

person of such a person, acting as principal, from knowingly selling to or purchasing from such registered company any security or other property. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (i) any person directly or indirectly owning, controlling, or holding with the power to vote, 5% or more of the outstanding voting securities of such other person; (ii) any person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with the power to vote, by such other person; (iii) any person directly or indirectly controlling, controlled by, or under common control with, such other person; and, (iv) if such other person is an investment company, any investment adviser thereof.

2. Rule 17a-8 under the Act generally exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions are satisfied.

3. Applicants state that they may not rely on rule 17a-8 in connection with the Acquisition because the Funds may be affiliated persons of each other by reasons other than those set forth in the rule. Principal Life may be deemed an affiliated person of an affiliated person of the Funds because its wholly-owned subsidiary serves as the investment adviser to the Funds. Moreover, Principal Life may be deemed an affiliated person of the Cash Management Fund Principal Life owns approximately 9% of the outstanding shares of the Cash Management Fund.

4. Section 17(b) of the Act authorizes the Commission to exempt a proposed transaction from section 17(a) of the Act if evidence establishes that the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, and the proposed transaction is consistent with the policy of each registered investment company concerned and the general purposes of the Act.

5. Applicants request an order under section 17(b) of the Act exempting the Acquisition from section 17(a) of the Act. Applicants submit that the Acquisition satisfies the requirements of section 17(b) of the Act. Applicants note that the Boards of the Funds have determined that the Acquisition is in the best interest of the Funds and of the

shareholders of the Funds and that the Acquisition will not result in dilution of the interests of the existing shareholders of the Funds. Applicants state that the Acquisition is consistent with the principal investment objective of each Fund because each Fund operates as a money market fund and seeks to preserve capital and maintain liquidity by investing in short-term investments. Applicants state that neither Fund will incur any expenses in connection with the Acquisition because the Adviser has agreed to pay all these fees. Finally, applicants state that the exchange of the Tax-Exempt Fund's shares for shares of the Cash Management Fund will be based on relative NAVs, and, in the opinion of counsel to the Funds, no gain or loss will be recognized by either the Fund or its shareholders in connection with the Acquisition.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 99-1531 Filed 1-22-99; 8:45 am]

BILLING CODE 8010-01-M

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 January 25, 1999.

A closed meeting will be held on Thursday, January 28, 1999, 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, January 28, 1999, at 11:00 a.m., will be:

Institution and settlement of administrative proceedings of an enforcement nature.

Institution and settlement of injunctive actions.

At times, changes in Commission priorities require alternations 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: January 21, 1999.

Jonathan G. Katz,
Secretary.

[FR Doc. 99-1689 Filed 1-21-99; 11:44 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40955; File No. SR-Amex-98-47]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Listing and Trading of Options on the Internet Commerce Index

January 19, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 21, 1998, the American Stock Exchange LLC ("Amex" on "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Amex.¹ 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 Amex proposes to list and trade European-style, cash-settled options on the Internet Commerce Index ("Index"), an equal-dollar weighted, A.M.-settled new index developed by the Amex

¹ On December 21, 1998, the Amex replaced the filing's original Exhibit B, which lists the component securities of the Computer Hardware Index, with a new Exhibit B, which lists the component securities of the Internet Commerce Index. See Letter from Scott G. Van Hatten, Legal Counsel, Derivative Securities, Amex, to Yvonne Fraticelli, SEC, dated December 21, 1998. In addition, the Amex replaced the filing's original cover letter with a new cover letter indicating that the Amex is filing the proposal pursuant to Section 19(b)(3)(A) of the Act. See Letter from Scott G. Van Hatten, Legal Counsel, Derivative Securities, to Richard Strasser, Assistant Director, Division of Market Regulation ("Division"), SEC, dated December 18, 1998.

based on the stocks of companies engaged in commerce conducted over the Internet.² In addition, the Amex proposes to amend Amex Rule 901C, "Designation of Stock Index Options," Commentary .01, to indicate that 90% of the Index's numerical index value must be accounted for by stocks which meet the current criteria and guidelines set forth in Amex Rule 915, "Criteria for Underlying Securities." In addition, Commentary .01, as amended, indicates that these criteria must also be satisfied immediately following each quarterly rebalancing.

The Amex is filing their proposal pursuant to Amex Rule 901C, Commentary .02, which provides for the commencement of trading of options on the Index 30 days after the date of this filing. The Amex believes that the proposal meets all of the criteria set forth in Amex Rule 901C, Commentary .02, and the Commission's order approving Amex Rule 901C, Commentary .02 ("Generic Index Approval Order").³

The text of the proposed rule change is available at the Office of the Secretary, Amex, 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 Amex included statements concerning the purpose of the 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 Amex 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

(a) Purpose

The Amex proposes to trade options on its newly developed Index, which is based entirely on the shares of

companies engaged in commerce conducted over the Internet. The companies in the Index generate all or a significant portion of their revenues from commerce conducted over the Internet or have as a corporate goal the generation of all or a significant portion of their revenues from commerce conducted over the Internet. Often the share prices of companies, similar to those in the Index, that generate all or a significant portion of their revenues from commerce conducted over the Internet have been relatively volatile. Accordingly, options on the Index are designed to provide investors with an investment vehicle to participate in or hedge against this volatility, and decrease the risk involved in selecting individual stocks.

The Amex is filing this proposal pursuant to Amex Rule 901C, Commentary .02, which provides for the commencement of the trading of options on the Index 30 days after the date of this filing. The Amex believes that the proposal meets all of the criteria set forth in Amex Rule 901C, Commentary .02, and in the Generic Index Approval Order.⁴

Eligibility Criteria For Index Components. In accordance with the requirements of Amex Rule 901C, Commentary .02: (1) each of the component securities of the Index has a minimum market capitalization of at least \$75 million and has a trading volume in each of the last six months of not less than 1,000,000 shares; (2) at least 90% of the Index's numerical index value and at least 80% of the total number of component securities meet the current criteria for standardized option trading set forth in Exchange Rule 915 (in fact, all but one of the component securities in the Index currently underlie standardized options); (3) the Index contains no American Depositary Receipts ("ADRs"); (4) all of the component stocks of the Index are listed on the Amex or the New York Stock Exchange ("NYSE"), or are traded through the facilities of the Nasdaq and are reported National Market securities ("Nasdaq/NNM"); and (5) no component security represents more than 25% of the weight of the index, and the five highest weighted component securities in the Index do not in the aggregate account for more than 60% of the weight of the Index.

Index Calculation. The Index will be calculated using an "equal-dollar weighting" methodology designed to ensure that each of the component securities is represented in an

approximately "equal" dollar amount in the Index. The following is a description of the methodology. As of the market close on December 1, 1998, a portfolio of stocks were established representing an investment of approximately \$10,000 in the stock (rounded to the nearest whole share) of each of the companies in the Index. The value of the Index equals the current market value (*i.e.*, based on U.S. primary market prices) of the sum of the assigned number of shares of each of the stocks in the Index portfolio divided by the Index divisor. The Index divisor was initially determined to yield a benchmark value of 100.00 at the closing of trading on December 1, 1998.

Maintenance of the Index. The Exchange will maintain the Index in accordance with Amex Rule 901C, Commentary .02 so that: (1) the Index is comprised of not less than 10 underlying stocks, and not more than 20 underlying stocks; (2) component stocks constituting the top 90% of the Index, by weight, will have a minimum market capitalization of \$75 million, and the component stocks constituting the bottom 10% of the Index, by weight, may have a minimum market capitalization of \$50 million; (3) 90% of the Index's numerical index value and at least 80% of the total number of components will meet the then current criteria for standardized options trading set forth in Amex Rule 915; (4) foreign country securities or ADRs thereon that are not subject to comprehensive surveillance agreements will not in the aggregate represent more than 20% of the weight of the Index; (5) all of the Index's component stocks will either be listed on the Amex, the NYSE, or Nasdaq/NNM; (6) no component security of the Index will represent more than 20% of the weight of the Index, and the five highest weighted components will not in the aggregate account for more than 60% of the Index; and (7) the trading volume of each component security shall be at least 500,000 shares for each of the last six months, or for each of the lowest weighted components that in the aggregate account for more than 10% of the weight of the Index, the monthly trading volume may be at least 400,000 shares for each of the last six months.

The Exchange shall not open for trading any additional option series if the Index fails to satisfy any of the maintenance criteria set forth above unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of Index options has been

²In accordance with the Generic Index Approval Order, the Amex submitted a pre-filing on December 10, 1998. See Generic Index Approval Order, *infra* note 3.

³See Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994) (order approving File Nos. SR-Amex-92-35; SR-CBOE-93-59; SR-NYSE-94-17; SR-PSE-94-07; and SR-PHLX-94-10). The Generic Index Approval Order established generic listing standards for options on narrow-based indexes and adopted streamlined procedures for introducing trading in options satisfying the generic listing standards.

⁴See note 3, *supra*.

approved by the Commission pursuant to Section 19(b)(2) of the Act.

Rebalancing. Following the close of trading on the third Friday of February, May, August and November, the Index portfolio will be adjusted by changing the number of whole shares of each component stock so that each company is again represented in "equal" dollar amounts. If necessary, a divisor adjustment will be made at the rebalancing to ensure the continuity of the Index's value. The newly adjusted portfolio will then become the basis for the Index's value on the first trading day following the adjustment.

The number of shares of each component stock in the Index portfolio will remain fixed between quarterly rebalancings except in the event of certain types of corporate actions such as the payment of a dividend other than an ordinary cash dividend, stock distribution, stock split, reverse stock split, rights offering, distribution, reorganization, recapitalization, or similar event with respect to the component stocks. In the case of a merger or the consolidation of an issuer of a component stock, if the stock remains in the Index, the number of shares of that security in the portfolio may be adjusted to the nearest whole share to maintain the component's relative weight in the Index at the level immediately prior to the corporate action. In the event of a stock addition or replacement, the average dollar value of the remaining portfolio components will be calculated and that amount invested in the stock of the new component, to the nearest whole share. In all cases the divisor will be adjusted, if necessary, to ensure Index continuity.

All stock replacements and the handling of non-routine corporate actions will be announced at least ten business days in advance of such effective change, whenever possible. The Exchange will make this information available to the public through dissemination of an information circular.

Dissemination of Index. Similar to other stock index values which underlie exchange-traded products, the value of the Index will be calculated continuously and disseminated every 15 seconds over the Consolidated Tape Association's Network B. The Amex and the Options Price Reporting Authority ("OPRA") represent that they have the necessary systems capacity to handle the additional traffic of the Index.⁵

⁵ See Letter from Scott G. Van Hatten, Legal Counsel, Derivative Securities, Amex, to Richard Strasser, Assistant Director, Division, Commission, dated December 22, 1998; Letter from Raymond L.

Expiration and Settlement. The proposed Index options will be European-style (*i.e.*, exercises are permitted at expiration only), and cash settled. Standard option trading hours (9:30 a.m. to 4:02 p.m. New York time) will apply. The options on the Index will expire on the Saturday following the third Friday of the expiration month ("Expiration Friday"). The last trading day in expiring option series will normally be the second to the last business day preceding the Saturday following the third Friday of the expiration month (normally a Thursday). Trading in expiring options will cease at the close of trading on the last trading day.

The Exchange plans to list options series with expirations in the three near-term calendar months and in two additional calendar months in the February cycle. In addition, the Amex may list flexible exchange options ("FLEX Options") on the Index, and longer term option series having up to thirty-six months to expiration. In lieu of such long-term options on a full value Index, the Exchange may instead list long-term, reduced value put and call options based on one-tenth (1/10th) the Index's full value. In either event, the interval between expiration months for either a full value or reduced value long-term option will not be less than six months. The trading of any long-term options will be subject to the same rules which govern the trading of all the Exchange's Index options, including sales practice rules, margin requirements and floor trading procedures. Position limits on reduced value long-term Index options will be equivalent to the position limits for regular (full value) Index options and would be aggregated with such options (for example, if the position limit for the full value options is 15,000 contracts on the same side of the market, then the position limit for the reduced value options will be 150,000 contracts on the same side of the market).

The exercise settlement value for all of the Index's expiring options will be calculated based upon the primary exchange regular way opening sale prices for the Index's component stocks. In the case of Nasdaq/NNM listed securities, the first reported regular way sale price will be used. If any component stock of the Index does not open for trading on its primary market on the last trading day before expiration,

then the prior day's last sale price will be used in the calculation.

Exchange Rules Applicable to Stock Index Options. Amex Rules 900C through 980C will apply to the trading of option contracts based on the Index. These rules cover issues such as surveillance, exercise prices, and position limits. Surveillance procedures currently used to monitor trading in each of the Exchange's other index options will also be used to monitor trading in Index options. The Index is deemed to be a stock index option under paragraph (a) of Amex Rule 901C, "Designation of Stock Index Options," and a stock index industry group under paragraph (b)(1) of Amex Rule 900C, "Applicability and Definitions." With respect to paragraph (b) of Amex Rule 903C, "Series of Stock Index Options," the Exchange proposes to list near-the-money (*i.e.*, within ten points above or below the current index value) option series on the Index at 2½ point strike (exercise) price intervals when the value of the Index is below 200 points. In addition, the Exchange expects that the review required by paragraph (c) of Amex Rule 904C, "Position Limits," will result in a position limit of 15,000 contracts for options on the Index.

(b) Basis

The Amex believes that the proposed rule change is consistent with Section 6(b) of the Act, 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 Amex believes that the proposed rule change will impose no 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 solicited or received with respect to the proposed rule change.

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

Because the foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the

Bell, Vice President, Market Data Services, Amex, to Richard Strasser, Assistant Director, Division, Commission, dated January 11, 1999; and Letter from Joe Corrigan, Executive Director, OPRA, to Richard Strasser, Assistant Director, Division, Commission, dated January 15, 1999.

meaning, administration, or enforcement of an existing rule of the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁶ and subparagraph (e)(1) of Rule 19b-4 thereunder.⁷ The Amex may not list options for trading on the Index prior to 30 days after the date the proposed rule change was filed with the Commission. At any time within 60 days of the filing of such 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 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 it 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 Section, 450 Fifth Street, N.W., Washington, D.C. 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-98-47 and should be submitted by February 16, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-1607 Filed 1-22-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40950; File No. SR-CHX-98-31]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to the Trading of Select Sector SPDRs[®]

January 15, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ notice is hereby given that on December 18, 1998, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the CHX. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to approve the proposal on an accelerated basis.

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

The CHX proposes to trade, pursuant to unlisted trading privileges ("UTP") and the listing standards of CHX Article XXVIII, Rule 24, nine series of Select Sector SPDRs[®] by adding a new interpretation and policy .03 to Article XXVIII, Rule 24 and amending interpretation and policy .05 of Article XX, Rule 22.²

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 CHX 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 CHX has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² "S&P"[®], "Standard & Poor's 500"[®], "Standard & Poor's Depository Receipts"[®] and "SPDRs"[®], and "Select Sector SPDR"[®] are trademarks of the McGraw-Hill Companies, Inc.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

CHX Article XXVIII, Rule 24 provides for the listing and trading of units representing an interest in a registered investment company ("Units") that seek to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic index.³ The Exchange currently trades, pursuant to unlisted trading privileges, several series of World Equity Benchmark Shares[™] ("WEBS[™].")⁴ based on Morgan Stanley Capital International foreign stock indices pursuant to the standards set forth in Article XXVIII, Rule 24.⁵ WEBS are currently listed and traded on the American Stock Exchange ("AMEX") under AMEX Rules 1000A *et seq.*,⁶ which rules are substantially the same as CHX Article XXVIII, Rule 24.

The CHX proposes to trade, pursuant to UTP and the listing standards of CHX Article XXVIII, Rule 24, nine series of Select Sector SPDRs by adding a new interpretation and policy .03 to Article XXVIII, Rule 24 and amending interpretation and policy .05 of Article XX, Rule 22.⁷ The Select Sector SPDRs, described below, are issued by an open-end management investment company.⁸

(a) Select Sector SPDRs

The Exchange proposes to trade nine investment series of Select Sector

³ See Securities Exchange Act Release No. 37121 (April 17, 1996), 61 FR 17932 (April 23, 1996) (Order approving SR-CHX-96-12 amending Article XXVIII providing for the listing and trading of units representing an interest in a registered investment company).

⁴ "World Equity Benchmark Shares" and "WEBS" are service marks of Morgan Stanley Group, Inc.

⁵ See Securities Exchange Act Release No. 39117 (September 22, 1997), 62 FR 50973 (September 29, 1997) (Order approving SR-CHX-96-14 to commence trading of WEBS pursuant to UTP and CHX Article XXVIII, Rule 24).

⁶ AMEX Rules 1000A *et seq.* provide for the listing and trading of Index Fund Shares, which are shares issued by an open-end management investment company that seek to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic index.

⁷ The AMEX received the Commission's approval to list and trade nine series of Select Sector SPDRs under AMEX Rules 1000A *et seq.* Securities Exchange Act Release No. 40749 (December 4, 1998), 63 FR 68483 (December 11, 1998) ("AMEX Select Sector SPDRs Approval Order").

⁸ The Selector Sector SPDR Trust (with respect to Select Sector SPDRs) filed with the Commission an Application for Orders under Sections 6(c) and 17(b) of the Investment Company Act of 1940 ("1940 Act") as amended, for the purpose of exempting Select Sector SPDRs from various provisions of the 1940 Act. See Investment Company Act Release No. 23492 (October 20, 1998), 63 FR 57332 (October 27, 1998).

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(e)(1).

⁸ 17 CFR 200.30-3(a)(12).