

listing, as compared to the substantially greater volume of trading which occurs on the Nasdaq National Market System and the expense of the qualification. In view of the limited trading activity on the Exchange, the Board of Directors determined that any advantages of maintaining the listing did not justify the expense of remaining listed on the PCX.

By letter dated October 7, 1998, the Exchange informed the Company that its Equity Listings Committee had approved the Company's request to be removed from listing and registration.

This application relates solely to the voluntary withdrawal from listing of the Company's Securities from the PCX. The Company intends to continue its qualification and listing of the Securities on the Nasdaq National Market System and will continue to file reports under the Act, as amended.

Any interested person may, on or before December 30, 1998, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
Secretary.

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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 December 14, 1998.

A closed meeting will be held on Thursday, December 17, 1998, 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)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Hunt, 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 Thursday, December 17, 1998, at 11:00 a.m., will be:

Institution and settlement of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

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.

Dated: December 10, 1998.

Jonathan G. Katz,
Secretary.

[FR Doc. 98-33183 Filed 12-10-98; 12:33 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40756; File No. SR-Amex-98-39]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc. Relating to an Increase in Position and Exercise Limits for Narrow-Based Index Options

December 7, 1998.

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 ("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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The Amex proposes to amend Exchange Rule 904C to increase position and exercise limits for narrow-based index options.

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 Amex proposes to increase position and exercise limits for narrow-based index options traded on the Exchange.³ Amex Rule 904C(c) provides three different position limits depending on index components' relative weightings in the index. Rule 905C establishes exercise limits for the corresponding options at the same levels. Currently, the limits are 9,000, 12,000 and 15,000 contracts on the same side of the market. Under the proposed changes the new limits will be 25,000, 35,000 and 45,000. The Exchange believes the proposed expansion of position and exercise limits for narrow-based indices is reasonable and appropriate considering position and exercise limits for over-the-counter conventional options overlying individual securities have recently been expanded and currently range from 13,500 to 75,000 contracts.⁴ Further, the Exchange believes the proposed increase is consistent with the options exchanges' proposed increase in

³ Amex trades options on the following narrow-based indices: Airline, GoldBUGS, Biotechnology, Computer Hardware, Computer Technology, de Jager Year 2000, Disk Drive, Inter@ctive Week Internet, Morgan Stanley Commodity Related, Morgan Stanley Healthcare Payor, Morgan Stanley Healthcare Product, Morgan Stanley Healthcare Provider, Morgan Stanley High-Technology 35, Natural Gas, NatWest Energy, Networking, North American Telecommunications, Oil, Pharmaceutical, Securities Broker/Dealer and Tobacco.

⁴ Exchange Act Release No. 40087 (June 12, 1998), 63 FR 33746 (June 19, 1998).

position and exercise limits for standardized equity options.⁵

The Amex believes that an increase in position and exercise limits is also appropriate because existing surveillance techniques at options exchanges adequately protect the integrity of the markets for the options that will be subject to these increased position and exercise limits. The Commission has stated that, "[p]osition limit rules were adopted by the options exchanges primarily to minimize manipulative potential and to prevent the accumulation of large options positions that, if exercised, might affect the price of the underlying stock."⁶ To date, there have been no disciplinary actions involving manipulation in any narrow-based index product listed on the Exchange. The Exchange believes that its experience conducting surveillance of index options and program trading activity is sufficient to identify improper activity. Routine oversight inspections of Amex's regulatory programs by the Commission have not uncovered any inconsistencies or shortcomings in the manner in which index option surveillance is conducted. These procedures entail a daily monitoring of market movements via automated surveillance techniques to identify unusual activity in both the options and underlying stock basket components.

Lastly, given the gradual, evolutionary approach that has been adopted by the Commission and the various options exchanges in increasing position and exercise limits, the Exchange believes that the proposed increases are reasonable and appropriate and would further accommodate the hedging needs of Exchange market makers, specialists, large investors and the facilitators of those investors who are restricted by the current levels.

Competition

The Commission has stated that, "limits must not be established at levels that are so low as to discourage participation in the options market by institutions and other investors with substantial hedging needs or to prevent specialists and market-makers from adequately meeting their obligations to maintain a fair and orderly market."⁷ However, in today's market, the

Exchange believes that position and exercise limits severely hamper Amex's ability to compete with the over the counter (OTC) markets. Investors who trade listed options on the Amex are placed at a serious disadvantage in comparison to the OTC market where index options are not subject to position and exercise limits. Member firms continue to express concern to the Exchange that position limits on Amex products are an impediment to their business and that they have no choice but to move their business to the OTC market where position limits are not an issue.

Financial requirements. The Exchange believes that financial requirements imposed by the Exchange and by the Commission adequately address concerns that a member or its customer may try to maintain an inordinately large unhedged position in a narrow-based index option. Current margin, and risk-based haircut methodologies serve to limit the size of positions maintained by any one account by increasing the margin and/or capital that a member must maintain for a large position held by itself or by its customer. It should also be noted that the Exchange has the authority under paragraph (d)(2)(K) of Rule 462 to impose a higher margin requirement upon the member or member organization when the Exchange determines a higher requirement is warranted.

2. Statutory Basis

The Exchange represents that the proposed rule change is consistent with Section 6(b) of the Act⁸ in general and furthers the objectives of Section 6(b)(5) in particular in that it is 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 does not believe that 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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the 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-98-39 and should be submitted by January 4, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Margaret H. McFarland,

Deputy Secretary.

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⁵ See Exchange Act Release Nos. 40159 (July 1, 1998), 63 FR 37151 (July 9, 1998); 40160 (July 1, 1998), 63 FR 37155 (July 9, 1998); 40400 (September 3, 1998), 63 FR 48777 (September 11, 1998).

⁶ H.R. Rep. No. IFC-3, 96th Cong., 1st Sess. at 41 (Comm. Print 1978).

⁷ See H.R. Rep. No. IFC-3, 96th Cong., 1st Sess. At 189-91 (Comm. Print 1978).

⁸ 15 U.S.C. 78f(b).

⁹ 17 CFR 200.30-3(a)(12).