

Exchange, Inc. ("NYSE"), the PCX, and the Philadelphia Stock Exchange, Inc. ("PHLX").

I. Description of the Amendment

The purpose of the amendments is to (1) eliminate the requirement that the CSE must submit proposed changes to its Rule 11.9 or the description of NSTS processing to other ITS Participants for review and comment prior to filing such changes with the Commission; (2) recognize the change in corporate name from the Pacific Stock Exchange, Inc. ("PSE") to the Pacific Exchange, Inc. ("PCX"); (3) change the corporate address of the CSE; and (4) make a technical correction to Section 8(e)(iv)(D).

The amendment concerning prior review of CSE rule changes responds to the Commission's request in its letter to all Participants, dated May 27, 1997.²

To amend the second paragraph of Section 8(e)(iii) to read, in full, as follows: 8. Participants' Implementation Obligations. (e) CSE Implementation Obligations (iii) NSTS Rule Changes.

The CSE shall not alter (A) the obligations of a Designated Dealer set out in CSE Rule 11.9 so as to remove the obligation of Designated Dealers to make continuous, two-sided markets in stocks assigned to them as Designated Dealers or (B) the definition of "Contributing Dealer" in CSE Rule 11.9 so as to remove the obligations of Contributing Dealers to provide to all NSTS Users through NSTS, during CSE trading hours, regular bids and offers in stocks in which they are registered as Contributing Dealers.

To change all references to "Pacific Stock Exchange" and "PSE" to "Pacific Exchange" and "PCX", respectively. The sections to be amended are: Preamble, first paragraph; Section 1(33), (34A), (34B), Section 3, Section 6(a)(ii), Section 7(a) and Section 11(a)(iii)(E-1).

To amend Section 3, in part, as follows: Cincinnati Stock Exchange, Inc. ("CSE"), registered as a national securities exchange under the Act and having its principal place of business at One Financial Place, 440 South LaSalle Street, Suite 2600, Chicago, Illinois 60605.

To cause the second sentence of subsection (e)(iv)(D) of Section 8 to read, in full, as follows: The other Participants undertake to consider in good faith any such proposed interpretation with a view towards making a determination as anticipated by section 1(1B) that "Approved Dealer"

no longer excludes "Contributing Dealers."

II. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed amendments are consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed plan amendment that are filed with the Commission, and all written communications relating to the proposed plan amendment 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 the filing will also be available for inspection and copying at the principal office of the ITS. All submissions should refer to File No. 4-208 and should be submitted by September 24, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-7568; 34-40377; 35-26912; IA-1749; and IC-23416]

Commission Statement of Policy on Regulatory Moratorium to Facilitate the Year 2000 Conversion

AGENCY: Securities and Exchange Commission.

ACTION: Policy Statement.

SUMMARY: The Securities and Exchange Commission ("SEC" or "Commission") is announcing a moratorium on the implementation of new Commission rules that require major reprogramming of computer systems by SEC-regulated entities between June 1, 1999 and March 31, 2000. The moratorium is intended to facilitate and encourage securities industry participants to allocate significant time and resources to addressing the potential problems

caused by the Year 2000 computer technology conversion.

FOR FURTHER INFORMATION CONTACT: Primary Contacts—Sheila Slevin at (202 942-0796), or Sarrita Cypress at (202 942-0735), Division of Market Regulation. Secondary Contacts for Specific Program Areas—Mauri Osheroff at (202 942-2840), Division of Corporation Finance, or Robert E. Plaze (202 942-0716), Division of Investment Management.

SUPPLEMENTARY INFORMATION:

I. Background

The "Year 2000 problem" is generally understood to be a problem caused by computerized systems that are programmed to use a two-digit rather than four-digit number to represent the year. The "19" that precedes dates in this century was assumed. Consequently, systems programmed in this fashion may mistake the Year 2000 for 1900, or some other incorrect date. To mitigate potential problems caused by the Year 2000 computer conversion, the SEC has worked closely with the securities industry to encourage participants to remediate systems that are not Year 2000 compliant and test systems that are critical to the operation of the nation's capital markets as the millennium approaches.

II. Year 2000 Regulatory Moratorium

Because the Commission views the Year 2000 problem as an extremely serious issue, it has determined to declare a moratorium on the implementation of new Commission rules requiring major reprogramming. Under this moratorium, no new Commission rules requiring major reprogramming will be made effective between June 1, 1999 and March 31, 2000.

Although the Commission will continue to consider necessary revisions to its rules, it will refrain from putting into effect changes to its rules having a major impact on computer systems during this critical transition period. Of course, the Commission reserves the right to implement new rules, where such rulemaking is necessary to protect the public interest in response to emergency conditions or special circumstances that may arise during the moratorium.¹

The regulatory moratorium is limited to Commission rulemaking and shall not apply to rule changes by self-regulatory organizations, such as the National Association of Securities Dealers, Inc.

² See letter from Jonathan G. Katz, Secretary, Commission, to ITS Participants, dated May 27, 1997.

³ 17 CFR 200.30-3(a)(29).

¹ This moratorium will not apply to rules designed to implement changes to the EDGAR system.

and the New York Stock Exchange, or independent standard setting organizations like the Financial Accounting Standards Board.²

This policy statement is intended only to set forth the Commission's intention and expectation regarding its rulemaking activities during the period indicated above.³ It also 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. This policy statement shall not be construed to create any right to judicial review involving the compliance or noncompliance of the Commission with the statement.

III. Regulatory Requirements

This general policy statement is not an agency rule requiring notice of proposed rulemaking, opportunities for public participation, and prior publication under the provisions of the Administrative Procedure Act ("APA").⁴ Similarly, the provisions of the Regulatory Flexibility Act,⁵ which apply only when notice and comment are required by the APA or another statute, are not applicable.

IV. Conclusion

The Commission believes the foregoing statement of policy provides a sound basis for the Commission's action and makes a significant contribution to meeting the needs of investors and the capital markets.

By the Commission.

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40367; File No. SR-Amex-98-24]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 Relating to the Listing and Trading of Merrill Lynch EuroFund Market Index Target Term Securities

August 26, 1998.

I. Introduction

On June 30, 1998, the American Stock Exchange, Inc. ("Exchange" or "Amex") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to approve for listing and trading under Section 107A of the Exchange's *Company Guide*, Merrill Lynch EuroFund Market Index Target Term SecuritiesSM ("MITTS[®] Securities") based in whole or in part on changes in the value of the Merrill Lynch EuroFund Index ("EuroFund Index").³

The proposed rule change was published for comment in Securities Exchange Act Release No. 40228 (July 17, 1998), 63 FR 40145 (July 27, 1998). No comment letters were received in response to the proposal. The Exchange submitted Amendment No. 1 to the proposed rule change on August 21, 1998.⁴ This order grants approval to the proposed rule change and accelerates approval of Amendment No. 1.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Commission notes that the "EuroFund Index" (a term defined in the prospectus for the MITTS Securities) reflects the adjusted total return of Class B shares of the Merrill Lynch EuroFund, a mutual fund registered under the Investment Company Act of 1940. The EuroFund Index does not measure the performance of any securities other than Class B shares of the Merrill Lynch EuroFund.

⁴ Amendment No. 1 discusses the surveillance procedures that the Exchange will undertake with regard to trading in the MITTS Securities. The Exchange represented that its Market Surveillance department will monitor trading in the MITTS Securities and shares of the EuroFund underlying the EuroFund Index. If the Market Surveillance department detects unusual trading activity in the MITTS Securities, it will examine, if necessary, trading activity in the EuroFund's component stocks and the redemption activity in shares of the EuroFund. See Letter to Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission, from Claire P. McGrath, Vice President and Special Counsel, Exchange, dated August 20, 1998.

II. Description of the Proposal

a. Listing Requirements

The Exchange seeks to list the MITTS Securities for trading under Section 107A of the Exchange's *Company Guide*. Section 107A provides for the listing and trading of securities that cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.⁵ The MITTS Securities are structured as senior, unsecured debt securities, the value of which will be linked, in whole or in part, to the adjusted total return value of Class B shares of the Merrill Lynch EuroFund ("EuroFund").⁶ The EuroFund is an open-end mutual fund registered under the Investment Company Act of 1940 and is a "diversified company" as defined in Section 5(b)(1) of the Investment Company Act of 1940.⁷

The Exchange has represented that both the issue (MITTS Securities) and the issuer (Merrill Lynch & Co., Inc.) will conform to and meet the listing guidelines set forth in Section 107A of the Exchange's *Company Guide*.⁸ In addition: (i) the issuer has a minimum

⁵ See Securities Exchange Act Release No. 27753 (Mar. 1, 1990), 55 FR 8626 (Mar. 8, 1990).

⁶ According to the prospectus prepared by the underwriter, the EuroFund is a diversified, open-end management company that seeks to provide shareholders with capital appreciation primarily through investment in equities of corporations domiciled in European countries. While there are no prescribed limits on geographic distribution within the European community, it currently is anticipated that a majority of the EuroFund's assets will be invested in equity securities of issuers domiciled in Western European countries. Current income from dividends and interest will not be an important consideration in selecting portfolio securities. The EuroFund expects that under normal market conditions at least 80% of its net assets will be invested in European corporate securities, primarily common stocks, and debt and preferred securities convertible into common stocks.

⁷ See 15 U.S.C. 80a-5(b)(1). Section 5(b)(1) requires that at least 75% of the value of a diversified company's total assets must represent cash; cash items; government securities; securities of other investment companies; and other securities which, with respect to any single issuer, do not account for more than: (i) 5% of the value of the management company's total assets, and (ii) 10% of the outstanding voting securities of that issuer.

⁸ Specifically, the MITTS Securities must have: (i) a minimum public distribution of one million trading units; (ii) a minimum of 400 public holders (if traded in thousand dollar denominations then no number of holders is required); and (iii) an aggregate market value not less than \$4 million. In addition, the issuer of the MITTS Securities must have assets in excess of \$100 million and stockholders' equity of at least \$10 million, and must meet the earnings criteria set forth in Section 101 of the Exchange's *Company Guide*. If the issuer of the MITTS Securities did not have pre-tax income of at least \$750,000 in its last fiscal year, or in two of its last three fiscal years, the issuer must have: (i) assets in excess of \$200 million and stockholders' equity of at least \$10 million; or (ii) assets in excess of \$100 million and stockholders' equity of at least \$20 million.

² Rules and standards established by private entities such as the Securities Investor Protection Corporation and the American Institute of Certified Public Accountants similarly are not subject to the moratorium.

³ Accordingly, the moratorium shall not affect any remedies the Commission may seek in an enforcement proceeding against a regulated entity.

⁴ 5 U.S.C. 553.

⁵ 5 U.S.C. 601-602.