

Conclusion

Applicants assert that, for the reasons summarized above, the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41882; File No. SR-CBOE-99-54]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated To Revise the Component Selection and Weighting Guidelines That Govern the GSTI Composite Index and Sub-Indexes

September 17, 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 September 9, 1999, 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 revise the component selection and weighting guidelines that currently govern the Goldman Sachs Technology Composite Index ("GSTI™ Composite Index") and GSTI Sub-Indexes ("Sub-Indexes") (collectively, the "GSTI Indexes"). The proposed revisions are based on new criteria that Goldman, Sachs & Co. will use to maintain the GSTI Indexes. The Exchange seeks approval to continue to list and trade options on the GSTI Indexes after the proposed revisions

become effective following the close of trading on September 17, 1999.

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

The Exchange currently lists and trades European-style, cash-settled options on the GSTI Indexes pursuant to prior Commission approval.³ The GSTI Composite Index is a modified capitalization-weighted index that reflects the universe of technology-related company stocks meeting certain objective criteria. The Sub-Indexes are likewise calculated using a modified capitalization-weighting methodology. The components for each of the six Sub-Indexes are selected exclusively from the GSTI Composite Index.⁴

Goldman Sachs recently informed the Exchange that following the close of trading on September 17, 1999, certain guidelines governing the selection of stocks included in the GSTI Composite Index will be modified to clarify the definition of "technology-related" and explicitly include Internet-related companies. Specifically, Goldman Sachs intends to introduce a supplemental sector/industry classification method to better identify the universe of technology and Internet-related stocks eligible for inclusion in the GSTI Composite Index. This supplemental classification method, developed and maintained by Goldman Sachs Investment Research, will supplement

the current use of SIC and Russell codes to identify technology stocks.⁵ Goldman Sachs believes that the supplemental sector/industry classification method will capture those stocks that are commonly considered to be part of the universe of technology-related companies, but lack the appropriate SIC or Russell code. Goldman Sachs expects that the revised GSTI Composite Index will more accurately reflect the technology sector and will be better suited to track future changes in the industry.

In addition, Goldman Sachs informed the Exchange that following the close of trading on September 17, 1999, the weighting criteria for the Sub-Indexes will be revised. Currently, the component weightings for each of the six Sub-Indexes are capped such that the largest stock in a Sub-Index may account for no more than 25% of the index by weight, the second-largest stock may account for no more than 20%, and the third through fifth largest stocks may account for no more than 15% each. Goldman Sachs will revise the weighting criteria for the Sub-Indexes so that all components will be subject to a maximum weight cap of 12.5%. Goldman Sachs expects that this revised weighting methodology will promote portfolio weight diversification and prevent concentration of weighting in the Sub-Indexes in a few large stocks. In particular, Goldman Sachs notes that the revised weighting methodology requires each of the Sub-Indexes to be comprised of at least eight components. Goldman Sachs intends to implement the new weighting criteria after the close of trading on September 17, 1999, rather than at the next semi-annual rebalancing in January 2000.

The Exchange proposes no other changes to the GSTI Indexes at this time and represents that the GSTI Indexes will continue to conform to all conditions and restrictions set forth in the relevant approval orders.⁶

On the Monday following September 17, 1999, the Exchange will introduce a new series of options overlying the GSTI Composite Index and the Sub-Indexes; these new option series will be listed under the ticker symbols currently assigned to options overlying the GSTI Indexes. Those options overlying the

⁵ The Exchange represents that Goldman Sachs will not have any informational advantage concerning modifications to the composition of the GSTI Composite Index and the Sub-Indexes due to Goldman Sachs' role in maintaining such indexes, including the classification of stocks. Goldman Sachs has separately represented that it will make its list of the technology and Internet-related stocks available to interested parties upon request.

⁶ See note 3 *supra*.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release Nos. 37693 (Sept. 17, 1996), 61 FR 50362 (Sept. 25, 1996); and 37696 (Sept. 17, 1996), 61 FR 50358 (Sept. 25, 1996).

⁴ The six Sub-Indexes include: GSTI Hardware Index, GSTI Internet Index, GSTI Semiconductor Index, GSTI Software Index, GSTI Services Index, and GSTI Multimedia Networking Index.

GSTI Indexes that are still outstanding as of the close of trading on September 17, 1999, will continue to settle based on the present guidelines and calculation methodology, but will be listed under new ticker symbols.

The Exchange will notify market participants of the revisions to the GSTI Indexes through a notice to members and member firms, which notice will be disseminated in advance of a changeover. Because the Exchange will provide advance notice of the revisions, and the outstanding option series contracts will not be materially changed (i.e., the outstanding option series contracts will continue to trade and settle under the old methodology, albeit under a new ticker symbol), the Exchange believes that transition problems should not arise. Moreover, the Exchange has successfully used the same procedures for new option series introduced after revisions to index settlement and weighting methodologies.⁷

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act⁸ in that it is designed to perfect the mechanisms of a free and open market, and protect investors and the public interest.

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

The Exchange believes that the proposed rule change will not 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 comments with respect to the proposed rule change.

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

Because the foregoing proposed rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) the Exchange provided the Commission with written notice of its

intent to file the proposed rule change at least five business days prior to the filing date; the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(6)¹⁰ thereunder.

A proposed rule change filed under rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)¹¹ permits the Commission to designate such shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission designate such shorter time period so that the proposed rule change may become operative on September 17, 1999. By accelerating the operative date of the proposal to September 17, 1999, the Commission will enable the Exchange to promptly offer market participants options based on the revised GSTI Composite Index and the Sub-Indexes.

The Commission, consistent with the protection of investors and the public interest, has determined to make the proposed rule change operative on September 17, 1999, for the following reasons. The Commission believes that the revisions to the component selection guidelines governing the GSTI Composite Index and Sub-Indexes will strengthen the GSTI Indexes by including components that better reflect the current state of technology. In addition, the changes will help the GSTI Composite Index and Sub-Indexes to better track future changes in the technology industry. Finally, the changes in the component weighting guidelines will ensure greater weight diversification among the component stocks of the Sub-Indexes and will eliminate concentrations in weighting that might cause the Sub-Indexes to be dominated by a few highly-capitalized stocks. The Commission believes that these improvements to the GSTI Composite Index and Sub-Indexes are important and that investors should be permitted to trade options on the improved GSTI Indexes as soon as practicable.

For all of the reasons set forth above, the Commission finds that it is consistent with the protection of investors and the public interest for the proposed rule change to become operative on September 17, 1999. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission

that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

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. 20549-0609. 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 filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CBOE-99-54 and should be submitted by October 15, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41883; File No. SR-OCC-99-04]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to Amendments to the Pledge Program

September 17, 1999.

On March 5, 1999, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-99-04) pursuant to Section 19(b)(1) of the Securities Exchange Act

⁷ See Securities Exchange Act Release Nos. 30944 (July 21, 1992), 57 FR 33376 (July 28, 1992) (order permitting the continued listing and trading of Nasdaq 100 options after a change in the exercise settlement value for the Nasdaq 100 index); and 40642 (Nov. 9, 1998), 63 FR 63759 (Nov. 16, 1998) (order permitting the continued listing and trading of Nasdaq 100 options after a change in the weighting methodology for the Nasdaq 100 index).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² 17 CFR 200.30-3(a)(12).