, has the authority to determine whether there is probable cause for finding that a violation within the disciplinary jurisdiction of the Exchange has occurred and that further proceedings are warranted." The Exchange believes that amending the Plan to grant any designated Exchange Regulatory Staff the ability to issue citations is consistent with the Act and the PCX Rules. The Exchange notes that the issuance of a floor citation does not constitute a finding. Rather, similar to other PCX disciplinary rules, a floor citation merely serves to initiate an investigation. Each floor citation issued will continue to be reviewed by Exchange Surveillance Staff for accuracy and validity. The Exchange believes that this will allow the Regulatory Staff the ability to effectively and efficiently monitor trading crowds and floor trading activity. The Exchange notes that this rule amendment in no way changes PCX Rule 10.14, "Summary Sanction Procedure."

2. Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)⁶ of the Act, in general, and furthers the objectives of Section 6(b)(5)⁷, in particular, in that it is designed to promote just and equitable principles of trade.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments on the proposed rule change were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)⁸ of the Act and subparagraph (f)(3) of Rule 19b-4⁹ under the Act because it is concerned solely with the administration of the Exchange. At any time within 60 days of the filing of such 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. 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 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-00-28 and should be submitted by September 19, 2000.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43187; File No. SR-PCX-00-26]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. Relating to a One-Year Extension of the AOR Pilot Program

August 21, 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 August 10, 2000, the Pacific Exchange, Inc. ("PCX" or "Exchange") 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 the Exchange. 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 is proposing to extend its Automated Opening Rotations ("AOR") pilot program for one year, until September 28, 2001.

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.

¹⁰ 17 CFR 200.20-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(3).

⁸ 15 U.S.C. 78s(b)(3).

⁹ 17 CFR 240.19b-4(f)(3).