

	Tortiously lia- ble rates	Interagency rates
Outpatient Medical and Dental Treatment		
Outpatient Visit (other than Emergency Dental)	254	236
Emergency Dental Outpatient Visit	157	140
Prescription Filled	36	35

For the period beginning October 1, 1999, the rates prescribed herein superseded those established by the Director of the Office of Management and Budget October 16, 1998 (61 FR 56360).

Jacob J. Lew,

Director, Office of Management and Budget.
[FR Doc. 99-28115 Filed 10-29-99; 8:45 am]
BILLING CODE 3110-01-P

Dated: October 27, 1999.

Jonathan G. Katz,

Secretary.
[FR Doc. 99-28607 Filed 10-28-99; 8:45 am]
BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of November 1, 1999.

A closed meeting will be held on Wednesday, November 3, 1999, at 11:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c) (4), (8), (9)(A) and (10) and 17 CFR 200.402(a) (4), (8), (9)(A) and (10), permit consideration for the scheduled matters at the closed meeting.

Commissioner Carey, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the closed meeting scheduled for Wednesday, November 3, 1999, will be:

Institution and settlement of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

Formal order of investigation.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42056; File No. SR-CHX-99-22]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment Nos. 1, 2 and 3 by the Chicago Stock Exchange, Inc., Relating to Listing Standards for Trust Issued Receipts

October 22, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 7, 1999, the Chicago Stock Exchange, Inc., ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. Amendment Nos. 1, 2, and 3 were filed on October 13, 15, and 20, 1999, respectively.³ The Commission is publishing this notice to solicit comments on the proposed rule change and Amendment Nos. 1, 2, and 3 from interested persons and to grant accelerated approval to the proposed rule change, as amended.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 added new text regarding the arbitrage process and the trust issued receipt's trading price. Amendment No. 2 added additional minimum listing requirements for securities to qualify for inclusion in a trust issued receipt. Amendment No. 3 changed the figure for initial distribution of Internet HOLDRs from 150,000 to approximately 3.7 million. See Letters from Paul B. O'Kelly, Executive Vice President, Market Regulation and Legal, CHX, to Heather Traeger, Attorney, Division of Market Regulation, SEC, dated October 13, 1999, October 15, 1999 and October 20, 1999.

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

The Exchange proposes to add a new Rule 27 to Article XXVIII of the Exchange's rules to adopt listing standards for trust receipts. Once these listing standards have been approved, the Exchange intends to trade Internet Holding Company Depository Receipts ("Internet HOLDRs"), a trust issued receipt. The Exchange also proposes to trade Internet HOLDRs pursuant to unlisted trading privileges ("UTP"). The text of the proposed rule change is available at the Office of the Secretary, CHX 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 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 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 is proposing listing criteria to allow the Exchange to list trust issued receipts, and to trade Internet HOLDRs, a type of trust issued receipt, pursuant to UTP. The Exchange represents that trust issued receipts provide investors with a flexible, cost-effective way to purchase, hold and transfer the securities of one or more specified companies.

a. *Trust Issued Receipts Generally.—Description.* Trust issued receipts are negotiable receipts which are issued by a trust representing securities of issuers that have been deposited and are held on behalf of the holders of the trust

issued receipts. Trust issued receipts allow investors to hold securities investments from a variety of companies throughout a particular industry in a single, exchange-listed and traded instrument that represents their beneficial ownership of each of the deposited securities. Holders of trust issued receipts maintain beneficial ownership of each of the deposited securities evidenced by trust issued receipts. Holders may cancel their trust issued receipts at any time to receive the deposited securities.

Beneficial owners of the receipts have the same rights, privileges and obligations as they would have if they beneficially owned the deposited securities outside of the trust issued receipt program. For example, holders of the receipts have the right to instruct the trustee to vote the deposited securities evidenced by the receipts; will receive reports, proxies and other information distributed by the issuers of the deposited securities to their security holders; and will receive dividends and other distributions if any are declared and paid by the issuers of the deposited securities to the trustee.

Creation of a trust. Trust issued receipts will be issued by a trust created pursuant to a depository trust agreement. After the initial offering, the trust may issue additional receipts on a continuous basis when an investor deposits the requisite securities with the trust. An investor in trust issued receipts will be permitted to withdraw his or her deposited securities upon delivery to the trustee of one or more round-lots of 100 trust issued receipts and to deposit such securities to receive trust issued receipts.

b. Criteria for Initial and Continued Listing. The Exchange believes that the listing criteria proposed in its new rule are generally consistent with the "Other Securities" criteria currently found in Article XXVIII, Rule 13 of the CHX Rules as well as the trust issued receipt listing criteria currently used by the American Stock Exchange.⁴

Initial Listing. Under the proposed rule, if trust issued receipts are to be listed on the Exchange, the Exchange will establish a minimum number of trust issued receipts required to be outstanding at the time trading commences on the Exchange and will include that number in any required submission to the Commission.

Continued Listing. The Exchange will consider the suspension of trading in, or

removal from listing of, a trust upon which a series of trust issued receipts is based when any of the following circumstances arise: (1) If the trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of the trust issued receipts for 30 or more consecutive trading days; (2) if the trust has fewer than 50,000 receipts issued and outstanding; (3) if the market value of all receipts issued and outstanding is less than \$1,000,000; or (4) if any other event occurs, or any other condition exists, which, in the opinion of the Exchange, makes further trading on the Exchange inadvisable. These flexible criteria allow the Exchange to avoid delisting trust issued receipts (leading to a possible termination of the trust) because of relatively brief fluctuations in market conditions that may cause the number of holders to vary.

The Exchange will not, however, be required to suspend or delist from trading, based on the above factors, any trust issued receipts for a period of one year after the initial listing of such trust issued receipts for trading on the Exchange. Notwithstanding, in the first year and thereafter, if the number of companies represented by the deposited securities drops to less than nine, and each time thereafter the number of companies is reduced, the Exchange will consult with the Commission to confirm the appropriateness of continued listing of the trust issued receipts.

c. Exchange Rules Applicable to the Trading of Trust Issued Receipts. Trust issued receipts are considered "securities" under the Rules of the Exchange and are subject to all applicable trading rules, including the provisions of Article XX, Rule 40, ITS Trade-Throughs and Locked Markets, which prohibit CHX members from initiating trade-throughs for ITS securities, as well as rules governing priority, parity and precedence of orders, market volatility-related trading halt provisions and responsibilities of the assigned specialist firm.⁵ Exchange equity margin rules will apply.

⁵ There are two possible exceptions to this general rule. First, if trust issued receipts are traded only in round lots (or round-lot multiples), the Exchange's rules relating to odd-lot executions will not apply. Additionally, the Exchange understands that application for exemption from the short sale rule, Rule 10a-1 under the Act, 17 CFR 240.10a-1, has been made with respect to Internet HOLDRs and is currently pending with the Commission. If that request is granted and if it applies to trust issued receipts traded on the Exchange, the Exchange will issue a notice to its members detailing the terms of the exemption and confirming that applicable CHX rules relating to short sales do not apply.

Trust issued receipts will trade in the minimum fractional increments described in CHX Article XX, Rule 22. If the trust issued receipts are also traded on the American Stock Exchange, those receipts will trade at a minimum variation of 1/16th of \$1.00 for trust issued receipts selling at or above \$.25 and 1/32nd of \$1.00 for those selling below \$.25. If the trust issued receipts are traded on any other exchange or are exclusively listed on the CHX, different minimum fractional increments may apply.

The Exchange's surveillance procedures for trust issued receipts will be similar to the procedures used for portfolio depository receipts and will incorporate and rely upon existing CHX surveillance systems.

Prior to the commencement of trading of each new trust issued receipt, the Exchange will distribute a circular to its members and member organizations alerting them to the unique characteristics of trust issued receipts, including the fact that trust issued receipts are not individually redeemable. The circular will also confirm that trust issued receipts are subject to the Exchange's rule relating to trading halts due to extraordinary market volatility (Article IX, Rule 10A) and that the underlying securities included in the trust are subject to the Exchange's rule which allows Exchange officials to halt trading in specific securities, under certain circumstances (Article IX, Rule 10(b)). The circular will advise members that, in exercising the discretion described in Article IX, Rule 10(b), appropriate Exchange officials may consider a variety of factors, including the event to which trading is not occurring in an underlying security and whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

d. Disclosure to Customers. The Exchange will require its members to provide all purchasers of newly issued trust issues receipts with a prospectus for that series of trust issued receipts.

e. Trading of Internet HOLDRs. As noted above, upon approval of the CHX's listing standards for trust issued receipts, the Exchange intends to begin trading a particular series of trust issued receipts, Internet HOLDRs pursuant to UTP privileges. The following section of this submission contains information about Internet HOLDRs. This information is based upon descriptions included in the Internet HOLDRs prospectus, the Internet HOLDRs depository trust agreement, the Amex submissions relating to its trust issued receipt listing proposal and the

⁴ The American Stock Exchange's ("Amex") listing criteria were approved by the Commission on September 21, 1999. See Securities Exchange Act Release No. 41892 (September 21, 1999), 64 FR 52559 (September 29, 1999).

Commission's order approving the Amex proposal.⁶

Creation of Internet HOLDRs. Internet HOLDRs will be issued by the Internet HOLDRs Trust, which was created pursuant to a depositary trust agreement dated September 2, 1999, among The Bank of New York, as trustee, Merrill Lynch Pierce Fenner & Smith Incorporated, other depositors and the owners of the Internet HOLDRs. The Exchange understands that approximately 3.7 million trust issued receipts were issued in connection with the initial distribution of Internet HOLDRs.

The deposited securities underlying Internet HOLDRs are: America Online (AOL), Yahoo Inc. (YHOO), Amazon.com Inc. (AMZN), eBay Inc. (EBY), At Home Corp. (ATHM), PricelineCom Inc. (PCLIN), CMGI Inc. (CMGI), Inktomi Corporation (INKT), RealNetworks, Inc. (RNWK), Exodus Communications, Inc. (EXDS), E*TRADE Group Inc. (EGRP), DoubleClick Inc. (DCLK), Ameritrade Holding Corp. (AMTD), Lycos, Inc. (LCOS), CNET, Inc. (CNET), PSINet Inc. (PSIX), Network Associates, Inc. (NETA), Earthlink Network, Inc. (ELNK), Mindspring Enterprises, Inc. (MSPG), and Go2NET, Inc. (GNET).

The twenty companies represented by the securities in the portfolio underlying the Internet HOLDRs trust were required to meet the following minimum criteria when they were selected on August 31, 1999: (1) each company's common stock must be registered under Section 12 of the Exchange Act; (2) the minimum public float of each company included in the portfolio must be at least \$150 million; (3) each security must be either listed on a national securities exchange or traded through the facilities of Nasdaq and reported national market system securities; (4) the average daily trading volume must be at least 100,000 shares during the preceding sixty-day period; and (5) the average daily dollar value of the shares traded during the preceding sixty-day period must be at least \$1 million. The initial weighting of each security in the portfolio was based on its market capitalization as of August 31, 1999; however, any security that represented more than 20% of the overall value of the receipt on the date the weighting was determined, was reduced to no more than 20% of the receipt value.

In addition, each of the companies whose common stock is included in the Internet HOLDRs also met the following criteria: (1) the market capitalization for each company was equal to or greater

than \$1 billion; (2) the average daily trading volume for each security was at least 1.2 million shares over the 60 trading days prior to August 31, 1999; (3) the average daily dollar volume of the shares traded for each company during the sixty-day trading period prior to August 31, 1999 was at least \$60 million; and (4) each company was traded on a national securities exchange or Nasdaq/NM for at least ninety days prior to August 31, 1999.

Trading Issues. A round lot of 100 Internet HOLDRs represents a holder's individual and undivided beneficial ownership interest in the whole number of securities represented by the receipt. Because Internet HOLDRs may be acquired held or transferred only in round-lot amounts (or round-lot multiples) of 100 receipts, orders for less than a round lot will be rejected, while orders for greater than a round lot (but not a round-lot multiple) will be filled to the extent of the largest round lot multiple, rejecting the remaining odd lot.⁷

The Exchange believes that trust issued receipts will not trade at a material discount or premium to the assets held by the issuing trust. The Exchange represents that the arbitrage process—which provides the opportunity to profit from differences in prices of the same or similar securities (e.g., the trust issued receipts and the portfolio of deposited securities), increases the efficiency of the markets and serves to prevent potentially manipulative efforts—should promote correlative pricing between the trust issued receipts and the deposited securities. If the price of the trust issued receipt deviates enough from the portfolio of deposited securities to create a material discount or premium, an arbitrage opportunity is created allowing the arbitrageur to either buy the trust issued receipt at a discount, immediately cancel them in exchange for the deposited securities and sell the shares in the cash market at a profit, or sell the trust issued receipts short at a premium and buy the securities represented by the receipts to deposit in exchange for the trust issued receipts to deliver against the short position. In both instances, the arbitrageur locks in a profit and the markets move back into line.

Maintenance of the Internet HOLDRs Portfolio. Except when a reconstitution event occurs, as described below, the securities represented by a trust issued

receipt will not change.⁸ According to the Internet HOLDRs prospectus, under no circumstances will a new company be added to the group of issuers of the underlying securities and weightings of component securities will not be adjusted after they are initially set.

Reconstitution Events. As described in the Internet HOLDRs prospectus, the securities underlying the trust issued receipts will be automatically distributed to the beneficial owners of the receipts in four circumstances:

(1) If the issuer of the underlying securities no longer has a class of common stock registered under Section 12 of the Act, then its securities will no longer be an underlying security and the trustee will distribute the shares of that company to the owners of the trust issued receipts;

(2) If the Commission finds that an issuer of underlying securities should be registered as an investment company under the Investment Company Act of 1940, and the trustee has actual knowledge of the Commission's finding, then the trustee will distribute the shares of that company to the owners of the trust issued receipts;

(3) If the underlying securities of an issuer cease to be outstanding as a result of a merger, consolidation or other corporate combination, the trustee will distribute the consideration paid by and received from the acquiring company to the beneficial owners of the trust issued receipts, unless the acquiring company's securities are already included in the trust issued receipts as deposited securities and the consideration paid is additional underlying securities, in which case the additional securities will be deposited into the trust; and

(4) If an issuer's underlying securities are delisted from trading on a national securities exchange or Nasdaq and are not listed for trading on another national securities exchange or through Nasdaq within five business days from the date the securities are delisted.

As described in the prospectus, if a reconstitution event occurs, the trustee will deliver the underlying security to the investor as promptly as practicable after the date that the trustee has knowledge of the occurrence of a reconstitution event.

Issuance and Cancellation of Internet HOLDRs. The trust will issue and cancel, and an investor may obtain, hold, trade and surrender, Internet

⁷ For example, an order for 50 trust issued receipts will be rejected and an order for 1050 trust issued receipts will be executed in part (1,000) and rejected in part (50).

⁸ Even if a reconstitution event does not occur, the number of each security represented in a receipt may change due to certain corporate events such as stock splits or reverse stock splits on the deposited securities and the relative weightings among the deposited securities may change based on the current market price of the deposited securities.

⁶ See *supra*, note 4.

HOLDERS only in a round lot of 100 trust issued receipts and round-lot multiples. Nevertheless, the bid and asked prices will be quoted on a per receipt basis. The trust will issue additional receipts on a continuous basis when an investor deposits the required securities with the trust.

An investor may obtain trust issued receipts by either purchasing them on an exchange or by delivering to the trustee the underlying securities evidencing a round lot of trust issued receipts. The trustee will charge investors an issuance fee of up to \$10 for each round lot of 100 trust issued receipts. An investor may cancel trust issued receipts and withdraw the deposited securities by delivering a round lot or round-lot multiple of the trust issued receipts to the trustee, during normal business hours. The trustee will charge investors a cancellation fee of up to \$10 for each round lot of 100 trust issued receipts. Lower charges may be assigned based on the volume, frequency and size of issuances and cancellations. According to the prospectus, the trustee expects that, in most cases, it will deliver the deposited securities within one business day of the withdrawal request.

Termination of the Trust. As described in the Internet HOLDERS prospectus, the trust will terminate on the earliest of the following occurrences: (1) If the trustee resigns and no successor trustee is appointed by the initial depositor within 60 days from the date the trustee provides notice to the initial depositor of its intent to resign; (2) If the trust issued receipts are delisted from the Amex and are not listed for trading on another national securities exchange or through Nasdaq within five business days from the date the receipts are delisted; (3) If 75% of the beneficial owners of outstanding trust issued receipts (other than Merrill Lynch, Pierce, Fenner & Smith Incorporated) vote to dissolve and liquidate the trust; or (4) December 31, 2039. If a termination event occurs, the trustee will distribute the underlying securities to beneficial owners as promptly as practicable after the termination event.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5)⁹ of the Act is that it is designed to promote just and equitable principles of trade, to remove impediments to and 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 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.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. 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 filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-99-22 and should be submitted by November 22, 1999.

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

A. Generally

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of Section 6(b)(5) of the Act¹⁰ and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission finds, as it did in the Amex order approving the listing and trading of trust issued receipts and Internet HOLDERS,¹¹ that the proposal establishing listing standards for trust issued receipts and to trade Internet HOLDERS will provide investors with a convenient and less expensive way of participating in the

securities markets. The proposal should advance the public interest by providing investors with increased flexibility in satisfying their investment needs allowing them to purchase and sell a single security replicating the performance of a broad portfolio of stocks at negotiated prices throughout the business day. Accordingly, the Commission finds that the proposal will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.¹²

As noted in the Amex approval order, the Commission believes that trust issued receipts will provide investors with an alternative to trading a broad range of securities on an individual basis, and will give investors the ability to trade trust issued receipts representing a portfolio of securities continuously throughout the business day in secondary market transactions negotiated prices. Trust issue receipts will allow investors to: (1) Respond quickly to changes in the overall securities markets generally and for the industry represented by a particular trust; (2) trade, at a price disseminated on a continuous basis, a single security representing a portfolio of securities that the investors owns beneficially; (3) engage in hedging strategies similar to those used by institutional investors; (4) reduce transaction costs for trading a portfolio of securities; and (5) retain beneficial ownership of the securities underlying the trust issued receipts.

Although trust issued receipts are not leveraged instruments, and, therefore, do not possess any of the attributes of stock index options, their prices will be derived and based upon the securities held in their respective trusts. Accordingly, the level of risk involved in the purchase or sale of trust issued receipts is similar to the risk involved in the purchase or sale of traditional common stock, with the exception that the pricing mechanism for trust issued receipts is based on a basket of securities.¹³ Nevertheless, the

¹² In approving this rule, the Commission notes that it has also considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹³ The Commission has concerns about continued trading of the trust receipts whether listed or pursuant to UTP, if the number of component securities falls to a level below nine securities, because the receipts may not longer adequately reflect a cross section of the selected industry. Accordingly, the CHX has agreed to consult the Commission concerning continued trading, once

Continued

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ See *supra*, note 4.

Commission believes that the unique nature of trust issued receipts raises certain product design, disclosure, trading, and other issues.

B. Trading of Trust Issued Receipts—Listing and UTP

The Commission finds that the CHX's proposal contains adequate rules and procedures to govern the trading of trust issued receipts whether by listing or pursuant to UTP. Trust issued receipts are equity securities that will be subject to the full panoply of CHX rules governing the trading of equity securities on the CHX, including, among others, rules governing the priority, parity and precedence of orders, responsibilities of the specialist, account opening and customer suitability requirements, and the election of a stop or limit order.¹⁴

In addition, the CHX has developed specific listing and delisting criteria for trust issued receipts that will help to ensure that a minimum level of liquidity will exist for trust issued receipts to allow for the maintenance of fair and orderly markets. The delisting criteria also allows the CHX to consider the suspension of trading and the delisting of a trust issued receipt if an event occurred that made further dealings in such securities inadvisable. This will give the CHX flexibility to delist trust issued receipts if circumstances warrant such action. CHX's proposal also provides procedures to halt trading in trust issued receipts in certain enumerated circumstances.

Moreover, in approving this proposal, the Commission notes the Exchange's belief that trust issued receipts will not trade at a material discount or premium in relation to the overall value of the trusts' assets because of potential arbitrage opportunities. The Exchange represents that the potential for arbitrage should keep the market price of a trust issued receipt comparable to the overall value of the deposited securities.

Furthermore, the Commission believes that the Exchange's proposal to trade trust issued receipts in minimum fractional increments of 1/16th of \$1.00 is consistent with the Act. The Commission believes that such trading should enhance market liquidity, and should promote more accurate pricing, tighter quotations, and reduced price fluctuations. The Commission also believes that such trading should allow customers to receive the best possible

execution of their transactions in trust issued receipts.

Finally, the CHX will apply surveillance procedures for trust issued receipts that will be similar to the procedures used for portfolio depository receipts and will incorporate and rely upon existing CHX surveillance procedures governing equities. The Commission believes that these surveillance procedures are adequate to address concerns associated with listing and trading trust issued receipts, including any concerns associated with purchasing and redeeming round-lots of 100 receipts. Accordingly, the Commission believes that the rules governing the trading of trust issued receipts provide adequate safeguards to prevent manipulative acts and practices and to protect investors and the public interest.

C. Disclosure and Dissemination of Information

The Commission believes that the Exchange's proposal will ensure that investors have information that will allow them to be adequately apprised of the terms, characteristics, and risk of trading trust issued receipts. The prospectus will address the special characteristics of a particular trust issued receipt basket, including a statement regarding its redeemability and method of creation. The Commission notes that all investors in trust issued receipts who purchase in the initial offering will receive a prospectus. In addition, anyone purchasing a trust issued receipt directly from the trust (by delivering the underlying securities to the trust) will also receive a prospectus. Finally, all CHX member firms who purchase trust issued receipts from the trust for resale to customers must deliver a prospectus to such customers.

The Commission also notes that upon the initial listing of any trust issued receipts, the Exchange will issue a circular to its members explaining the unique characteristics and risks of this type of security. The circular also will note the Exchange members' prospectus delivery requirements, and highlight the characteristics of purchases in trust issued receipts. The circular also will inform members of Exchange policies regarding trading halts in trust issued receipts.

CHX has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice in the **Federal Register**. The Commission believes that the Exchange's proposal to trade trust issued receipts, and specifically Internet

HOLDERS pursuant to UTP privileges, will provide investors with a convenient and less expensive way of participating in the securities markets. The Commission believes that the proposed rule change could produce added benefits to investors through the increased competition between other market centers trading the product. Specifically, the Commission believes that by increasing the availability of trust issued receipts, and in particular Internet HOLDERS, as an investment tool, the CHX's proposal should help provide investors with increased flexibility in satisfying their investment needs, by allowing them to purchase and sell a single security replicating the performance of a broad portfolio of stocks at negotiated prices throughout the business day. The Commission notes, however, that notwithstanding approval of the listing standards for trust issued receipts, other similarly structured products, including trust issued receipts based on other industries, will require review by the Commission prior to being traded on the Exchange. Additional series cannot be listed by the Exchange prior to contacting Division staff. In addition, the CHX may be required to submit a rule filing prior to trading a new issue or series on the Exchange.

As noted above, the Commission has approved the listing and trading of trust issued receipts, including Internet HOLDs, at the Amex, under rules that are substantially similar to CHX Article XXVII, rule 27. The trading requirements of trust issued receipts at the CHX will be substantially similar to the trading requirements of trust issued receipts at the Amex. The Commission published those rules in the **Federal Register** for the full notice and comment period. No comments were received on the proposed rules, and the Commission found them consistent with the Act.¹⁵ The Commission does not believe that trading of this product raises novel regulatory issues that were not addressed in the previous filing. Accordingly, the Commission finds good cause for approving the proposed rule change, as amended, prior to the thirtieth day after the date of publication of notice in the **Federal Register**.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁶ that the proposed rule change (SR-CHX-99-22),

the trust has fewer than nine component securities, and for each subsequent loss of a security thereafter.

¹⁴ Trading rules pertaining to the availability of odd-lot trading do not apply because trust issued receipts only can be traded in round-lots.

¹⁵ See Securities Exchange Act Release No. 48192 (September 21, 1999), 64 FR 52559 (September 29, 1999).

¹⁶ 15 U.S.C. 78s(b)(2).

as amended, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-28457 Filed 10-29-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42057; File No. SR-NASD-99-64]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the National Association of Securities Dealers, Inc., to Delay Implementation of 90-Second Trade Reporting as Part of a Pilot Program Extending the Availability of Certain Nasdaq Services and Facilities Until 6:30 P.M. Eastern Time

October 22, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 22, 1999, the National Association of Securities Dealers, Inc., ("NASD"), through its wholly-owned subsidiary, The Nasdaq Stock Market, Inc., ("Nasdaq") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. Also on October 22, 1999, the NASD filed Amendment No. 1 to the proposed rule change.³ The Exchange filed the proposal pursuant to Section 19(b)(3)(A) of the Act,⁴ and Rule 19b-4(f)(6) thereunder,⁵ which renders the proposal effective upon filing with the Commission. 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

Nasdaq proposes to defer, until November 15, 1999, the imposition of 90-second trade reporting rules between the hours of 5:15 p.m. and 6:30 p.m. Eastern Time that are part of a pilot program extending the availability of several Nasdaq services and facilities until 6:30 p.m. Eastern Time. This pilot was approved by the Commission⁶ and is set to commence on October 25, 1999. The text of the proposal is available upon request from the Office of the Secretary, the NASD, or 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, Nasdaq included statements concerning the purpose of and basis for the proposed rule change and discussed any comments is received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq 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

On October 13, 1999, the Commission approved a pilot program expanding the operating hours of certain Nasdaq services and facilities until 6:30 p.m. Eastern Time.⁷ The pilot is set to commence on October 25, 1999, and will expand until 6:30 p.m. Eastern Time the operation times of the following services: (1) SelectNet Service ("SelectNet"); (2) Automated Confirmation Transaction Service ("ACT"); (3) Nasdaq Quotation Dissemination Service ("NQDS"); and (4) Nasdaq Trade Dissemination Service ("NTDS"). Subsequent to the Commission's approval of the pilot, Nasdaq and the Commission received numerous expressions of concern from NASD members regarding their ability to convert their internal automated systems in time to comply with the October 25, 1999 start of the pilot, and in particular with the imposition of new 90-second trade reporting obligations

between the hours of 5:15 p.m. and 6:30 p.m. Eastern Time.

Upon review of these concerns, the determination was made to defer imposition of 90-second trade reporting until November 15, 1999 between the hours of 5:15 p.m. and 6:30 p.m. Eastern Time. All member firms are expected, however, to report trades as soon as possible after execution, and to the extent they are able to do so before November 15, 1999, within 90 seconds. In addition, Nasdaq has requested that the Commission staff expand its previous grant of no-action relief concerning SEC Rules 11Ac1-1(c)(5),⁸ 11Ac1-4⁹ and 301(b)(3)¹⁰ to December 6, 1999, the date on which Nasdaq expects to be able to provide an inside quote. Pursuant to this relief, the NASD will likewise defer enforcement of NASD IM 2110-2 (Trading Ahead of Customer Limit Order) until December 6, 1999.

Finally, Nasdaq will soon amend SR-NASD-99-62, currently pending with the Commission, which seeks to mandate 90-second trade reporting is listed securities from 5:15 p.m. to 6:30 p.m., to seek a delay in imposing that obligation on NASD member firms until November 15, 1999, to allow firms additional time to modify their internal systems and make uniform the start date for 90-second trade reporting.

These modifications will allow the expanded availability of Nasdaq's SelectNet/ACT/NQDS/NTDS systems and services to 6:30 p.m. Eastern Time to commence on October 25, 1999, as scheduled, while at the same time giving NASD member firms sufficient time to make internal systems changes.

Nasdaq believes that the proposal will provide firms with a reasonable opportunity to enhance their internal systems prior to the November 15, 1999 start date of expanded 90-second trade reporting. Nasdaq believes this approach strikes a prudent balance between investors' need for enhanced quote and trade collection and dissemination after the regular close of the Nasdaq market and constraints faced by the industry with the implementation of system solutions to what would otherwise will be the manual processing of trades and trade reports.

Nasdaq believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act¹¹ in that it is designed to prevent fraudulent and manipulative acts and

¹⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See October 22, 1999 letter from Thomas P. Moran, Assistant General Counsel, Nasdaq, to Belinda Blaine, Associate Director, Division of Market Regulation, SEC ("Amendment No. 1"). In Amendment No. 1, Nasdaq requested that the proposed rule change be filed under Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. 15 U.S.C. 78s(b)(3)(A) and 17 CFR 240.19b-4(f)(6). Nasdaq also requested that the Commission waive the 5-day notice of its intent to file the proposal and the 30-day period before the proposal becomes operative pursuant to Rule 19b-4(f)(6). 17 CFR 240.19b-4(f)(6).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

⁶ See Securities Exchange Act Release No. 42003 (October 13, 1999)(SR-NASD-99-57).

⁷ *Id.*

⁸ 17 CFR 240.11Ac1-1(c)(5).

⁹ 17 CFR 240.11Ac1-4.

¹⁰ 17 CFR 242.301(b)(3).

¹¹ 15 U.S.C. 78o-3(b)(6).