

DATE: Weeks of October 5, 12, 19 and 26, 1998.

PLACE: Commissioners' Conference Room, 11555 Rockville Pike, Rockville, Maryland.

STATUS: Public and Closed.

MATTERS TO BE CONSIDERED:

Week of October 5

Wednesday, October 7

11:30 a.m.—Affirmation Session (public Meeting) (if needed).

Week of October 12—Tentative

Thursday, October 15

11:30 a.m.—Affirmation Session (Public Meeting) (if needed).

Week of October 19—Tentative

There are no meetings scheduled for the week of October 19, 1998.

Please Note: Briefing on Improvements to the Plant Assessment Process has been rescheduled for 2:00 p.m., Monday, November 2, 1998.

Week of October 26—Tentative

Wednesday, October 28

11:30 a.m.—Affirmation Session (Public Meeting) (if needed).

*The schedule for commission meetings is subject to change on short notice. To verify the status of meetings call (recording)-(301) 415-1292. Contact Person for more information: Bill Hill (301) 415-1661.

The NRC Commission Meeting Schedule can be found on the Internet at: <http://www.nrc.gov/SECY/smj/schedule.htm>.

This notice is distributed by mail to several hundred subscribers; if you no longer wish to receive it, or would like to be added to it, please contact of the Office of the Secretary, Attn: Operations Branch, Washington, D.C. 20555 (301-415-1661). In addition, distribution of this meeting notice over the Internet system is available. If you are interested in receiving this Commission meeting schedule electronically, please send an electronic message to wmh@nrc.gov or dkw@nrc.gov.

Dated: October 2, 1998.

Sandy Joosten,

Secy Tracking Officer, Office of the Secretary.

[FR Doc. 98-26912 Filed 10-2-98; 2:26 pm]

BILLING CODE 7590-01-M

POSTAL RATE COMMISSION

Sunshine Act Meeting

NAME OF AGENCY: Postal Rate Commission.

TIME AND DATE: 11:00 a.m., October 7, 1998.

PLACE: Commission Conference Room, 1333 H Street, NW, Suite 300, Washington, DC 20268-0001.

STATUS: Closed.

MATTERS TO BE CONSIDERED: Issues in Docket No. MC98-1, Mailing Online (Market Test).

CONTACT PERSON FOR MORE INFORMATION: Margaret P. Crenshaw, Secretary, Postal Rate Commission, Suite 300, 1333 H Street, NW, Washington, DC 20268-0001, (202) 789-6840.

Dated: October 2, 1998.

Margaret P. Crenshaw,
Secretary.

[FR Doc. 98-26913 Filed 10-2-98; 2:26 pm]

BILLING CODE 7710-FN-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40481; File No. SR-CBOE-98-38]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to the Listing and Trading of Principal-Protected Notes

September 25, 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 September 14, 1998, the Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") filed with the Securities and Exchange Commission ("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 Exchange seeks to list the trade four separate Principal-Protected Notes. The value of each Principal-Protected Note will be linked to an index comprised of a single specified domestic mutual fund portfolio ("Index" or collectively "Indexes").

The text of the proposed rule change is available at the Office of the Secretary, the Exchange, and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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

Under Exchange Rule 31.5(F), the Exchange may approve for listing and trading securities which cannot be readily categorized under the Exchange's listing criteria for preferred stock, bonds and debentures, or warrants. The Exchange seeks to list four Principal-Protected Notes, each of which shall be separately linked to a specified domestic mutual fund portfolio Index.³ The four mutual fund portfolios underlying the Indexes are registered under the Investment Company Act of 1940.

The Principal-Protected notes will be senior, unsecured debt securities that will conform to the listing guidelines under Exchange Rule 31.5(F) in all respects.⁴ Although a specific maturity date will not be established until the

³ The Exchange notes that the Commission recently approved a similarly structured product for listing and trading on the American Stock Exchange—Market Index Target Term Securities linked to the Merrill Lynch EuroFund Index. See Securities Exchange Act Release No. 40367 (Aug. 26, 1998), 63 FR 47052 (Sept. 3, 1998).

⁴ Exchange Rule 31.5(F) states that the Exchange will consider listing any security not otherwise covered by the Exchange's listing requirements, provided the security satisfied the following criteria:

(a) Assets/Equity—The issuer shall have assets in excess of \$100 million and stockholders' equity of at least \$10 million. In the case of an issuer which is unable to satisfy the earnings criteria set forth in paragraph (A) (i.e., pre-tax income of \$750,000 in its last fiscal year, or in two of its last three fiscal years and net income of at least \$400,000), the Exchange generally will require the issuer to have the following: (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.

(b) Distribution—Minimum public distribution of \$1,000,000 trading units including a minimum of 400 holders or, if traded in thousand dollar denominations, no minimum number of holders.

(c) Principal Amount/Aggregate Market Value—Not less than \$4 million.

time of the offering, the Principal-Protected Notes will provide for a maturity of between two and seven years from the date of issuance. Each Principal-Protected Note may provide for payments at maturity based in whole or in part on changes in the value of the corresponding Index. Each Index will measure the total return of the corresponding mutual fund portfolio. The total return value shall reflect the Changes in the Net Value ("NAV") of the corresponding mutual fund portfolio, plus any cash dividends and/or distributions paid on those shares.⁵

The Exchange will calculate the value of each Index once each business day. Holders of the Principal-Protected Notes will not receive any interest payments. However, holders of the Principal-Protected Notes will receive at maturity the full principal amount of their Notes, plus a "Supplemental Redemption Amount," if any, based on a formula to be set forth in the Prospectus. The Exchange notes that the formula may produce a total return at maturity which is lower than what a holder of the corresponding mutual fund portfolio might receive during the same period. At maturity, holders of the Principal-Protected Notes will not receive less than 100% of the initial issue price.

a. Description of Principal-Protected Notes and the Underlying Mutual Funds. Similar to other Exchange traded index-linked notes, both the issues (Principal-Protected Notes) and the issuer meet the general criteria set forth in Exchange Rule 31.5(F). Furthermore, the Exchange has represented that the issuer has a minimum tangible net worth in excess of \$100,000,000 and otherwise substantially exceeds the earnings requirements set forth in Exchange Rule 31.5(A).⁶ Each mutual fund portfolio underlying an Index includes several hundred stocks from among a wide variety of industry groups. As of the latest reporting period, the underlying mutual fund portfolios ranged in value from \$900 million to \$2.1 billion in total net assets. The NAV of each mutual fund portfolio is reported each business day through the facilities of the National Association of Securities Dealers Automated Quotation System ("Nasdaq") and also is reported in the Mutual Fund Tables of the Wall

Street Journal and other newspapers. The Principal-Protected Notes will be subject to the suspension and delisting policies of the Exchange set forth in Exchange Rule 31.94.⁷

b. Calculation and Dissemination of Net Asset Values and Index Values. Each Index will measure the total return of its underlying mutual fund portfolio. Such amount shall be equal to the change in the mutual fund's NAV, plus any cash dividends and/or distributions paid on the mutual fund portfolio shares. The value for each Index will be disseminated once a day over the Consolidated Tape Association's Network B or through the Option Price Reporting Authority ("OPRA"). If any mutual fund portfolio does not comply with Rule 22c-1 of the Investment Company Act of 1940,⁸ which requires daily computation of a fund's current NAV, the Exchange will use the last available NAV in its calculation of the Index.

c. Settlement of Principal-Protected Notes. The Principal-Protected Notes will be settled at maturity by either a cash payment or by delivering shares in the corresponding mutual fund portfolio, at the determination of the Issuer. The value of the Principal-Protected Notes at maturity will be equal to the principal amount of such Notes plus a Supplemental Redemption Amount. The Supplemental Redemption Amount, which may not be less than zero, will equal the principal amount of such Principal-Protected Note multiplied by the percentage difference between the Adjusted Ending Index Value and the Starting Index Value. The Adjusted Ending Index Value means the ending value of the Index⁹ reduced by an adjustment factor, if any, to be set forth in the prospectus.

d. Other Exchange Rules. Trading in Principal-Protected Notes will be governed by Chapter XXX of the Exchange's Rules.¹⁰ The Principal-Protected Notes will trade during the normal trading hours for Chapter XXX securities, 8:30 A.M. to 3:00 P.M. Central Standard Time. The Principal-Protected Notes also will be subject to the equity margin rules of the

Exchange.¹¹ Consistent with the Exchange's practice with respect to the offering of structured products, the Exchange will distribute an informational circular to its membership prior to the commencement of trading in the Principal-Protected Notes to provide guidance regarding member firm compliance responsibilities, including appropriate suitability criteria and/or guidelines. The circular shall require that before a member, member organization, or employee of such member organization, undertakes to recommend a transaction in a Principal-Protected Note, such member or member organization should make a determination that the Principal-Protected Note is suitable for such customer. As part of that determination, the person making the recommendation should have a reasonable basis for believing at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that they may be capable of evaluating the risks and special characteristics of the recommended transaction, including those highlighted, and that the customer is financially able to bear the risks of the recommended transaction. Lastly, as with other similarly structured products, the Exchange will closely monitor trading activity in Principal-Protected Notes to identify and deter any potential improper trading activity in such securities.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6 of the Act,¹² in general, and furthers the objectives of Section 6(b)(5),¹³ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices; promote just and equitable principles of trade; foster cooperation and coordination with persons facilitating transactions in securities; remove impediments to and perfect the mechanism of a free and open market and a national market system; and protect investors and the public interest. The Exchange further believes the listing and trading of the Principal-Protected Notes will provide investors an opportunity to invest in a mutual fund portfolio without being subject to the risk of principal loss.

⁵ As discussed *infra* in Section II(A)(1)(c), "Settlement of Principal Protected Notes," the total return value may be reduced by an adjustment factor.

⁶ Exchange Rule 31.5(A), "Equity Securities," requires that an issuer have pre-tax income of \$750,000 in its last fiscal year, or in two of its last three fiscal years and net income of at least \$400,000.

⁷ Under Exchange Rule 31.94(C)(b)(iii), the Exchange may consider delisting debt securities if the aggregate market value or the principal amount of debt securities publicly held is less than \$400,000 or, the issuer is not able to meet its obligations on the listed debt securities.

⁸ 17 CFR 270.22c-1.

⁹ The ending value of the Index shall represent the average of the values of the Index during a period prior to the stated maturity as specified in the prospectus.

¹⁰ See Exchange Rules, Chapter XXX, "Trading in Stocks, Warrants and Other Securities."

¹¹ See Exchange Rules, Chapter XII, "Margins."

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(5).

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

The Exchange does not believe the proposed rule change will impose any inappropriate burden on competition.

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

The Exchange did not solicit or receive written comments 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 Exchange 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 submissions, 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 persons, 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filings will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CBOE-98-38 and should be submitted by October 27, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-26661 Filed 10-5-98; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40499; File No. SR-MSRB-97-9]

Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change and Amendment No. 1 by the Municipal Securities Rulemaking Board Relating to Rule G-38 on Consultants

September 29, 1998.

On March 18, 1998,¹ the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),² and Rule 19b-4 thereunder,³ a proposed rule change and Amendment No. 1 (SR-MSRB-97-9) hereafter referred to collectively as the "proposed rule change." The proposed rule change would give brokers, dealers and municipal securities dealers (collectively referred to as "dealers") the option of disclosing their consulting arrangements to issuers, pursuant to section (c) of the rule, on either an issue-specific or issuer-specific basis. Notice of the proposed rule change appeared in the **Federal Register** on May 18, 1998.⁴ The Commission received no comment letters concerning the proposed rule change. The Commission is approving the proposed rule change.

I. Description of Proposal

Rule G-38, on consultants, requires dealers: (1) to have written agreements with certain individuals who are used by a dealer, directly or indirectly, to obtain or retain municipal securities business ("consultants"), and (2) to disclose such consulting arrangements directly to issuers and to the public through disclosure to the Board. Section (c) of the rule currently requires that each dealer disclose, in writing, to each issuer with which the dealer is engaging

or is seeking to engage in municipal securities business, information on consulting arrangements relating to such issuer. Dealers are required to make such disclosures prior to the issuer's selection of any dealer in connection with the particular municipal securities business sought. The Board amended this rule to give brokers, dealers and municipal securities dealers (collectively referred to as "dealers") the option of disclosing their consulting arrangements to issuers, pursuant to section (c) of the rule, on either an issue-specific or issuer-specific basis.

According to the Board, this issue-specific disclosure requirement has created compliance problems for dealers in cases where issuers of municipal securities frequently bring new issues to market as well as in the co-manager selection process. For example, an issuer may bring new issues to market several times a month, and if a dealer is using a consultant to obtain a syndicate slot in each such issue, the dealer is required to disclose the same information to the same issuer month after month and possibly week after week. Furthermore, dealers who use a consultant to help obtain co-manager business sometimes have difficulty complying with Rule G-38(c) because, unlike the lead manager, a co-manager may learn of its selection for that business after the selection of the lead manager, thereby making it impossible for the dealer to disclose its consulting arrangements prior to the issuer's selection of any dealer, as required by the rule.

While the timing of the issue-specific disclosure requirement in Rule G-38(c) is appropriate in the majority of cases, it can be a problem in the context of frequent issuers of municipal securities and in the co-manager selection process. Thus, Rule G-38(c) has been amended to give dealers the option of disclosing their consulting arrangements to issuers on either an issue-specific or issuer-specific basis. Pursuant to the amendment, if a dealer chooses to disclose information regarding a consulting arrangement on an issuer-specific basis,⁵ the dealer must submit the information, in writing, to the issuer "at or prior to the consultant's first direct or indirect communication with that issuer for any municipal securities business."⁶

¹ The Board initially submitted this proposal on November 24, 1997. However, a substantive amendment was requested to modify and clarify ambiguous timing issues in the proposed rule language. The Board filed Amendment No. 1 on March 18, 1998.

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ See Securities Exchange Act Release No. 39983 (May 12, 1998), 63 FR 27337.

⁵ In contrast, disclosures made by a dealer on an issue-specific basis continue to be required prior to the issuer's selection of any dealer for the particular municipal securities business being sought.

⁶ The initial proposal would have required that such disclosures be made "within three business days of the consultant's first direct or indirect

Continued

¹⁴ 17 CFR 200.30-3(a)(12).