

and rounded to the nearest whole number, was approximately 1075.

As a consequence of the rising of the Index's value, premium levels for options on the Index have also risen. These higher premium levels have discouraged retail investors and some market professionals from trading options on the Index. The Exchange believes that decreasing the value of the Index may make the Index options more attractive to retail investors and other market professionals and therefore more competitive with other products in the marketplace. As a result, the Exchange is proposing to decrease the Index to one-third its present value.

To decrease the Index's value, the Exchange will triple the divisor used in calculating the Index. No other changes are proposed as to the components of the Index, its method of calculation (other than the change in the divisor), expiration style of the option, or any other Index specification.

The lower valued Index will result in substantial lowering of the dollar values of option premiums for Morgan Stanley High Technology contracts. The Exchange plans to adjust outstanding series similar to the manner in which equity options are adjusted for a 3-for-1 stock split. On the effective date of the split "ex-date," the number of outstanding Morgan Stanley option contracts will be tripled and strike prices reduced by a factor of three.

Position and Exercise Limits: Currently, the Index's position and exercise limits are equal to 15,000 contracts on the same side of the market. The Exchange proposes to triple the Index's position and exercise limits to 45,000 contracts on the same side of the market. This change will be made in conjunction with the simultaneous reduction of the Index's value and the tripling of the number of contracts.

Because the new limits will be equivalent to the Index's present limits, there is no additional potential for manipulation of the Index or the underlying securities. Further, an investor who is currently at the 15,000 contract limit will, as a result of the index value reduction, automatically hold 45,000 contracts to correspond with the lowered Index value. The position and exercise limits will revert to their then applicable limits at the expiration of the furthest non-LEAP (Long Term Equity Anticipation Security) expiration month as established on the date of the split.

2. Basis

The proposed rule change is consistent with Section 6(b) of the Act⁴ in general, and furthers the objectives of Section 6(b)(5)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 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 on 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 such 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, NW., Washington, DC 20549-0609. 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. Copies of such filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex-99-14 and should be submitted by July 1, 1999.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 99-14682 Filed 6-9-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41471; File No. SR-BSE-99-1]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Boston Stock Exchange, Inc. To Allow Specialist Remote Access to the BEACON System

June 2, 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 March 26, 1999, the Boston Stock Exchange, Inc. ("BSE" 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 Exchange.³ 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 adopt a one-year pilot program for remote specialist trading on the BEACON trading system, under which BSE specialists will be permitted to conduct regular trading activities off the BSE's trading floor. Proposed new language is italicized.

* * * * *

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The proposed rule change's purpose was clarified and technical changes were made during a conversation between George Mann, General Counsel, BSE, and Joshua Kans, Attorney, Division of Market Regulation ("Division"), Commission, May 26, 1999.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

CHAPTER XXXIII**Boston Exchange Automated Communication Order-routing Network (BEACON)****BEACON Remote**

Sec. 9. BEACON terminals and related equipment will be provided to remote member firm locations for specialist trading. The remote terminals will be linked to the BEACON Trading System and will provide the same functionality as is available to on-floor specialists. All orders directed to remote specialists, including ITS commitments and administrative messages, will be from the Woburn data center through BEACON as occurs with on-floor specialists. Floor broker orders will be routed to remote specialists under the same criteria by which they are routed to on-floor specialists. There will be no remote floor brokerage services. The following shall apply to specialists participating in the 12-month BEACON Remote pilot program:

(a) All rules and policies of the Board of Governors of the Exchange shall apply except as specifically excluded or amended under this section.

(b) Only member firms with existing Exchange specialist operations are eligible for participation in the 12-month BEACON Remote pilot program.

(c) Any eligible firm may apply to the Market Performance Committee to participate in the pilot program.

(d) Unless the Market Performance Committee specifically authorizes otherwise, participating member firms shall be prohibited from trading remotely any securities which are currently being traded on-floor by that individual member firm.

(e) The number of specialty stocks traded remotely shall not exceed two hundred (200) per specialist account.

(f) Individual securities may not be traded by one specialist firm in more than one location.

(g) All layoff orders must be included in BEACON drop copy.¹

(h) All rule references pertaining to the trading floor of the Exchange, including:

Chapter I-B, Section 2 ("Dealings on Floor—Hours");

Chapter I-B, Section 3 ("Dealings on Floor—Persons");

Chapter II, Section 2 ("Recording of Sales");

Chapter II, Section 6 ("Bids and Offers for Stocks");

Chapter II, Section 9 ("Trading for Joint Account");

Chapter II, Section 10 ("Discretionary Transactions");

Chapter II, Section 13 ("Trading Against Privileges");

Chapter II, Section 15 ("Record of Orders from Offices to Floor");

Chapter II, Section 23 ("Dealing on Other Exchanges, or Publicly Outside the Exchange");

Chapter II, Section 31 ("Offering Publicly on the Floor");

Chapter VII, Section 2 ("Member-organization Accounts");

Chapter XV, Section 1 ("Registration");

Chapter XV, Section 2 ("Responsibilities");

Chapter XV, Section 3 ("Code of Acceptable Business Practices for Specialists");

Chapter XV, Section 5 ("Preference on Competitive Basis");

Chapter XV, Section 6 ("The Specialist's Book");

Chapter XV, Section 9 ("Opening Listed Stock");

Chapter XV, Section 10 ("Hours");

Chapter XV, Section 16 ("Status of Orders When Primary Market Closed");

Chapter XV, Section 18 ("Procedures for Competing Specialists");

Chapter XVI ("Special Offerings");

Chapter XVIII, Section 1 ("Penalties");

Chapter XVII, Section 4 ("Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies");

Chapter XX, Section 6 ("Gratuities");

Chapter XXII, Section 2 ("Capital and Equity Requirements");

Chapter XXXI, Section 2 ("Intermarket Trading System");

Chapter XXXI, Section 3 ("Pre-Opening Application");

Chapter XXXI, Section 4 ("Trade-Throughs and Locked Markets");

Clearing Corporation Rule 3, Section 2 ("Dual Member Broker/Dealer Accounts");

Clearing Corporation Rule 3, Section 3 ("Boston Representative Broker/Dealer Accounts");

Clearing Corporation Rule 3, Section 4 ("Specialist Member");

Clearing Corporation Rule 4, Section 4 ("Bills Rendered");

shall be deemed to include any trading done remotely through BEACON, and all such trades shall be deemed to be executions on the Exchange.

(i) A written confidentiality policy regarding the location of equipment and access to information, terminals and equipment must be adopted by the firm and filed with and approved by the Exchange prior to the commencement of remote trading.

(j) Floor policies regarding dress code, smoking, identification and visitors shall not apply.

(k) All Exchange correspondence, memoranda, bulletins and other publications shall be sent to BEACON Remote specialists via electronic mail through BEACON and via U.S. mail or overnight delivery.

(l) All BEACON Remote specialists will have stentofon, as well as telephone access, to the physical trading floor.

(m) Servicing of BEACON terminals and related equipment shall be by Exchange authorized and trained personnel only.

(n) The Exchange's examination program would include the remote specialist operations of all firms.

(o) Any arbitration or disciplinary action arising out of trading activity pursuant to this section would be held at the physical offices of the Exchange located in Boston.

* * * * *

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 III 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 purpose of the proposed rule change is to establish a limited scope, one-year pilot program to provide for remote specialist trading through the BEACON system.⁵ At present, access to the BEACON system is provided only to specialists located on the Exchange's physical trading floor, and all market-making occurs on that physical floor. The Exchange views the remote specialist proposal as the natural first

⁴In its filing, the Exchange used the term "DOT system trade data" in this footnote. The Exchange now proposes to use the term "layoff system trade data." Conversation between George Mann, General Counsel, BSE, and Joshua Kans, Attorney, Division, Commission, May 26, 1999.

⁵The BEACON system is the Exchange's securities communication, order-routing and execution system. See generally BSE Rules, Chapter XXXIII.

¹ Drop copy is a BEACON system enhancement which permits the electronic loading of layoff system trade data for realtime specialist position updating, clearance, settlement and audit trail purposes.⁴

step in the progression from a manual open outcry system of trading to an automated electronic trading system. Although the Exchange believes that many traditional exchanges are considering eliminating their trading floors, due to the numerous electronic communications networks with which the Exchange must now compete, the Exchange seeks to provide its specialist member firms with the option of virtual access to the Exchange's physical floor via a remote BEACON terminal located in the firms' offices, while retaining the ability to centralize specialists on the Exchange's physical trading floor.

The Exchange proposes to implement the program by adding Section 9, "BEACON Remote," to Chapter XXXIII of the Exchange's rules. Because of the framework of the BEACON trading system and the BEAM on-line surveillance system,⁶ all trades on the Exchange occur within the confines of BEACON and are monitored real-time BEAM. Section 9 would permit specialist operations to function remotely within the confines of these Exchange systems, and within the framework of the existing rules of the Exchange, although those operations would not be physically conducted on the trading floor. As such, all executions that occur within the BEACON System, whether on-floor or remote, would be considered executions occurring on the floor of the Exchange, not unlike executions which occur today on the Cincinnati Stock Exchange, which has no physical trading floor. Both remote and on-floor specialists would have equal access to all BEACON functionalities, including access to the Intermarket Trading System ("ITS") through the recently developed BEACON System interface.

The Exchange is proposing to permit remote specialist access to the BEACON system for a 12-month pilot program. The Exchange would provide BEACON terminals and related equipment to remote member firm locations for specialist trading during this period. The remote terminals will be linked to the BEACON Trading System utilizing dedicated lines and connected via the same wide area network currently utilized to link the physical trading floor to the Woburn data center. These terminals will provide the same functionality as is available to on-floor specialists. All orders directed to remote specialists, including ITS commitments and administrative messages, will be from the Woburn data center through

BEACON as occurs with on-floor specialists. Floor brokers orders will also be routed to remote specialists under the same criteria by which they are routed to on-floor specialists. Members will not be able to use the BEACON Remote pilot to conduct floor brokerage services.

Proposed Section 9(a) would provide that all rules and policies of the Board of Governors of the Exchange shall apply except as specifically excluded or amended. Accordingly, all of the Exchange's membership, net capital, equity, examination, specialist performance evaluation, competing specialist, stock allocation, trading and specialist rules and policies would apply equally to remote specialists. Surveillance and compliance monitoring of remote specialist trading activity would occur through BEAM as it does today for on-floor specialists, and trading issues with a remote specialist would be addressed via telephone and e-mail (as opposed to in person on the trading floor).

The following limitations will apply to remote specialists participating in the 12-month pilot program: Proposed Section 9(b) would provide that only existing Exchange specialist operations are eligible to participate. Proposed Section 9(e) would provide that the total number of specialty stocks traded remotely shall not exceed two hundred (200) per specialist account. Proposed Section 9(d) would provide that securities currently traded on-floor by a firm cannot be moved to a remote location unless specifically authorized by the Exchange's Market Performance Committee. Proposed Section 9(g) would provide that all layoff orders must be included in BEACON drop copy, meaning that remote specialists would be required to utilize layoff systems that are electronically linked to BEACON to help ensure that a surveillance audit trail is created by the drop copy report.⁷

In addition, the following provisions shall apply to the program: any eligible firm may apply to the Exchange's Market Performance Committee to participate in the pilot program (Section 9(c)); a specialist firm may not trade individual securities in more than one location (Section 9(f)); all rule references pertaining to the trading floor

of the Exchange shall be deemed to include any trading done remotely through BEACON, and all such trades shall be deemed to be executions on the Exchange (Section 9(h)); a written confidentiality policy regarding the location of equipment and access to information, terminals and equipment must be adopted by the firm and filed with and approved by the Exchange prior to the commencement of remote trading (Section 9(i))⁸; floor policies regarding dress code, smoking, identification and visitors shall not apply (Section 9(j))⁹; all Exchange correspondence, memoranda, bulletins and other publications shall be sent to BEACON Remote specialists via electronic mail through BEACON and via U.S. mail or overnight delivery (Section 9(k)); all BEACON Remote specialists will have stentofon, as well as telephone access, to the physical trading floor (Section 9(l))¹⁰; servicing of BEACON terminals and related equipment shall be by Exchange authorized and trained personnel only (Section 9(m)); the Exchange's examination program would include the remote specialist operations of all firms (Section 9(n))¹¹; and any arbitration or disciplinary action arising out of trading activity pursuant to this section would be held at the physical offices of the Exchange located in Boston (Section 9(o)).

(2) Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,¹² in that it is designed to promote just and equitable principles of trade; to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities; to remove impediments to and perfect the mechanism of a free and open market and a national market system; and, in

⁸ Proposed confidentiality policies should provide that BEACON terminals would be physically located in a secure area without open access, and that members have made a specific person responsible for ensuring compliance.

⁹ The Exchange adopted those floor policies in its Minor Rule Plan, pursuant to BSE Rules chapter XVIII, section 4.

¹⁰ BSE's stentofon system provides electronic voice communications among BSE members.

¹¹ The Exchange conducts a full examination of the books and records of those member firms assigned to it as the Designated Examining Authority ("DEA"). In addition, the Exchange conducts a more limited examination of the books and records of all non-DEA member firms with specialist operations on the floor (limited to books and records related to specialist operation only). This review would be expanded to include the examination of the books and records of all firms with remote specialist operations.

¹² 15 U.S.C. 78f(b)(5).

⁶ The BEAM system provides the Exchange with real-time capabilities to monitor specialist trading activity within the BEACON system.

⁷ The drop copy system generates a report of all executions of orders laid off to other market centers for purposes of specialist position updating, clearance and settlement, and audit trail. BSE members may layoff orders to the New York Stock Exchange through the Designated Order Turnaround ("DOT") system and to the American Stock Exchange through the Post Execution Reporting ("PER") system.

general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers or dealers.

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

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 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 such 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, NW., Washington, DC 20549-0609. 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-BSE-99-1 and should be submitted by July 1, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-14684 Filed 6-9-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41473; File No. SR-NASD-99-23]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Locked and Crossed Markets that Occur at or Prior to the Market's Open

June 2, 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 May 3, 1999, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD.³ 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

Nasdaq is proposing to amend the portion of NASD Rule 4613(e) regarding locked and crossed market conditions⁴ that occur prior to the market's opening. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

4613. Character of Quotations.

(a)-(d) No changes.

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ On May 14, 1999, Nasdaq amended its proposal to require a market participants that sends a Trade-or-Move Message (as defined below) to place a modifier on the message indicating the message is a Trade-or-Move Message. See letter from Robert E. Aber, Senior Vice President and General Counsel, Nasdaq, to Richard Strasser, Assistant Director, Division of Market Regulation, Commission, date May 14, 1999 ("Amendment No. 1").

⁴ A locked market occurs when the quoted bid price is the same as the quoted ask price. A crossed market occurs when the quoted bid price is greater than the quoted ask price.

(e) Locked and Crossed Markets.

(1) A market shall not, except under extraordinary circumstances, enter or maintain quotations in Nasdaq during normal business hours if:

(A) the bid quotation entered is equal to ("lock") or greater than ("cross") the asked quotation of another market maker entering quotations in the same security; or

(B) the asked quotation is equal to ("lock") or less than ("cross") the bid quotation of another market maker entering quotations in the same security.

[The prohibitions of this rule include the entry of a locking or crossing quotation at or after 9:25:00 a.m. Eastern Time if such quotation continues to lock or cross the market at the market's opening, and requires a market maker or ECN that enters a locking or crossing quotation at or after 9:25:00 a.m. Eastern Time to take action to avoid the lock or cross at the market's open or immediately thereafter, but in no case more than 30 seconds after 9:30:00 a.m.]

(C) *Obligations Regarding Locked/Crossed Market Conditions Prior to Market Opening.*

(i) *Locked/Crossed Market Prior to 9:20 a.m.—For locks/crosses that occur prior to 9:20 a.m. Eastern Time, a market maker that is a party to a lock/cross because the market maker either has entered a bid (ask) quotation that locks/crosses another market maker's quotation(s) or has had its quotation(s) locked/crossed by another market maker ("party to a lock/cross") may, beginning at 9:20 a.m. Eastern Time, send through Nasdaq's SelectNet system (or its successor system) a message of any size that it at the receiving market maker's quoted price ("Trade-or-Move Message"). Any market maker that receives a Trade-or-Move Message at or after 9:20 a.m. Eastern Time, and that is a party to a lock/cross, must within 30 seconds of receiving such message either: fill the incoming Trade-or-Move Message for the full size of the message; or move its bid down (offer up) by a quotation increment that unlocks/uncrosses the market.*

(ii) *Locked/Crossed Market Between 9:20 and 9:29:59 a.m.—If a market maker locks or crosses the market between 9:20 and 9:29:59 a.m. Eastern Time, the market maker must immediately send through SelectNet to the market maker whose quotes it is locking or crossing a Trade-or-Move Message that is at the receiving market maker's quoted price and that is for at least 5,000 shares (in instances where there are multiple market makers to lock/cross, the locking/crossing market maker must send a message to each party to the lock/cross and the aggregate*