

quotes, which should limit any anticompetitive effects of the proposed rule change.

The Commission notes that in its filing, the Exchange states its belief that the proposed rule change is "procompetitive" because it is necessary to provide for a fair and orderly market in the thousands of options series traded on the Exchange. While the Commission does not agree that the proposed rule change enhances competition, the Commission finds that the burden that the proposal imposes on competition is appropriate in furtherance of the purposes of the Act and, thus, is not inconsistent with the Act.¹³ Finally, the Commission finds that the proposed rule change is designed to effectively limit the circumstances in which collective action is permissible.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-CBOE-2001-64) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45585; File No. SR-CHX-2002-06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Confirming Changes Arising From the Securities Industry Transition to a Decimal Pricing Environment

March 18, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 1, 2002, the Chicago Stock Exchange, Incorporated ("CHX" 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

In this submission, the Exchange proposes to confirm the amendment of certain CHX rules that were impacted by the securities industry transition to a decimal pricing environment. The text of the proposed rule change is available at the Commission and at the CHX.

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 its proposal and discussed any comments it received regarding the proposal. 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

The Exchange proposes to confirm its amendment of certain CHX rules that were impacted by the securities industry transition to a decimal pricing environment. The amendments described in this submission consist of changes that: (1) Confirm that the Exchange's minimum trading variation is \$.01; (2) delete references to the procedures and conventions that were used during the conversion from quoting in fractions to quoting in decimals; and (3) remove all fractional price increments set forth in the current version of certain CHX rules.

Minimum Price Variation. The Exchange's rules currently state that all issues quoting in decimals will quote in increments of \$.01 or any other variation required by the joint decimalization implementation plan filed with the Commission. This submission confirms the \$.01 quoting increment and deletes references to the joint decimalization plan.

Removing references to the conversion from fractional to decimal pricing. Article XXB of the Exchange's Rules

currently contains rules relating to the transition from a fractional pricing environment to one based on decimals. Now that this process has been completed, the Exchange believes it is appropriate to formally remove this Article from its rules.

Removing other fractional references. The remaining text contained in this submission removes fractional references in other Exchange rules.

None of the changes proposed in this submission effect any substantive change in the CHX rules or the operations of the Exchange. Instead, this submission confirms that the rules that the Exchange put in place as it began its transition to quoting in decimals continue to govern its operations.³

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange and, in particular, with the requirements of Section 6(b).⁴ In particular, the proposed rule change is consistent with section 6(b)(5) of the Act⁵ in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

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

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

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

No written comments were either solicited or received.

³ These changes were included in a rule change proposal submitted pursuant to section 19(b)(3)(A) of the Act, which took effect upon filing. See Securities Exchange Act Release No. 43256 (September 6, 2000), 65 FR 55659 (September 14, 2000) (SR-CHX-00-25). That proposal contained language that sought to remove fractional references automatically once the transition to decimal trading had been completed. In addition to confirming the Exchange's minimum trading increment, this submission recognizes that that automatic removal was not an available alternative and formally removes the fractional references from the Exchange's rules.

⁴ 15 U.S.C. 78(f)(b).

⁵ 15 U.S.C. 78(f)(b)(5).

¹³ The Commission expects the Exchange to monitor the collective actions that are undertaken pursuant to the rule change approved herein for any undesirable or inappropriate anticompetitive effects. The Commission's examination staff will monitor the Exchange's efforts in this regard.

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 CHX consents, the Commission will:

(A) By order approve the 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 proposal 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 at the Commission's Public Reference Room. Copies of such filings will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-2002-06 and should be submitted by April 12, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45584; File No. SR-CHX-2002-05]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Requesting Permanent Approval of Pilot Rules Relating to the Securities Industry Transition to Decimal Pricing

March 18, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 1, 2002, the Chicago Stock Exchange, Incorporated ("CHX" 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 CHX. 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 requests permanent approval of pilot rule changes amending certain CHX rules that were impacted by the securities industry transition to a decimal pricing environment, including the Exchange's crossing rule. The two pilots containing these rule changes are due to expire on April 15, 2002. The text of the proposed rule change is available at the Commission and at the CHX.

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 CHX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received regarding the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CHX 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 Exchange requests permanent approval of pilot rule changes amending certain CHX rules that were impacted by the securities industry transition to a decimal pricing environment, including the Exchange's crossing rule. The two pilots containing these rule changes are due to expire on April 15, 2002. The CHX is not proposing any substantive changes to the pilots.

On August 24, 2000, the Commission approved, on a pilot basis through February 28, 2001, changes proposed by the Exchange to amend certain CHX rules that would be impacted by the securities industry transition to a decimal pricing environment.³ By a series of subsequent submissions, each pilot was extended to April 15, 2002.⁴ The Exchange now requests permanent approval of the current pilots, effective as of April 15, 2002.

The Omnibus Decimal Pilot: The Omnibus Decimal Pilot for which the Exchange seeks permanent approval amended certain provisions of Article XX, Rule 37 of the Exchange's rules, which were impacted by the securities industry transition to a decimal pricing environment. Specifically, the Exchange proposes permanent approval of changes to Article XX, Rule 37 which (1) Allow specialists to elect, on an issue by issue basis, to either manually

³ These changes were proposed in two separate CHX submissions, the second of which dealt solely with decimal-related changes to the Exchange's crossing rule, Article XX, Rule 23, *See* Securities Exchange Act Release No. 43204 (August 24, 2000), 64 FR 53065 (August 31, 2000) (SR-CHX-00-22) (approving changes to various CHX rules on a pilot basis ("Omnibus Decimal Pilot")); *see also* Securities Exchange Act Release No. 43203 (August 24, 2000), 65 FR 53067 (August 31, 2000) (SR-CHX-00-13) approving changes to the CHX crossing rule on a pilot basis ("Crossing Rule Decimal Pilot").

⁴ *See* Securities Exchange Act Release No. 42964 (February 16, 2000) 66 FR 11621 (February 26, 2001) (File No. SR-CHX-2001-03) (extending Omnibus Decimal Pilot through July 9, 2001); 44488 (June 28, 2001), 66 FR 35684 (July 6, 2001) (SR-CHX-2001-13) (extending Omnibus Decimal Pilot through November 5, 2001); 45059 (November 15, 2001), 66 FR 58453 (November 21, 2001) (SR-CHX-2001-20) (extending Omnibus Decimal Pilot through January 14, 2002), and 45481 (February 27, 2002), 67 FR 10244 (March 6, 2002) (SR-CHX-2002-01) (extending Omnibus Decimal Pilot through April 15, 2002; *see also*, Securities Exchange Act Release Nos. 44000 (February 23, 2001) (66 FR 13361 (March 5, 2001) (extending Crossing Rule Decimal Pilot through July 9, 2001), 45010 (November 1, 2001), 66 FR 56585 (November 8, 2001) (SR-CHX-2001-22) (extending Crossing Rule Decimal Pilot through January 14, 2002), and 45482 (February 27, 2002), 67 FR 10243 (March 6, 2002) (SR-CHX-2002-03) (extending Crossing Rule Decimal Pilot through April 15, 2002).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁶ 17 CFR 200.30-3(a)(12).