

Amendment would allow a Massachusetts limited liability company, like NGG Holdings, to be merged into NEES, which is a Massachusetts business trust, upon consent of a majority of the shares outstanding and a two-thirds vote of the NEES board of directors. In addition, the Amendment would allow share holdings not consenting to a merger with a limited liability company to be given the same appraisal rights as stockholders of a Massachusetts business corporation. The Amendment, which would be effected regardless of whether the Merger is consummated, must be approved by an affirmative vote of a majority of the outstanding shares and by a two-thirds vote of the NEES board of directors.

The Merger must also be approved by an affirmative vote of a majority of the outstanding shares. The Merger is subject to a number of conditions, including the approval of the Commission under the Act and other regulatory approvals. NEES and National Grid will file an application-declaration with the Commission requesting authority to consummate the Merger and related transactions during the first quarter of 1999.

NEES requests that an order authorizing the solicitation of proxies be issued as soon as practicable under rule 62(d). It appears to the Commission that NEES' declaration regarding the proposed solicitation of proxies should be permitted to become effective immediately.

It is ordered, under rule 62 under the Act, that the declaration regarding the proposed solicitation of proxies can become effective immediately, subject to the terms and conditions contained in rule 24 under the Act.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41200; File No. SR-BSE-99-3]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange, Inc. Relating to Limitations on Trading During Significant Market Moves

March 22, 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 February 22, 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 and II 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 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 Exchange seeks to amend its market volatility rules to correspond with recent changes implemented by the New York Stock Exchange ("NYSE").

The text of the proposed rule change is below. Proposed new language is italicized and proposed deletions are in brackets.

* * * * *

CHAPTER II

Dealings on the Exchange

Limitations on Trading During Significant Market Moves

[Sec. 34B. On any day when the DJIA has advanced by 50 points or more from its closing value on the previous trading day, all index arbitrage orders to buy any component stock of the S&P 500 Stock Price Index² must be entered with the instruction "buy minus". If, on that day, the DJIA subsequently reaches a value that is 25 points or less above the closing value on the previous trading day, this requirement shall not apply. This principal shall govern the imposition and removal of the buy minus requirement as to all subsequent movements in the DJIA on that day. On any day when the DJIA has declined by 50 points or more from its closing value on the previous trading day, all index arbitrage orders to sell must be entered with the instruction "sell plus". If, on that day, the DJIA subsequently reaches a value

that is 25 points or less below the closing value on the previous, this requirement shall not apply. This principle shall govern the imposition and removal of the sell plus requirement as to all subsequent movements in the DJIA on that day. All orders containing the instruction buy minus or sell plus shall be executed as provided in Chapter I, Section 3.

² "Standard & Poor's 500 Stock Price Index" is a service mark of Standards & Poor's Corporation.]

[Supplemental Material

.01 "Index arbitrage" means an arbitrage trading strategy involving the purchase or sale of a group of stocks in conjunction with the purchase or sale, or intended purchase or sale, of one or more cash-settled options or futures contracts on index stock groups or options on any such futures contracts (collectively, "derivative index products") in an attempt to profit by the price difference between the group of stocks and the derivative index products. While the purchase or sale of the stocks must be in conjunction with the purchase or sale of the derivative index products, the transactions need not be executed contemporaneously to be considered index arbitrage.]

Sec. 34B. (a) All index arbitrage orders to sell any component stock of the S&P 500 Stock Price Index² must be entered with the instruction "sell plus" on any trading day when the Dow Jones Industrial Average declines below its closing value on the previous trading day by at least the "two-percent value" as calculated below. This index arbitrage order entry requirement shall remain in effect for the remainder of the trading day. However, the index arbitrage order entry requirement pursuant to this paragraph (a) shall be removed if the DJIA subsequently reaches a value below its closing value on the previous trading day that is a decline equal to the "one-percent value" or less as calculated below.

(b) All index arbitrage orders to buy any component stock of the S&P 500 Stock Price Index must be entered with the instruction "buy minus" on any trading day with the DJIA advances above its closing value on the previous trading day by at least the "two-percent value" as calculated below. This index arbitrage order entry requirement shall remain in effect for the remainder of the trading day, however, the index arbitrage order entry requirement pursuant to this paragraph (b) shall be removed if the DJIA subsequently reaches a value above its closing value on the previous trading day that is an advance equal to the "one-percent value" or less as calculated below.

(c) The principles in paragraphs (a) and (b) shall govern the imposition and removal of the index arbitrage order requirements as to all subsequent movements in the DJIA on that day.

Supplementary material:

.10 The "two-percent value" shall be calculated at the beginning of each calendar quarter and shall be two-percent (2.0%), rounded down to the nearest ten points, of the average closing value of the DJIA for the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

² "Standard & Poor's 500 Stock Price Index" is a service mark of Standards & Poor's Corporation.]

last month of the previous quarter. The "one-percent value" shall be one-half, rounded down to the nearest ten points, of the "two-percent value."

.20 The index arbitrage order entry restrictions shall not apply to index arbitrage market-at-the-close orders in liquidation of previously established stock positions against derivative index products entered on the last business day prior to the expiration or settlement of such derivative index products. Such orders shall be entered pursuant to each procedures as the Exchange may from time to time prescribe.

.30 All orders containing the instruction "buy minus" or "sell plus" shall be executed as provided in Chapter I, Section 3.

.40 Definitions. (a) For purpose of this Rule, "index arbitrage" means a trading strategy in which pricing is based on discrepancies between a "basket" or group of stocks and the derivative index product (i.e., a basis trade) involving the purchase or sale of a "basket" or group of stocks in conjunction with the purchase of sale, or intended purchase or sale, of one or more derivative index products in an attempt to profit by the price difference between the "basket" or group of stocks and the derivative index products. While the purchase of sale of the stocks must be in conjunction with the purchase or sale of derivative index products, the transactions need not be executed contemporaneously to be considered index arbitrage. The term "derivative index products" refers to cash-settled options or futures contracts on index stock groups, and options on any such futures contracts.

(b) "Program trading means either (A) index arbitrage or (B) any trading strategy involving the related purchase or sale of a "basket" or group of 15 or more stocks having a total market value of \$1 million or more. Program trading includes the purchases or sales of stocks that are part of a coordinated trading strategy, even if the purchases or sales are neither entered or executed contemporaneously, nor part of a trading strategy involving options or futures contracts on an index stock group, or options on any such futures contracts, or otherwise relating to a stock market index.

(c) "Account on an individual investor" means an account covered by Section 11(a)(1)(E) of the Securities Exchange Act of 1934.

Stop Order Bans

Sec. 35(a). Whenever the primary market for a stock admitted to dealings on the Boston Stock Exchange institutes a stop and stop limit order ban, the Exchange will also ban such orders in the stock until such time as the ban in the primary market is lifted.

(b) Whenever the New York Stock Exchange (NYSE) institutes a stop and stop limit order ban pursuant to NYSE Rule 80A, the BSE will also ban stop and stop limit orders for the remainder of the trading day, except that a member or member organization may enter a stop or stop limit order of 2,099 shares or less for the account of an individual investor pursuant to instructions received directly from the individual investor.

(i) An "account of the individual investor" means an account covered by Section 11(a)(1)(E) of the Securities Exchange Act of 1934.]

Supplementary Material:

Stop Order Ban Procedures

[.01. Whenever the New York Stock Exchange ("NYSE") implements a stop order ban pursuant to NYSE Rule 80A, the Boston Stock Exchange ("BSE") will also ban such orders as follows:

(i) Upon notice from the NYSE by announcement over the "hoot and holler system" that all new stop and stop limit orders in all stocks are banned for the remainder of the day (except for orders up to 2099 shares for the account of an individual investor), the BSE will announce to its floor and BEACON subscribers that a stop order ban in all stocks is in effect for the remainder of the day, except for orders up to 2099 shares for the accounts of individual investors.

(ii) The entry of stop and stop limit orders (other than orders up to 2099 shares for the accounts of individual investors) will be banned on the BSE for the remainder of the day. Any stop or stop limit orders received in the BEACON system will be rejected and the message "stop not accepted—ban in effect" will be sent back to the entering firm.

(iii) Any stop and stop limit orders residing on the specialists' books at the time the ban goes into effect will remain eligible for execution.]

[.02] .01. Whenever the primary market implements a stop order ban in an individual stock due to an unusually large accumulation of stop and stop limit orders, the BSE will also ban such orders as follows:

(i) Upon notice from the primary market by indication over the consolidated tape that stop and stop limit orders are banned in an individual stock, the Boston Stock Exchange will announce to its floor and BEACON subscribers that a stop order ban is in effect in the individual stock.

(ii) The entry of stop and stop limit orders will be banned until such time as the ban is lifted in the primary market and that information is disseminated on the consolidated tape. Any orders received in the BEACON system will be rejected and the message "stop not accepted—ban in effect" will be sent back to the entering firm.

(iii) Any stop and stop limit orders residing on the specialist's book at the time the ban goes into effect will be canceled by the Exchange. The cancellation message "U R Out" will be sent back to the entering firm.

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 purpose of the proposed rule change is to amend two BSE rules that limit certain types of trading during significant market moves.

Chapter II, Section 34B of the BSE's rules states that on any day where the Dow Jones Industrial Average ("DJIA") advances by more than 50 points from its closing value on the previous trading day, all index arbitrage orders to buy any component stock of the S&P 500 Stock Price Index must be entered with the instruction "buy minus." Declines of 50 points from the previous trading day's closing value require that all index arbitrage orders to sell be entered with the instruction "sell plus." The stabilizing requirements associated with that 50 point "collar" are removed if the DJIA moves back to or within 25 points of the previous day's close. Until recently, the NYSE similarly restricted index arbitrage using a 50 point collar.

Chapter II, Section 35(b) and Supplementary Material .01 of the BSE's rules states that whenever the NYSE implements a stop order ban pursuant to NYSE Rule 80A, the BSE will also ban stop and stop limit orders for the remainder of the day, except for orders of 2099 shares or less for the account of an individual investor pursuant to instructions from that investor. Until recently, NYSE Rule 80A contained "sidecar" provisions that would be triggered if the primary S&P 500 futures contract declined by 12 points from the previous close. When a market decline triggered those sidecar procedures, the NYSE would divert program trading orders to a separate file for five minutes and would restrict the entry of stop orders or stop limit orders.

The Commission recently approved a proposed NYSE rule change that widened the 50 point collars and eliminated the sidecar provisions.³ In lieu of the 50 point collars methodology for advances or declines, collars will now be based on a percentage of the average closing value of the DJIA. In particular, the collars would be imposed when the DJIA declines or advances from the prior day's close by an amount equal to two percent (rounded down to the nearest ten points) of the average

³ Securities Exchange Act Release No. 41041 (February 11, 1999), 64 FR 8424 (February 19, 1999).

closing value. The collars would be removed when the DJIA comes back or retreats to a value which represents a decline or advance from the prior day's close by an amount equal to one half of the "two percent value" (rounded down to the nearest ten points). The proposed collars are to be calculated quarterly based on the average closing value of the DJIA for the last month of the previous calendar quarter.

The BSE proposed to modify Section 34B to reflect the NYSE rule change, by replacing the 50 point collar with a level based on two percent of the DJIA. When the DJIA declines by the "collar value," all index arbitrage orders to sell any component stock of the S&P 500 must be marked "sell plus" for the remainder of the day. If the DJIA advances by the "collar value," all index arbitrage orders to buy any component stock of the S&P 500 must be marked "buy minus" for the remainder of the trading day.

In addition, the BSE is proposing to delete the stop and stop limit order restrictions found in Section 35(b) and Supplementary Material .01, in response to the NYSE's elimination of the sidecar provisions of NYSE Rule 80A.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general,⁴ and furthers the objectives of Section 6(b)(5) in particular,⁵ in that it is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanisms of a free and open market and, in general, to protect investors and the public interest.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

After careful consideration, the Commission has concluded, for the reasons set forth below, that the proposed rule change is consistent with

the requirements of the Act and the rules and regulations thereunder. Both BSE rules in question—the 50 point collar provision of Chapter II, Section 34B, and the "sidecar" stop and stop limit order restrictions of Chapter II, Section 35(b) and Supplementary Material .01—are substantially similar to recently changed NYSE rules. Modifying the BSE rules to conform to the counterpart NYSE rules will eliminate a needless disparity between the practices of the two exchanges. Moreover, the Commission noted in its order approving the proposed NYSE rule changes that the sidecar provisions appeared unnecessary and that eliminating them was in the public interest. The Commission also noted that widening the collar provisions represented an improvement over the earlier trading restrictions, and the Commission recommended that the NYSE periodically evaluate the continuing need for those restrictions on index arbitrage. The Commission believes that the same principles apply to the BSE.

The BSE has requested that the Commission grant accelerated approval of the proposed rule change to correspond with the NYSE's recent rule changes. The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing in the **Federal Register**. The Commission has already approved an equivalent rule change for the NYSE after careful analysis of public comments. Moreover, maintaining the existing trading restrictions on the BSE, even after they have been relaxed on the NYSE, may affect broker-dealer order routing decisions in a way that is contrary to the competitive intent behind the National Market System.

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-98-3 and should be submitted by April 21, 1999.

V. Conclusion

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act⁶ that the proposed rule change (SR-BSE-99-3) is hereby approved on an accelerated basis.⁷

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41208; File No. SR-NASD-98-59]

Self-Regulatory Organizations; Order Approving Rule Change by the National Association of Securities Dealers, Inc. Relating to Trade Reporting

March 24, 1999.

I. Introduction

On August 10, 1998, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, the Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the trade reporting rules of the NASD to extend to market makers an exception to the reporting of riskless transactions in Nasdaq National Market, Nasdaq Smallcap, Nasdaq convertible debt, and non-Nasdaq OTC equity securities. The proposed rule change was published for comment in the **Federal Register** on September 4, 1998.³ This order approves the proposal.

⁶ 15 U.S.C. 78s(b)(2).

⁷ In approving the proposal, the Commission has considered the rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 40832 (August 28, 1998), 63 FR 47337.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).