

market orders at the prevailing Amex quote with no odd-lot differential.<sup>3</sup> Under the pilot procedures that were initially approved by the Commission in 1989,<sup>4</sup> market orders with no qualifying notations are executed at the Amex quotation at the time the order is represented in the market either by being received at the trading post or through the Exchange's Post Execution Reporting system ("PER").<sup>5</sup> Enhancements to the PER system have been implemented to provide for the automatic execution of odd-lot market orders entered through PER. For the purposes of the pilot program, limit orders that are immediately executable based on the Amex quote at the time the order is received at the trading post or through PER are executed in the same manner as market orders.

In approving extensions to the Exchange's odd-lot pilot program, the Commission has expressed interest in the feasibility of the Exchange utilizing the ITS best bid or offer, rather than the Amex bid or offer, for the purposes of the Exchange's odd-lot pricing system.<sup>6</sup> In its most recent request for an extension of the pilot program, the Exchange stated that it decided to proceed with systems modifications, which it anticipates will be completed within a twelve month period, to provide for the execution of odd-lot market orders at the ITS best bid or offer.<sup>7</sup>

The Exchange proposes to amend Rule 205 to accommodate the prospective modifications to the Exchange's odd-lot pricing system. Specifically, amended Rule 205 would provide that odd-lot market orders to buy or sell would be filled at the "adjusted ITS offer" or "adjusted ITS bid," respectively, which are defined in proposed Rule 205, Commentary .04, as the lowest offer and highest bid disseminated by the Amex or by another

ITS participant market. Where quotation information is not available (e.g., when quotation collection or dissemination facilities are inoperable) odd-lot market orders would be executed at the prevailing Amex bid or offer or at a price deemed appropriate under prevailing market conditions. These procedures also will apply to odd-lot executable limit orders.

In determining the adjusted ITS bid and offer, the bid and offer in another ITS market center will be considered only if: (1) The stock is included in ITS in that market center, (2) the size of the quotation is greater than 100 shares, (3) the bid or offer is no more than one-quarter dollar away from the bid or offer, respectively, disseminated by the Exchange, (4) the quotation conforms to the requirements of Rule 127 ("Minimum Fractional Changes"), (5) the quotation does not result in a locked market, as the term is defined in Rule 236, (6) the market center is not experiencing operational or system problems with respect to the dissemination of quotation information, and (7) the bid or offer is "firm," that is, members of the market center disseminating the bid or offer are not relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the "unusual market" exception of paragraph (b)(3) of Rule 11Ac1-1.

The Exchange will implement the proposed rule changes upon completion of necessary systems enhancements by the Exchange and the Securities Information Automation Corporation. The Exchange will notify the Commission, as well as Exchange members and member organizations, upon implementation of the amended rules.

## 2. Statutory Basis

The proposed rule change is consistent with section 6(b)<sup>8</sup> of the Act in general and furthers the objectives of section 6(b)(5)<sup>9</sup> in particular in that it facilitates the economically efficient execution of odd-lot transactions and is intended to result in improved execution of customer orders.

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

The Exchange believes the proposed rule change will impose no burden on competition.

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

Written comments were neither solicited nor received.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such other 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 self-regulatory organization 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the American Stock Exchange. All submissions should refer to File No. SR-Amex-95-24 and should be submitted by August 9, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>3</sup> Securities Exchange Act Release No. 35344 (Feb. 8, 1995), 60 FR 8430.

<sup>4</sup> Prior to the 1989 pilot program, odd-lot market orders were routed to a specialist and held in accumulation in the system or by the specialist until a round-lot execution in that security took place on the Exchange. Subsequent to the round-lot execution, the odd-lot order received the same price as the electing round-lot transaction, plus or minus an odd-lot dealer differential.

<sup>5</sup> Securities Exchange Act Release No. 26445 (Jan. 10, 1989), 54 FR 2248. The PER system provides member firms with the means to electronically transmit equity orders, up to volume limits specified by the Exchange, directly to the specialist's post on the trading floor of the Exchange. Securities Exchange Act Release No. 34869 (Oct. 20, 1994), 59 FR 54016.

<sup>6</sup> See Securities Exchange Act Release No. 35344 (Feb. 8, 1995), 60 FR 8430 (raising concern over the fact that customers may not always receive the best available price under the current pilot program).

<sup>7</sup> *Id.*

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 17 CFR 200.30-3(a)(12).