its potential benefits, and how to obtain assistance. The Commission will, as appropriate, also provide certain employees, including litigation and contract attorneys, with training in ADR advocacy techniques.

Confidentiality of ADR Processes

The Commission recognizes that the successful use of ADR procedures is dependent on reasonable assurances of confidentiality to protect the process. This principle is recognized and implemented by provisions of the ADR Act. Accordingly, in connection with the ADR policy adopted herein, the Commission adopts a policy of confidentiality consistent with provisions of the ADR Act. In addition, the Commission, except as it pertains to the Office of the Inspector General, agrees not to issue process against any participant in an ADR proceeding, including any neutral utilized by these ADR procedures, or to obtain information or documents received by the participants in connection with such proceedings. The Commission also directs that members of the staff, who may receive information or documents in connection with any matter submitted to ADR, not disclose such information and documents under any circumstances inconsistent with the confidentiality provisions set forth in Section 574 of the 1996 ADR Act. Section 574 provides that, except in certain limited situations, neither a neutral nor the parties to a dispute may voluntarily disclose or through compulsory process be required to disclose any oral or written communication prepared for the purpose of a dispute resolution proceeding. To the extent disclosure is permitted pursuant to an exception in Section 574, members of the staff may not disclose or use such information or documents for any purpose other than in connection with one's official duties or responsibilities. Violation of this policy may result in disciplinary action. This policy of confidentiality does not prevent the discovery or admissibility of otherwise discoverable evidence in any administrative or judicial forum merely because the evidence is presented in a proceeding utilizing ADR procedures.

Implementation

It is the responsibility of all Commission employees to implement this policy and to practice and promote cost-effective dispute resolution in Commission programs and other areas of Commission operation. All management and employees of the Commission are hereby directed to take the necessary steps to implement this policy and to cooperate to the fullest extent with the Dispute Resolution Specialist and his/her designee to promote effective and appropriate use of ADR at the Commission in furtherance of this policy. The determination to use ADR in any particular instance rests with the head of the Division or Office involved.

This policy statement is intended only to improve the internal management of the Commission in resolving disputes. It shall not be construed as creating any right or benefit, substantive or procedural, enforceable at law or in equity, by any person against the Commission or its employees. This policy statement shall not be construed to create any right to judicial review involving the compliance or noncompliance of the Commission or its employees with this statement. Nothing in this policy statement shall be construed to obligate the Commission to offer funds to settle any case, to accept a particular settlement or resolution of a dispute, to alter its standards for accepting settlements, to submit to binding arbitration, or to alter any existing delegation of settlement or litigating authority.

Dated: August 5, 1998.

By the Commission.

Jonathan G. Katz,

Secretary.

[FR Doc. 98–21476 Filed 8–10–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40303; File No. SR–NYSE–98–22]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Listing and Trading Broad InDex Guarded Equity-linked Securities on the Dow Jones Euro STOXX 50 Index

August 4, 1998.

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 July 24, 1998, the New York Stock Exchange, Inc. (''NYSE'' 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 NYSE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval to he proposed rule change.

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

The Exchange proposes to list for trading BRoad InDex Guarded Equity-linked Securities (''BRIDGES''),[3] the return on which is based upon the performance of a 50-company index (the ''Dow Jones Euro STOXX 50'' or ''DJES50'') that an affiliate of Dow Jones & Co.,Inc. Publishes. The companies comprising the DJES5O are highly-capitalized, ''blue chip'' European companies.[4]

The text of the proposed rule change is available at the Office of the Secretary, NYSE and at 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 NYSE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it receive on the proposed rule change. The NYSE 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

Pursuant to the listing criteria set forth in Section 703.19 of the Exchange's *Listed Company Manual*, the Exchange lists and trades BRIDGES.[5] BRIDGES are securities that entitle the holder to receive from the issue upon maturity pre-established percentage of the principal amount of the BRIDGES plus an amount based upon the increase

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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19–4.

[3] ''BRoad InDex Guarded Equity-linked Security'' and ''BRIDGES'' are service marks of Morgan Stanley Dean Witter & Co. (''MSDW'').

[4] Appendix A to the NYSE's proposal, which is available at the Office of the Secretary, NYSE and at the Commission, lists he 50 component companies of the DJES50 and identifies the home country and industry sector for each company, each company's relative weighting within the DJES50, each component company's price and capitalization average daily share volume over the past 12 months for each company.

[5] Currently, the Exchanged lists and trades BRIDGES on the S&P 500 and the Dow Jones Industrial Average.

in the market value of a stock index or portfolio.[6]

The Exchange is submitting the proposed rule change specifically to enable the Exchange to list for trading BRIDGES on the DJES50 [7] issued by MSD BRIDGES on the DJES50 will allow inventors to combine protection of a pre-established portion of the principal amount of the BRIDGES with potential additional payments based on an index of securities of selected companies. The first issue of BRIDGES on the DJES50 will provide that 100 percent of the principal amount thereof will be repaid at maturity. The Exchange will not list an issue of BRIDGES on the DJES50 with a pre-established repayment percentage of less than 90 percent without first consulting with the Commission.

The Security

BRIDGES on the DJES50 will be denominated in U.S. dollars [8] and will entitle the owner at maturity to receive the pre-established percentage of the issue's principal amount plus an additional amount (the ''Supplemental Redemption Amount'') that is based upon the percentage increase, if any, between the ''Initial Index Value'' and the ''Final Index Value,'' The Initial Index Value is the value of the DJES50 on the date on which the issuer prices the BRIDGES issue for the initial offering to the public. The Final Index Value will equal the arithmetic average of the closing values of the DJES50 on each of multiple determination dates spread out over the period prior to the maturity of the BRIDGES issue. For instance, the first issuance of BRIDGES on the DJES50 will have three determination dates spread out over the two years prior to the issue's maturity date. Thus, the Supplemental Redemption Amount requires the following calculation:

$$\begin{matrix}\text{Supplemental}\\\text{Redemption}\\\text{Amount}\end{matrix} = \begin{matrix}\text{Principal}\\\text{Amount}\end{matrix} \times \frac{\begin{pmatrix}\text{Final}\\\text{Index}\\\text{Value}\end{pmatrix} - \begin{pmatrix}\text{Initial}\\\text{Index}\\\text{Value}\end{pmatrix}}{\text{Initial Index Value}}$$

If the Final Index Value of the DJES50 is below the Initial Index Value of the DJES50, the owner will receive not less than the specified percentage of the principal amount of the security. For instance, if the market value of the DJES50 used to calculate the amount payable at maturity has declined, the owners of the first issue of BRIDGES on the DJES50 will still receive 100 percent of the principal amount of the securities.[9] The additional payment at maturity is based on changes in the value of the DJES50.

As with other BRIDGES, BRIDGES on the DJES50 may not be redeemed prior to maturity and are not callable by the issuer. Owners may sell the security on the Exchange. The Exchange anticipates that the trading value of the security in the secondary market will depend in large part on the value of the DJES50 and also on other factors, including the level of interest rates, the volatility of the value of the DJES50, the time remaining to maturity, dividend rates and the creditworthiness of the issuer.

In accordance with Section 703.19 of the Exchange's *Listed Company Manual,* the Exchange only will list for trading BRIDGES on the DJES50 if there are at least one million outstanding securities, at least 400 shareholders, the issue has a minimum life of one year and at least a $4 million market value and if the BRIDGES otherwise comply with the Exchange's initial listing criteria.[10] In addition, the Exchange will monitor each issue to verify that it complies with the Exchange's continued listing criteria.[11]

MSDW will deposit registered global securities representing BRIDGES on the DJES50 with its depositary, The Depository Trust Company, so as to permit book-entry settlement of transactions by participants in The Depository Trust Company.

BRIDGES on the DJES50 will trade on the Exchange's equity floor, subject to the margin and other trading rules that apply to equity trading on the Exchange. Specifically, pursuant to NYSE Rule 405, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to

[6] The Commission has previously approved the listing and trading of hybrid securities similar to BRIDGES based upon portfolios of securities or stock indices. *See e.g.,* Securities Exchange Act Release No 32840 (September 2, 1993), 58 FR 47485 (September 9, 1993); 33368 (December 22, 1993), 58 FR 68975 (December 29, 1993); 33495 (January 19, 1994), 59 FR 3883 (January 27, 1994); 34692 (September 20, 1994), 59 FR 49267 (September 27, 1994); 37533 (August 7. 1996), 61 FR 42075 (August 13, 1996); and 37744 (September 27, 1996), 61 FR 52480 (October 7, 1996) (''Term Notes Approval Orders'').

[7] The component stocks of the DOW Jones Euro STOXX 50 are: ABN–AMRO Hdlg NV, Aegon NV, Ahold NV, Air Liquide SA, Akzo Nobel, Alcatel Alsthom SA, Allianz, Allied Irish Bank, Assicurazioni Generali S.p.A., AXA–UAP SA, Banco Bilbao Vicaya, Bayer AG, Carrefour, Cie de St-Gobain, Credito Italiano, Dalmer-Benz AG, Deutsche Bank, Deutsche Lufthansa, Deutsche Telecom, Electrabel SA, ELF Aquitane, Elsevier NV, Endesa SA, ENI S.p.A., Fiat S.p.A., Fortis AG, France Telecom, ING Groep NV, Koninklijke PTT NV, LVMH Moet-Hennesey Louis Vuitton, L'Oreal, Mannesmann AG, Meto AG, Nokia AB Oy A, Parisbas,Petrofina SA, Philips Electronics, Portugal Telecom SA, Repsol SA, Rhone-Poulenc A, Royal Dutch Petroelum, RWE AG, Schneider SA, Siemens AG, Societe Generale, Telecom Italia, Telefonica de Espana, Unilever NV, Veba AG, and Vivendi.

[8] The prices of the securities underlying the DJES50 are quoted in currencies other than U.S. dollars. Therefore, investments in securities indexed to the value of non-U.S. securities may involve greater risks, subject to fluctuations of foreign exchange rates, future foreign political and economic developments, and the possible imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments.

[9] As noted above, the NYSE has stated that the first issue of BRIDGES on the DJES50 will provide 100% principal guarantee. The Commission notes that subsequent issues must guarantee at least 90% of the principal unless a lesser amount is permitted after consultation with Commission staff.

[10] The hybrid listing standards in Section 703.19 of the *Listed Company Manual* are intended to accommodate listed companies in good standing, their subsidiaries and affiliates, and non-listed companies which meet the Exchange's original listing standards. Issuers must also meet the earnings and net tangible assets criteria set forth in Sections 102.01–102.03 of the *Listed Company Manual.* Specifically, the minimum original listing criteria requires that issuers have: (1) 2,000 shareholders holding 100 shares or more, or have 2,200 shareholders and an average monthly trading volume of 100,000 shares for the most recent 6 months, or 500 shareholders and an average monthly trading volume of 1,000,000 shares for the most recent 12 months; (2) a public float of 1.1 million shares; (3) an aggregate public market value of $40 million or total net tangible assets of $40 million; and (4) earnings before taxes of $2.5 million in the latest fiscal year and earnings before taxes of $2 million in each of the preceding two fiscal years, or earnings before taxes of $6.5 million in the aggregate for the last three fiscal years with a $4.5 million minimum in the most recent fiscal year (all three years are required to be profitable). *See* NYSE *Listed Company Manual* § 102.01.

[11] The continued listing standards for Specialized Securities provide that the NYSE will consider delisting a security when: (1) the number of publicly-held shares is less than 100,000; (2) the number of holders is less than 100; (3) the aggregate market value of the securities outstanding is less than $1,000,000; or (4) in the case of specialized securities which are debt, the issuer is not able to meet its obligations on such debt. *See* NYSE *Listed Company Manual* § 802.00.

trading BRIDGES on the DJES50.[12]

The Index

The DJES50 was launched by STOXX Ltd., a company jointly founded by Schweizer Borse, SBF-Bourse de Paris, Deutsche Borse, and Dow Jones & Co., Inc. (''STOXX'') on February 26, 1998, to create, distribute and market European indexes and to market Dow Jones indexes. STOXX is not a broker/dealer.

STOXX constructed the DJES50 to have an initial value of 1000 at December 31, 1991 and designed it to measure the stock market performance of highly-capitalized companies of countries that are expected to participate in the European Economic and Monetary Union (the ''EMU''), which is scheduled to commence on January 1, 1999. The index is calculated and disseminated on a real-time basis every 15 seconds and is published daily in The Wall Street Journal.

The NYSE represents that the DJES50 consists of the common stock of companies that are leaders in their industry sectors and are among the largest in market capitalization, and the highest in liquidity, among the companies of the eleven countries that are likely to be the initial member states of the EMU. Currently, nine of those eleven countries are represented in the DJES50. Each component company is a major factor in its industry and its securities are widely held by individuals and institutional investors.

The Exchange believes that adequate surveillance exists for the component stocks as a result of ''Surveillance Information Sharing Arrangements'' with appropriate entities in component stocks' home countries. Surveillance Information Sharing Arrangements include surveillance information-sharing agreements that the Exchange has entered into with foreign markets, memoranda of understanding that the SEC has entered into with foreign securities regulatory agencies and similar agreements and arrangements between the United States or the SEC and their counterparts in the home countries for companies whose securities are components of the DJES50.

At present, in excess of 95 percent of the capitalization of the DJES50 is subject to Surveillance Information Sharing Arrangements. The Exchange will not list a new issue of BRIDGES on the DJES50 if either:

(i) The home countries of component securities representing more than 50 percent of the capitalization of the DJES50 are not subject to Surveillance Information Sharing Arrangements;

(ii) A home country of component securities representing more than 20 percent of the capitalization of the DJES50 is not subject to Surveillance Information Sharing Arrangements; or

(iii) Two home countries of component securities representing more than 33⅓ percent of the capitalization of the DJES50 are not subject to Surveillance Information Sharing Arrangements.

Companies are selected for inclusion in the calculation of the DJES50 by its proprietor, STOXX. The companies that are included in the DJES50 are representative of the broad market in the EMU and of a wide array of European industries within the following industry sectors: automobile; food and beverage; banking; industrial; chemical; insurance; conglomerates; media; consumer goods; cyclical; pharmaceutical; non-cyclical; retail; construction; technology; energy; telecommunications; financial services; and utility.

The Supervisory Board of STOXX is responsible for adding and deleting companies from the DJES50. That board selects stocks that they believe, in their subjective discretion, to be representative of highly-capitalized, highly-liquid blue chip companies that are representative of a variety of industry sectors in the EMU countries. Neither STOXX nor any of its founders is affiliated with MSDW.

The DJES50 is a capitalization-weighted index. The number of shares outstanding and the share price for each class of stock are used to determine each component company's market capitalization. No company may comprise more than 10 percent of the value of the index. Currently, Royal Dutch Shell represents 7.76 percent of the DJES50, more than any other company. If any company exceeds 10 percent of the value of the index, STOXX will cap that company's representation in the index at 10 percent and adjust the relative representation of the remaining component stocks so that they represent the remaining 90 percent. In order to avoid distortions, changes in the index for dividends, stock splits, rights offerings, spin-offs, repurchases and the like are made on a quarterly basis, unless the number of outstanding shares of a component company changes by more than 10 percent, in which case the adjustment is made immediately.

The market capitalization of the 50 companies that currently represent the DJES50 differs significantly from a high of $180 billion (Bayer AG) to a low of $7.7 billion (RWE AG), as do the market prices of their common stock from a high of $591.64 (Carrefour) to a low of $4.58 (Fiat Spa).[13] The ten companies with the highest weighting in the DJES50 represent 40.43 percent of the DJES50.[14] The ten companies with the smallest weighting in the DJES50 calculation represent 7.75 percent of the DJES50.

Also as of June 1, 1998, the nine countries that are represented in the Index accounted for the following percentages of the Index: Germany (27.28 percent); The Netherlands (26.22 percent); France (23.41 percent); Italy (10.06 percent); Spain (7.70 percent); Belgium (2.23 percent); Finland (1.77 percent); Ireland (0.70 percent); and Portugal (0.63 percent).

Real-time prices from the primary market for each company in its home country will be used to calculate DJES50 index values.[15] Until January 1, 1999, the value of the index will be determined in European currency units (''ECU's''). The Telerate Reporting Service, at 11:45 a.m., New York time, will be used to convert the prices of component stocks (initially reported in the currency of the company's primary market) into ECU values. After the EMU introduces the euro currency on January 1, 1999, the index will be calculated in euros, with currency conversions made at the exchange rates prescribed by EMU law. As a result, changes in exchange rates between the U.S. dollar and ECU's or euros will not affect the percentage increase or decrease in the value of the DJES50 over the life of the BRIDGES.

DJES50 index values will be disseminated every 15 seconds. Insofar as a component security trades on its home country's primary market during NYSE trading hours, each index calculation will use the last sale price from that market for the security, the value of which will be converted into ECUs or euros, as discussed above. Otherwise, the most recent closing price on that primary market will be used. Prior to trading BRIDGES on the DJES50, the Exchange will distribute a circular to its membership highlighting the special risks associated with the trading the product.[16]

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[12] NYSE Rule 405 requires that every member, member firm or member corporation use due diligence to learn the essential facts relative to every customer and to every order or account accepted.

[13] These values are as of June 1, 1998.

[14] As noted above, the highest weighted component of the DJES50 represents 7.76 percent of the weight of the index. In addition, the top 5 highest weighted securities in the index represent 24.55 percent of the weight of the index.

[15] Appendix A identifies those primary markets for all component companies. *See supra* note 4.

[16] Telephone conversation between Vincent F. Patten, Assistant Vice President, Investment Banking Division and New Products, NYSE: James

The Issuer

The Exchange has determined that the issuer of the BRIDGES on the DJES50, MSDW, meets the listing criteria set forth in Section 703.19 of the Exchange's *Listed Company Manual.*[17] It is an Exchange-listed company in good standing and has sufficient assets to justify the issuance of BRIDGES offerings of the size contemplated by the proposed rule change.

2. Statutory Basis

The basis under the Act for the proposed rule change is the requirement under Section 6(b)(5)[18] 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 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 change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. 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 in the Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office at the NYSE. All submissions should refer to File No. SR–NYSE–98–22 and should be submitted by September 1, 1998.

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, with the requirements of Section 6(b)(5) of the Act.[19] Specifically, the Commission believes that providing for exchange-trading of BRIDGES on the DJES50[20] will offer a new and innovative means of participating in the market for securities of companies from countries that are expected to participate in the EMU. In particular, the Commission believes that BRIDGES on the DJES50 will permit investors to gain equity exposure in such companies, while, at the same time, limiting the downside risk of the original investment. Accordingly, for the same reasons as discussed in the Term Notes Approval Orders,[21] the Commission finds that the listing and trading of BRIDGES on the DJES50 is consistent with the Act.[22]

As with other derivative products similar to BRIDGES, BRIDGES on the DJES50 are not leveraged instruments, however, their price will still be derived from the based upon the underlying linked security. Accordingly, the level of risk involved in the purchase or sale of BRIDGES on the DJES50 is similar to the risk involved in the purchase or sale of traditional common stock. Nonetheless, because the final rte of return of BRIDGES is derivatively priced, based on the performance of a portfolio of securities, there are several issues regarding the trading of this type of product.

The Commission believes that the Exchange has adequately addressed these issues. First, the Commission notes that the Exchange's rules and procedures that address the special concerns attendant to the trading of hybrid securities will be applicable to BRIDGES on the DJES50. In particular, by imposing the hybrid listing standards, and the suitability, disclosure, and compliance requirements noted above, the Commission believes the Exchange has addressed adequately the potential problems that could arise from the hybrid nature of BRIDGES on the DJES50. Moreover, the Exchange will distribute a circular to its membership calling attention to the specific risks associated with BRIDGES on the DJES50. In particular, the circular will highlight, among other things, that the BRIDGES on the DJES50 allow investors to participate in appreciation only to the extent that the DJES50 outperforms the initial index value based on the average of 3 pre-selected separate dates that occur throughout the life of the BRIDGES.

Second, BRIDGES on the DJES50 remain a non-leveraged product with the issuer guaranteeing no less than 90 percent of principal return.[23] The Commission realizes that the final payout on the BRIDGES on the DJES50 is dependent in part upon the individual credit of the issuer. To some extent this credit risk is minimized by the Exchange's listing standards in Section 703.19 of the NYSE's Listed Company Manual which provide that only issuers satisfying substantial asset and equity requirements may issue securities such as BRIDGES.[24] In addition, the Exchange's hybrid listing standards further require that the proposed indexed term notes have at least $4 million in market value.[25] In any event, financial information regarding the issuer, in addition to information on the underlying securities, will be publicly available to investors.

Third, the component securities in the Index are highly-capitalized, actively-traded European stocks. In addition, the components are all publicly traded on the home country's primary market.[26] Accordingly, both the history and performance of these securities, as well as current pricing trends, should be

T. McHale, Special Counsel, Division of Market Regulation (''Division''), SEC and David Sieradzki, Attorney, Division, SEC on July 31, 1998.

[17] *See supra* note 9.

[18] 15 U.S.C. 78f(b)(5).

[19] 15 U.S.C. 78f(b)(5).

[20] The Commission notes that this approval order is limited to the BRIDGES product; separate Commission approval would be required for the Exchange to list and trade any option or warrant product based on the DJES50.

[21] *See* Term Notes Approval orders, *supra* note 6

[22] In approving this rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[23] As noted above, the NYSE may not list for trading BRIDGES with less than a 90% principal guarantee without first consulting with the Commission. For example, the Commission may determine that BRIDGES with less than a 90% principal guarantee should only be sold to customers meeting certain heightened account approval and suitability requirements.

[24] *See supra* note 9 and accompanying text.

[25] *See* NYSE Listed Company Manual § 703.19.

[26] *See* Appendix A.

readily available through a variety of public sources.

Further, the Commission notes that the value of the DJES50 will be disseminated on a real time basis at least once every 15 seconds throughout the trading day. The Commission believes that this information will be extremely useful and beneficial for investors in DJES50 BRIDGES. Although the BRIDGES are denominated in U.S. dollars, as noted above, the index value, until January 1, 1999, will be derived from converting the value of each security from its home currency into ECUs. After the EMU introduces the euro currency on January 1, 1999, the index will be calculated in euros, with currency conversions made at the exchange rates prescribed by EMU law. The Commission believes that valuing all the index components using the ECU or euros, as appropriate, is permissible since the same methodology for valuing the index will be used throughout the life of the BRIDGES. Nevertheless, the fact that the index value does not reflect U.S. dollars and contains currency risk will be highlighted in the circular to members.[27]

Fourth, while the Commission has a systematic concern that a broker-dealer or a subsidiary providing a hedge for the issuer will incur position exposure, the Commission believes this concern is minimal given the size of the proposed BRIDGES issuance in relation to the net worth of the issuer.[28]

Finally, the Exchange's surveillance procedures will serve to deter as well as detect any potential manipulation. As noted above, NYSE represents that it has in place surveillance sharing arrangements with the appropriate regulatory organizations in countries representing over 95 percent of the capitalization of the DJES50. Further, if the surveillance coverage should fall below certain levels, as discussed above, no new BRIDGES will be listed. This should help to ensure that adequate surveillance mechanisms exist in the future.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register.** Specifically, the Commission believes that the proposal does not raise any regulatory issues that were not addressed by the Term Notes Approval Orders. In addition, to the extent that the DJES50 has certain characteristics that differ from the previous Term Notes Approval Orders, the Commission believes that the NYSE has adequately addressed those issues. Accordingly, the Commission believes that good cause exists, consistent with Section 6(b)(5) and Section 19(b)(2) of the Act, to grant accelerated approval to the proposed rule change.[29]

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, [30] that the proposed rule change (SR–NYSE–98–22) is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[31]

Jonathan G. Katz,

Secretary.

[FR Doc. 98–21478 Filed 8–6–98; 8:45 am]

BILLING CODE 8010–01–M

[27] Telephone conversation between Vincent F. Patten, Assistant Vice President, Investment Banking Division and New Products, NYSE; James T. McHale, Special Counsel, Division, SEC and David Sieradzki, Attorney, Division, SEC on July 31, 1998.

[28] *See* Term Notes Approval Orders, *supra* note 6.

[29] 15 u.S.C. 78f(b)(5) and 78s(b)(2).

[30] 15 u.S.C. 78s(b)(2).

[31] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40293; File No. SR–PCX–98–34]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Telephone Fees

July 31, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on June 26, 1998, the Pacific Exchange, Inc. (''PCX'' 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 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 Exchange is proposing to modify its Schedule of Rates for Exchange Services to include various charges for the use of telephones and telephone equipment on the trading floors.

The text of the proposed rule change is available at the Office of the Secretary, PCX 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 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

The Exchange is proposing to adopt new telephone fees and charges to cover the cost of a new telephone system and telephones (MX Digital Turrets). The PCX currently provides the telephone system used by members on the Options Floor and Equities Floor in Los Angeles. To set pricing to cover the cost of this new technology, the PCX is proposing to establish the following fees:

PCX Options Floor Telephone Fees: $60 per month for each MX phone; $30 per month for each non-MX phone; $14 per month for each line; $50 per month for each cordless phone; and $110 per month for each drop phone.

PCX Equities Floor Telephone Fees (Los Angeles only): [2] $60 per month for each 32-button phone; $45 per month for each 16-button phone; $9 per month for each line; and $1 per month for each line appearance.

These fees are designed to cover the cost of the new MX telephone system and telephones.

2. Statutory Basis

The Exchange represents that the proposed rule changes are consistent with Section 6(b) [3] of the Act in general and further the objectives of Section 6(b)(4) [4] in particular because it provides for the equitable allocation of reasonable dues, fees and other charges among its members.[5]

[1] 15 U.S.C. 78s(b)(1).

[2] Fees for telephones and related equipment for the Equities Floor in San Francisco are passed through to Member Firms. Direct monthly billing for telephone and equipment leasing has not been implemented in San Francisco.

[3] 15 U.S.C. 78f(b).

[4] 15 U.S.C. 78f(b)(4).

[5] In approving these rules, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).