

number of odd-lot market orders on the Amex¹¹ and the benefits to customers under the pilot procedures as compared to the former pricing procedures, which priced odd-lot orders based on subsequent round-lot transactions and which raised concerns regarding timeliness of execution, the Commission finds that it is appropriate to extend the pilot program for an additional twelve months. This will enable the pilot program to continue without interruption during the system modifications.

The Commission finds good cause for granting approval of the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof. This will permit the pilot program to continue on an uninterrupted basis. In addition, the procedures the Exchange proposes to continue using are substantially identical to the procedures that were published in the **Federal Register** for the full comment period and were approved by the Commission.¹²

It is therefore ordered, pursuant to Section 19(b)(2)¹³ of the Act, that the proposed rule change (SR-Amex-95-03) is approved for a twelve month period ending on February 8, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 95-3617 Filed 2-13-95; 8:45 am]
BILLING CODE 8010-01-M

[Release No. 34-35338; File No. SR-Amex-95-02]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by American Stock Exchange, Inc. Relating to Minimum Fractional Changes

February 7, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on January 31, 1994, the American Stock Exchange, Inc. ("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 self-regulatory organization. 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 Amex proposes to amend Amex Rule 127 to increase from \$5 to \$10 the price level below which equity securities are traded in sixteenths.

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 self-regulatory organization 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 self-regulatory organization 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 August 1992, the Commission approved amendments to Amex Rule 127 to provide that securities selling under \$5 and above \$.25 may be traded in fractions of $\frac{1}{16}$ of \$1.00 per share.¹ Prior to the amendment, Rule 127 provided for trading in sixteenths for securities selling under \$1 and above \$.25, whereas trading in securities selling above \$1 were subject to a minimum trading fraction of one-eighth of \$1. In expanding the number of securities eligible for trading in sixteenths, the Exchange intended to promote greater liquidity in lower priced stocks by allowing quotations between the then-current one-eighth minimum trading fraction, thereby providing possible improved pricing of orders to the benefit of both public customers and market professionals.

The Exchange proposes to increase significantly the number of Amex-listed securities traded in sixteenths by amending Rule 127 to provide for sixteenths trading in securities selling under \$10.² The Exchange believes that

trading in sixteenths will improve the market for securities trading under \$10 by promoting greater liquidity and providing for superior executions of retail and professional orders. In addition, the proposal is responsive to the recommendations of the Division of Market Regulation, in its Market 2000 Study,³ that the exchanges and Nasdaq convert to a minimum variation of one-sixteenth as soon as possible.

The proposed amendments to Rule 127 do not pertain to bond issues, which will continue to be dealt in at one-eighth of \$1. In addition, the Exchange will retain its authority to fix different minimum fractional changes where appropriate.

Prior to implementing expanded sixteenths trading in 1992, the Amex discussed the need for systems enhancements to the Intermarket Trading System ("ITS")⁴ with all ITS participants⁵ in order to permit the transmittal of commitments to trade Amex securities priced under \$5 via ITS in fractions of one-sixteenth, which enhancements were implemented by the Securities Industry Automation Corporation ("SIAC").⁶ Prior to the proposed expansion of trading in sixteenths, the Amex will consult with all ITS participants to permit them to make any required modifications to their individual systems to accommodate trading through ITS in Amex securities priced under \$10.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b) in particular in that it is intended to promote just and equitable principles of trade, to facilitate

of Amex-listed securities) to 589 securities (approximately 60% of Amex-listed securities). These estimates were made by the Exchange as of February 3, 1995.

³ Division of Market Regulation, SEC, Market 2000: An Examination of Current Equity Market Developments (January 1994), at 18 ("Market 2000 Study").

⁴ ITS is a subsystem of the National Market System approved by the Commission pursuant to Section 11A of the Act, 15 U.S.C. 78k-1 (1988). ITS facilitates intermarket trading in exchange-listed equity securities based on the current quotation information emanating from the linked markets. For a discussion of ITS, see Market 2000 Study, *supra* note 3, at Appendix II.

⁵ Participants to the ITS Plan include the Amex, the Boston Stock Exchange, the Chicago Board Options Exchange, the Chicago Stock Exchange, the Cincinnati Stock Exchange, the New York Stock Exchange, the Pacific Stock Exchange, the Philadelphia Stock Exchange, and the National Association of Securities Dealers.

⁶ SIAC is a jointly owned subsidiary of the New York Stock Exchange and the Amex, which does, among other things, the automated processing for ITS.

¹¹ See footnote 9 of Securities Exchange Act Release No. 29922 (November 8, 1991), 56 FR 58409.

¹² No comments were received in connection with the proposed rule changes that implemented these procedures. See *supra*, notes 3-4.

¹³ 15 U.S.C. 78s(b)(2) (1988).

¹⁴ 17 CFR 200.30-3(a)(12) (1991).

¹ See Securities Exchange Act Release No. 31118 (August 28, 1992), 57 FR 40484 (September 3, 1992).

² The Amex estimates that the rule change will increase the number of securities traded in sixteenths from 362 securities (approximately 37%