

comment on whether there should be a concentration limit whereby Cedel would be prohibited from reaching its entire volume limit for U.S. debt and equity securities by processing transactions involving the U.S. debt or equity securities of only one or a limited number of issuers.

The Commission invites commenters to discuss any other issues that may arise or restrictions that should be imposed in connection with any modification of Cedel's exemption order to permit Cedel to offer securities processing services for U.S. debt and equity securities that have not been discussed in this notice or adequately addressed in the Cedel exemption order.

#### B. Fair Competition

As discussed in the Cedel notice, Section 17A of the Exchange Act requires the Commission in exercising its authority under that section to have due regard for the maintenance of fair competition among clearing agencies.<sup>17</sup> Therefore, the Commission invites commenters to address what the likely effect on competition and on the U.S. securities markets would be if the Commission modifies Cedel's exemption from registration as a clearing agency to permit Cedel to process U.S. debt and equity securities transactions involving U.S. entities.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application by March 31, 1997. Such written data, views, and arguments will be considered by the Commission in deciding whether to expand Cedel's exemption from registration to include processing U.S. debt and equity securities. Persons desiring to make written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Reference should be made to File No. 600-29. Copies of the application and copying at the Commission's Public Reference Room 450 Fifth Street, N.W., Washington, D.C. 20549.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>18</sup>

Margaret H. McFarland,  
Deputy Secretary.

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U.S. government securities that are processed through Cedel involving a U.S. counterparty or its affiliate.

<sup>17</sup> 15 U.S.C. 781q-1(a)(2).

<sup>18</sup> 17 CFR 200.30-3(a)(16).

[Release No. 34-38324; File No. SR-Amex-97-07]

#### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Disclaimer Provisions of Amex Rule 902C

February 24, 1997.

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 January 29, 1997, 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 and II below, which Items have been prepared by the self-regulatory organization. The Exchange has requested accelerated approval for the proposal. This order approves the Amex's proposal on an accelerated basis and solicits comments from interested persons.

##### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Amex is proposing to amend Exchange Rule 902C to include the de Jager Year 2000 Index ("Index") in the disclaimer provisions of the Rule.

##### 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 III 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 conjunction with a proposal to list and trade options on the de Jager Year 2000 Index, the Amex is proposing to amend Exchange Rule 902C to provide a disclaimer for de Jager & Company, a consulting company active in promoting

awareness of the "Year 2000" problem. The Exchange's proposal to list and trade options on the Index has been given summary effectiveness treatment pursuant to Section 19(b)(3)(A) of the Act.<sup>3</sup>

The Amex and de Jager & Company have developed a new index called The de Jager Year 2000 Index, based entirely on shares of widely-held companies whose business is expected to benefit from the need of companies, governments, and others to address and resolve the "Year 2000" problem.<sup>4</sup> The "Year 2000" problem arises because most business application software programs (mainframe, client/server, and personal computer) written over the past twenty years use only two digits to specify the year, rather than four.

Therefore, on January 1, 2000, unless the software is corrected, most computers with time-sensitive software programs will recognize the year as "00" and may assume that the year is "1900." This could either force the computer to shut down or lead to incorrect calculations. The Index will be calculated and maintained by the Amex. A representative of de Jager & Company will be available to advise the Exchange when, pursuant to Exchange Rule 901C(b), the Amex substitutes stocks, or adjusts the number of stocks included in the Index, based on changing conditions in the "Year 2000" industry or in the event of certain types of corporate actions. It is anticipated that the Amex will consult with de Jager & Company on a quarterly basis to review possible candidates for removal from or inclusion in the Index.

The disclaimer, identical in content to disclaimers currently in place for Standard & Poor's Corporation ("S&P"),<sup>5</sup> Morgan Stanley & Co. Incorporated,<sup>6</sup> and Inter@ctive Enterprises L.L.C.,<sup>7</sup> states that de Jager & Company does not guarantee the accuracy or completeness of the Index, makes no express or implied warranties with respect to the Index, and will have no liability for any damages, claims, losses, or expenses caused by errors in the Index calculation.

###### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general and

<sup>3</sup> See Securities Exchange Act Release No. 38307 (February 19, 1997) (Amex-97-04).

<sup>4</sup> The industries represented by these companies include: packaged software providers; computer programming consulting firms; and computer outsourcing services.

<sup>5</sup> See Exchange Rule 902C(c).

<sup>6</sup> See Exchange Rule 902C(d).

<sup>7</sup> See Exchange Rule 902C(e).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

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

further the objectives of Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of change, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The self-regulatory organization 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*

Comments were neither solicited nor received with respect to the proposed rule change.

### III. 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, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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, N.W., Washington, D.C. 20549. Copies of such filings also will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-97-05 and should be submitted by March 21, 1997.

### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) thereunder.

The Commission believes that it is reasonable for de Jager & Company to be released from liability for any damages, claims, losses, or expenses related to the accuracy or completeness of the Index or caused by errors in the Index calculation. The Commission notes that de Jager & Company will not be involved, except in the limited advisory capacity described above, in the calculation or maintenance of the Index.

The Commission finds good cause to approve the proposal prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register in that this rule filing is being filed in connection with the Exchange's proposal to list and trade options on the Index, which has been given summary effectiveness treatment pursuant to Section 19(b)(3) of the Act.<sup>8</sup> In addition, this proposal raises no new issues as the Commission has previously approved similar proposals by the Amex to release various entities from certain liability for damages resulting from the use of their products where these entities have no active role in the trading and calculation of the index value.<sup>9</sup> Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the proposed rule change on an accelerated basis.

### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) <sup>10</sup> of the Act, that the proposed rule change (File No. SR-Amex-97-05) is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

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[Release No. 34-38328; International Series Release No. 1058; File No. 600-29]

### **Self-Regulatory Organizations; Cedel Bank; Order Approving Application for Exemption From Registration as a Clearing Agency**

February 24, 1997.

On August 31, 1995, Cedel Bank, société anonyme, Luxembourg ("Cedel") <sup>1</sup> filed with the Securities and

Exchange Commission ("Commission") an application on Form CA-1 <sup>2</sup> for exemption from registration as a clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934 ("Exchange Act") <sup>3</sup> and Rule 17Ab2-1 thereunder.<sup>4</sup> Notice of Cedel's application was published in the Federal Register on June 19, 1996.<sup>5</sup> Eleven comment letters were received in response to the notice of filing of the Cedel application.<sup>6</sup> This Order grants Cedel's application for exemption from registration as a clearing agency to permit Cedel to offer clearance, settlement, and credit support services to U.S. and non-U.S. entities for transactions in U.S. government securities subject to the conditions and limitations that are set forth below.

parent company, Cedel International, was created into which Cedel transferred the nonbanking subsidiaries. Cedel Bank is a wholly-owned subsidiary of Cedel International. Cedel Bank is licensed in Luxembourg both as a bank and as a "professionnel du secteur financier" ("PSF") and is under the supervision of the Institut Monétaire Luxembourgeois ("IML"), Luxembourg's banking and securities regulatory authority. Cedel International is licensed as a non-bank PSF and also is under the supervision of the IML. The IML establishes capital and liquidity requirements, evaluates the financial condition and performance of all Luxembourg financial institutions, conducts on-site inspections, and monitors all financial institutions and their controlling companies for adherence to Luxembourg laws and regulations. On April 24, 1996, the Federal Reserve Board granted Cedel Bank's request to establish a representative office in New York.

<sup>2</sup> Copies of the application for exemption are available for inspection and copying at the Commission's Public Reference Room.

<sup>3</sup> 15 U.S.C. 78q-1.

<sup>4</sup> 17 CFR 240.17Ab2-1.

<sup>5</sup> Securities Exchange Act Release No. 37309 (June 12, 1996), 61 FR 31201 (notice of filing of application for exemption from registration as a clearing agency) ("Cedel Notice").

<sup>6</sup> Letters from John H. Huffstutler, Senior Vice President and Chief Regulatory Counsel, Bank of America National Trust and Savings Association (July 17, 1996); Guillaume de Beaufort, Administration Head, Paribas Capital Markets (July 18, 1996); Pierre Vermenouze, Senior Vice President, Banque et Finance Internationales (July 17, 1996); Thomson Ng, Executive Director of Operations, Fuji International Finance (HK) Limited (July 18, 1996); John Macfarlane, Managing Director, Salomon Brothers Inc (July 19, 1996); Monroe R. Sonnenborn, Managing Director, Morgan Stanley & Co. Incorporated (July 22, 1996); Jean-Marie Grenet, Operations Head, and Jimmy Hew, Deputy Operations Head, Paribas Merchant Banking Asia Limited (July 23, 1996); Lo Kit-sang, Manager, Sin Hua Bank Ltd. (July 22, 1996); Fan Jian Hua, Manager, and Zhu Wen Xiang, Chief Dealer, The Investment Company of The People's Republic of China (Singapore) Pte Ltd (July 26, 1996); Gilbert Lee and Richard Yiu Tak Shing, Bannque Nationale de Paris (July 29, 1996); and Augustine Chua, Deputy Manager, Rapobank (August 1, 1996) to Jonathan Katz, Secretary, Commission. These comment letters for File No. 600-29 are available for inspection and copying in the Commission's Public Reference Room.

<sup>8</sup> See *supra* note 3.

<sup>9</sup> See Exchange Rules 902C(c), (d), and (e).

<sup>10</sup> 15 U.S.C. § 78s(b)(2) (1988).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> Cedel, société anonyme (formerly the Centrale de Livraison de Valeurs Mobilières) was established in 1970. On January 1, 1995, Cedel, société anonyme was converted into Cedel Bank to perform lending, clearing, and settlement activities, and a