

though applicant believes that Messrs. Peterson and Glynn will not have the types of conflicts of interest that section 2(a)(19) was designed to address, they will constitute a majority of the disinterested trustees. Applicant believes that any concerns raised by their being in the majority can be addressed by requiring the approval of the third disinterested trustee on any matter that requires approval of a majority of the disinterested trustees.

Applicant's Conditions

Applicant agrees that any order granting the requested relief will be subject to the following conditions:

1. All of the requirements of rule 2a19-1 will be met with respect to each of Mr. Glynn and Mr. Peterson, except paragraph (a)(3) of the rule.

2. The Trust will not consider any action requiring the approval of disinterested trustees to be effective unless such action has been approved by a majority of the disinterested trustees who serve as such without reliance on rule 2a19-1 or the requested order.

3. The Trust may not rely on the requested relief beyond June 1, 1999.

For the Commission, by the Division of Investment Management, under delegated authority.

Jonathan G. Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41010; File No. SR-Amex-99-01]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, LLC Relating to Reductions in Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer Indices Values

February 1, 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 January 6, 1999, the American Stock Exchange, LLC ("Amex" or "Exchange") 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 the Exchange. 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 split the Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer Indices to one-half their current values.

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 test of these statements may be examined at the places specified in Item IV 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 proposes to split the Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer Indices to one-half their current values and temporarily increase their respective position and exercise limits to twice their current levels as discussed more fully below.

Airline Index. On December 12, 1994, the Commission granted the Exchange approval to permit the trading of options on the Airline Index.³ Thereafter, on May 1, 1998, the Commission granted the Exchange approval to split the Airline Index in half.⁴ Initially, the aggregate value of the stocks contained in the Airline Index was reduced by a divisor to establish an index benchmark value of 200. The Airline Index's current value is approximately 275.⁵

Natural Gas Index. On March 7, 1994, the Commission granted the Exchange approval to permit the trading of

options on the Natural Gas Index.⁶ Initially, the aggregate value of the stock contained in the Natural Gas Index was reduced by a divisor to establish an index benchmark value of 300. The Natural Gas Index's value is currently at 216.⁷

Pharmaceutical Index. On June 18, 1992, the Commission granted the Exchange approval to permit the trading of options on the Pharmaceutical Index.⁸ Initially, the aggregate value of the stocks contained in the Pharmaceutical Index was reduced by a divisor to establish an index benchmark value of 200. Since its creation, the index value of the Pharmaceutical Index has more than tripled in value from 200 to 742.⁹

Securities Broker/Dealer Index. On March 15, 1994, the Commission granted the Exchange approval to permit the trading of options on the Securities Broker/Dealer Index.¹⁰ Thereafter, on March 20, 1998, the Commission granted the Exchange approval to split the Securities Broker/Dealer Index in half.¹¹ Initially, the aggregate value of the stocks contained in the Securities Broker/Dealer Index was reduced by a divisor to establish an index benchmark value of 300. The Securities Broker/Dealer Index's value is currently at 464.¹²

As a consequence of the rising Indices' values, premium levels for Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer Index options have also risen. The Amex cites these higher premium levels as the principal factor that has discouraged retail investors and some market professionals from trading these index options. In addition, the Exchange represents that its membership has indicated that indexes with values between 100 and 200 tend to promote increased liquidity in the overlying

⁶ Securities Exchange Act Release No. 33720 (March 7, 1994), 59 FR 11630 (March 11, 1994).

⁷ The Natural Gas Index's value as of the close, December 16, 1998, taken from Bloomberg and rounded to the nearest whole number was 216. As of January 28, 1999, the open interest in the index options was approximately 375.

⁸ Securities Exchange Act Release No. 39830 (June 18, 1992), 57 FR 28221 (June 24, 1992).

⁹ The Pharmaceutical Index's value as of the close, December 16, 1998, taken from Bloomberg and rounded to the nearest whole number was 742. As of January 28, 1999, the open interest in the index options was approximately 200.

¹⁰ Securities Exchange Act Release No. 33766 (March 15, 1994), 59 FR 13518 (March 22, 1994).

¹¹ Securities Exchange Act Release No. 39775 (March 20, 1998), 63 FR 14741 (March 26, 1998).

¹² The Securities Broker/Dealer Index's value as of the close, December 16, 1998, taken from Bloomberg and rounded to the nearest whole number was 464. As of January 28, 1999, the open interest in the index options was approximately 1000.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 35084 (December 12, 1994), 59 FR 65419 (December 19, 1994).

⁴ Securities Exchange Act Release No. 39941 (May 1, 1998), 63 FR 25251 (May 7, 1998).

⁵ The Airline Index's value as of the close, December 16, 1998, taken from Bloomberg and rounded to the nearest whole number was 275. As of January 28, 1999, the open interest in the index options was approximately 200.

options. As a result of the foregoing, the Exchange is proposing to decrease the Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer Indices to one-half of their respective present values.

To decrease the Indices' values, the Exchange proposes to double the divisor used in calculating the Indices. No other changes are proposed as to the components of the Indices, their methods of calculation (other than the change in the divisor), expiration style of the options or any other Index specification.

The Amex believes that lower valued indices will result in substantial lowering of the dollar values of options premiums for the Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer contracts. The Exchange plans to adjust outstanding series similar to the manner in which equity options are adjusted for a 2-for-1 stock split. On the effective date of the split "ex-date," the number of outstanding Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer option contracts will be doubled and strike prices halved.

Position and exercise limits. Currently, position and exercise limits (on the same side of the market) for each of the Indices are as follows: Airline, 15,000 contracts; Natural Gas, 15,000 contracts; Pharmaceutical, 12,000 contracts; and Securities Broker/Dealer, 15,000 contracts. The Exchange proposes to double each Index's position and exercise limits to 30,000, 30,000, 24,000 and 30,000 contracts respectively, on the same side of the market. This change will be made in conjunction with the simultaneous reduction of the Indices' values and the doubling of the number of contracts.

Since the new limits will be equivalent to the Indices' present limits, the Amex believes that there is no additional potential for manipulation of the Indices or the underlying securities. Further, an investor who is currently at the 12,000 or 15,000 contract limit will, as a result of the index value reductions, automatically hold 24,000 or 30,000 contracts to correspond with the lowered Index values. These position limits will revert to their original limits at the expiration of the furthest non-LEAP (long Term Equity Anticipation Security) expiration month as established on the date of the split.

The Exchange believes that decreasing the values of the Airline, Natural Gas, Pharmaceutical and Securities Broker/Dealer Indices may make these index options more attractive to retail investors and other market professionals and therefore more competitive with other products in the marketplace.

2. Statutory Basis

The basis under the Act for the proposed rule change is the requirement under Section 6(b)(5)¹³ that an Exchange have rules that are 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, 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 Exchange represents that 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

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 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, 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, N.W., Washington, D.C. 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 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-Amex-99-01 and should be submitted by March 2, 1999.

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

Margaret H. McFarland

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41011; File No. SR-Amex-98-38]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange, Inc. Relating to an Elimination of Position and Exercise Limits for Certain Broad-Based Index Options

February 1, 1999.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 13, 1998, the American Stock Exchange, Inc. ("Amex" 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 self-regulatory organization. Amex filed an amendment to the proposed rule change on January 28, 1999.³ The Commission is

¹⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter to Richard Strasser, Assistant Director, Division of Market Regulation, Commission, from Scott G. VanHatten, Legal Counsel, Amex, dated January 27, 1999 ("Amendment No. 1"). Amendment No. 1 deleted MidCap (MID) index options from the proposal and requested that the proposed rule change be approved on a two-year pilot basis. Amendment No. 1 also provided that the Exchange may impose additional margin on accounts holding an underhedged position in Institutional Index Options or Major Market Index options or FLEX options on those indexes, as warranted by the Exchange. In addition, Amendment No. 1 clarified that the 100,000 reporting threshold that XMI and XII will be subject to will also apply to FLEX

¹³ 15 U.S.C. 78f(b)(5).