

to establish size precedence.<sup>3</sup> In SR-Amex-2002-22, the Exchange proposes to extend the pilot program for an additional six months, through September 27, 2002.

In the instant filing, the Amex proposes that the pilot program be approved on a permanent basis. The block cross procedures under Amex Rule 126(g) have facilitated executions of large size orders on the Amex as one transaction at a single price, without such orders losing shares to other orders in the trading crowd or on the specialist's book due to Exchange parity rules. In addition, by facilitating the execution of large blocks on the Amex, the rule reduces the incentive of member firms to route such orders to regional exchanges or the third market in order to avoid losing an excessive number of shares to other orders under existing Amex parity rules. With start-up of decimal quoting in equities, with a minimum price variation of one cent, it has become less expensive for members to break up proposed block crosses on the Amex Floor, which may result in such crosses being routed to markets in which size precedence is not taken into account in the manner required by Amex rules.

The Exchange believes the reduction in size parameters continues to have the potential to enhance primary market liquidity and that permanent approval of Amex Rule 126(g) Commentary .01 is appropriate. The Exchange believes that the size reduction to 5,000 shares from 25,000 shares in establishing precedence has the potential to alleviate some of the competitive burden associated with current Exchange priority and precedence rules that are stricter than those applied in other markets with respect to crosses in block size. Under the previous 25,000 share size parameter, such crosses would have been more difficult to effect without being broken up, particularly in view of the start of decimal pricing. The revised size parameter may facilitate greater liquidity in the primary market by reducing routing of block cross transactions to other markets. The Exchange believes this fosters improved price discovery and execution of investor orders at more favorable prices. The Exchange notes that the broker handling the cross is required to bid and offer the security in accordance with Amex Rule 152, and, therefore, that it is still possible for all or a portion of at least one side of a proposed block cross to be effected at a price better than the

proposed cross price. In addition, confining the Exchange's size precedence threshold to 5,000 shares will continue to limit the effects of the rule primarily to active, liquid issues.

## 2. Statutory Basis

The Amex believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>4</sup> in general and furthers the objectives of Section 6(b)(5)<sup>5</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

## 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

No written comments were solicited or received with respect to the proposed rule change.

## 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 Exchange 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 the Amex. All submissions should refer to file number SR-Amex-2002-23 and should be submitted April 24, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 02-8009 Filed 4-2-02; 8:45 am]

BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45658; File No. SR-Amex-2002-22]

## Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC To Extend a Pilot Program Relating to Amex Rule 126 (Size Precedence)

March 27, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 22, 2002, the American Stock Exchange LLC ("Amex" 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 Exchange filed the proposal pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission.<sup>5</sup> The Commission is

<sup>6</sup> CFR 200.30-(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> The Exchange asked the Commission to waive the 5-day pre-filing notice requirement and the 30-day operative delay. See Rule 19b-4(f)(6)(iii). 17 CFR 240.19b-4(f)(6)(iii).

<sup>3</sup> Securities Exchange Act Release No. 44122 (March 28, 2001), 66 FR 18125 (April 5, 2001) (SR-Amex-2001-01).

<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

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 Amex proposes a six-month extension of the existing pilot program under Amex Rule 126(g), Commentary .01 regarding a 5,000 share minimum block cross size to establish size precedence. The current pilot is scheduled to expire on March 28, 2002. The proposed rule change would extend the pilot through September 27, 2002. No other changes to the pilot are proposed at this time. The text of the proposed rule change is available at the Amex and at 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 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 Amex 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**

On March 28, 2001, the Commission approved on a one-year pilot basis the Exchange proposal to reduce from 25,000 to 5,000 shares the minimum size block cross that will be permitted to establish size precedence.<sup>6</sup> The block cross procedures under Amex Rule 126(g) have facilitated executions of large size orders on the Amex as one transaction at a single price, without such orders losing shares to other orders in the trading crowd or on the specialist's book due to Exchange parity rules. In addition, by facilitating the execution of large blocks on the Amex, the pilot reduces the incentive of member firms to route such orders to regional exchanges or the third market in order to avoid losing an excessive number of shares to other orders under existing Amex parity rules. With start-up of decimal quoting in equities, with a minimum price variation of one cent,

it has become less expensive for members to break up proposed block crosses on the Amex Floor, which may result in such crosses being routed to markets in which size precedence is not taken into account in the manner required by Amex rules.

The Exchange believes the reduction in size parameters continues to have the potential to enhance primary market liquidity and that it is appropriate to extend the pilot for an additional six months to permit the Commission to consider the Exchange's separate filing under Rule 19b-4 requesting permanent approval of Amex Rule 126(g), Commentary .01 (SR-Amex-2001-23). The Exchange believes that the size reduction to 5,000 shares from 25,000 shares in establishing precedence has the potential to alleviate some of the competitive burden associated with current Exchange priority and precedence rules that are stricter than those applied in other markets with respect to crosses in block size. Under the previous 25,000 share size parameter, such crosses would have been more difficult to effect without being broken up, particularly in view of the start of decimal pricing. The revised size parameter may facilitate greater liquidity in the primary market by reducing routing of block cross transactions to other markets. The Exchange believes this fosters improved price discovery and execution of investor orders at more favorable prices. The Exchange notes that the broker handling the cross is required to bid and offer the security in accordance with Rule 152, and, therefore, that it is still possible for all or a portion of at least one side of a proposed block cross to be effected at a price better than the proposed cross price. In addition, confining the Exchange's size precedence threshold to 5,000 shares will continue to limit the effects of the rule primarily to active, liquid issues.

##### **2. Statutory Basis**

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>8</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to protect

investors and the public interest and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

#### **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**

No written comments were solicited or received with respect to the proposed rule change.

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

Because the foregoing proposed rule change does not:

(i) significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup> At any time within 60 days of the filing of the 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.

The Amex has requested that the Commission waive the 5-day pre-filing notice requirement and the 30-day operative delay. The Commission finds good cause to waive the 5-day pre-filing notice requirement and the 30-day operative delay, because such designation is consistent with the protection of investors and the public interest. Acceleration of the operative date will allow the pilot to continue uninterrupted for an additional six months, while the Amex seeks comment on a separate proposal to make permanent the pilot program. For these reasons, the Commission finds good cause to waive both the 5-day pre-filing requirement and the 30-day operative waiting period.<sup>11</sup>

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>6</sup> Securities Exchange Act Release No. 44122 (March 28, 2001), 66 FR 18125 (April 5, 2001)(SR-Amex-2001-01).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

#### 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 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 Amex. All submissions should refer to file number SR-Amex-2002-22 and should be submitted by April 24, 2002.

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

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

[FR Doc. 02-8010 Filed 4-2-02; 8:45 am]

BILLING CODE 8010-01-P

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45652; File No. SR-MSRB-2002-03]

#### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Professional Qualifications of Municipal Fund Securities Limited Principals

March 26, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 19b-4 thereunder,<sup>1</sup> notice is hereby given that on March 21, 2002, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-MSRB-2002-03) ("proposed rule change") described in Items I, II, and III below, which Items have been prepared by the MSRB. 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 MSRB has filed with the Commission a proposed rule change consisting of an amendment to Rule G-3, on professional qualifications. Additions are italicized; deletions are bracketed. The proposed rule change is as follows:

Rule G-3—Classification of Principals and Representatives; Numerical Requirements; Testing; Continuing Education Requirements

(a) No change.

(b) Municipal Securities Principal; *Municipal Fund Securities Limited Principal.*

(i) No change.

(ii) Qualification Requirements.

(A) No change.

(B) Any person seeking to become qualified as a municipal securities principal in accordance with subparagraph (b)(ii)(A) of this rule[,] must, prior to being qualified as a municipal securities principal:

(1) Have been duly qualified as either a municipal securities representative or a general securities representative; *provided, however, that any person who qualifies as a municipal securities representative solely by reason of subparagraph (a)(ii)(C) shall not be qualified to take the Municipal Securities Principal Qualification Examination on or after October 1, 2002; or*

(2) No change.

(C)-(D) No change.

(iii) No change.

(iv) *Municipal Fund Securities Limited Principal.*

(A) *Definition.* The term "municipal fund securities limited principal" means a natural person (other than a municipal securities principal or municipal securities sales principal), associated with a broker, dealer or municipal securities dealer that has filed with the Board in compliance with rule A-12, who is directly engaged in the functions of a municipal securities principal as set forth in paragraph (b)(i), but solely as such activities relate to transactions in municipal fund securities.

(B) *Qualification Requirements.*

(1) Every municipal fund securities limited principal shall take and pass the *Municipal Fund Securities Limited Principal Qualification Examination prior to being qualified as a municipal fund securities limited principal. The passing grade shall be determined by the Board.*

(2) *Any person seeking to become qualified as a municipal fund securities limited principal in accordance with clause (b)(iv)(B)(1) of this rule must, as a condition to being qualified as a municipal fund securities limited principal:*

(a) *have been duly qualified as either a general securities principal or an investment company/variable contracts limited principal; or*

(b) *have taken and passed either the General Securities Principal Qualification Examination or the Investment Company and Annuity Principal Qualification Examination.*

(3) *Any person who ceases to act as a municipal fund securities limited principal for two or more years at any time after having qualified as such shall meet the requirements of clauses (b)(iv)(B)(1) and (2) prior to being qualified as a municipal fund securities limited principal.*

(4) *For the first 90 days after becoming a municipal fund securities limited principal, the requirements of clauses (b)(iv)(B)(1) and (2) shall not apply to any person who is qualified as a general securities representative, investment company/variable contracts limited representative, general securities principal or investment company/variable contracts limited principal, provided, however, that such person shall meet the requirements of clauses (b)(iv)(B)(1) and (2) within that period.*

(C) *Actions as Municipal Securities Principal.* Any municipal fund securities limited principal may undertake all actions required or permitted under any Board rule to be taken by a municipal securities principal, but solely with respect to activities related to municipal fund securities.

(D) *Numerical Requirements.* Any broker, dealer or municipal securities dealer whose municipal securities activities are limited exclusively to municipal fund securities may count any municipal fund securities limited principal toward the numerical requirement for municipal securities principal set forth in paragraph (b)(iii).

(E) [(iv)] *Temporary Provisions for Municipal Fund Securities Limited Principal.* Notwithstanding any other provision of this rule, until December 31, 2002, [Until July 31, 2002,] the following provisions shall apply to any broker, dealer or municipal securities dealer whose municipal securities activities are limited exclusively to municipal fund securities:

[(A)] (1) [notwithstanding the provisions of paragraph (b)(ii),] the broker, dealer or municipal securities dealer may designate any person who

<sup>1</sup> 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4 thereunder.