

nuclear fuel for Waterford 3, or Entergy Louisiana makes these payments and receives reimbursement from River Fuel.

In accordance with the terms of the Orders, Entergy Louisiana consented to allow River Fuel to finance the acquisition of nuclear fuel through (i) borrowings by River Fuel under a Credit Agreement, dated as of January 31, 1989, with The Bank of New York ("Credit Agreement") and (ii) the issuance by River Fuel of secured notes under secured note agreements with certain institutional lenders.

The Credit Agreement permits River Fuel to issue and sell its commercial paper through an agent under a depositary agreement supported by an irrevocable direct-pay letter of credit issued under the Credit Agreement. Alternatively, River Fuel may make revolving credit borrowings evidenced by River Fuel's promissory notes.

The Credit Agreement requires River Fuel to pay a letter of credit fee of $\frac{5}{8}$ of 1% per annum on the average aggregate face amount of commercial paper outstanding during each quarter that Entergy Louisiana's senior debt is investment grade, and $1\frac{1}{8}$ % per annum on the average aggregate face amount of commercial paper outstanding during each quarter that Entergy Louisiana's senior debt is not investment grade. It is now proposed that these fees be increased to a maximum of 1% and $1\frac{7}{8}$ %, respectively.

In addition, each revolving credit borrowing under the original Credit Agreement bears interest: (a) In the case of base rate borrowings, at the prime rate in effect on the date of the borrowing ("Base Rate"), and (b) in the case of the London Interbank Offered Rate ("LIBOR") borrowings, at $\frac{3}{4}$ of 1% per annum in excess of LIBOR, provided that if the LIBOR option is unavailable because Entergy Louisiana's senior debtor rating falls below investment grade, borrowings would bear interest at the Base Rate plus 1%. It is now proposed that (a) Base Rate borrowings bear interest at a maximum rate equal to the higher of (i) the prime rate in effect on the date of the borrowing, and (ii) the sum of 1% per annum and the Federal Funds Rate in effect on the date of the borrowing, and (b) LIBOR borrowings bear interest at a maximum rate of 2% per annum above LIBOR.

The Lease prohibits River Fuel from amending the Credit Agreement or entering into any successor credit agreement without Entergy Louisiana's consent. Entergy Louisiana requests authority to consent to the execution by River Fuel of an amendment to the original Credit Agreement or a successor

credit agreement incorporating the revisions described above.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-25388 Filed 9-27-99; 9:50 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41892; File No. SR-Amex-99-20]

Self-Regulatory Organizations; American Stock Exchange LLC; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1, 2, 3 and 4 Relating to the Listing and Trading of Trust Issued Receipts

September 21, 1999.

1. Introduction

On May 28, 1999, the American Stock Exchange LLC ("Amex" or "Exchange") 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 establish listing standards for trust issued receipts, and to trade Internet Holding Company Depositary Receipts ("Internet HOLDRs"), a type of trust issued receipt.

The proposed rule change was published for comment in the **Federal Register** on July 9, 1999.³ No comments were received on the proposal. The proposal was amended on September 3, 13, 17 and 21, 1999.⁴ In this notice and order, the Commission is seeking comment from interested persons on the amendments, and is approving the proposed rule change, as amended,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 41593 (July 1, 1999), 64 FR 37178.

⁴ See letters from Scott G. Van Hatten, Counsel, Derivative Securities, Amex to Richard Strasser, Assistant Director, Division of Market Regulation ("Division"), SEC, dated September 2, 10, 16 and 21, 1999 ("Amendment Nos. 1, 2, 3 and 4," respectively). In Amendment No. 1, Amex revised the proposal to describe the listing and continued listing criteria in greater detail. The Amex also supplemented the Exchange listing suspension and removal criteria. In Amendment No. 2, Amex identified the companies comprising the Internet HOLDRs. In Amendment No. 3, Amex amended proposed Amex Rule 1201 to more accurately reflect the proposal. In Amendment No. 4, Amex clarified certain prospectus delivery requirements related to trust issued receipts.

including accelerated approval of the amendments.

II. Description of the Proposal

The Amex proposes: (1) To add new Rules 1200 *et seq.* to accommodate the trading of trust issued receipts that are intended to provide investors with a flexible, cost-effective way of purchasing, holding and transferring the securities of one or more specified companies, generally; and (2) to list particular trust issued receipts representing a selection of companies in the Internet industry, that are issued by the Internet HOLDRs Trust. The language of the proposal, as amended, follows. New text is *italicized*.

* * * * *

TRUST ISSUED RECEIPTS

Rule 1200

(a) *Applicability.* The Rules in this Chapter (*Trading of Trust Issued Receipts*) are applicable only to Trust Issued Receipts. Except to the extent that specific Rules in this Chapter govern, or unless the context otherwise requires, the provisions of the Constitution and all other rules and policies of the Board of Governors shall be applicable to the trading on the Exchange of such securities. Pursuant to the provisions of Article 1, Section 3(i) of the Constitution, Trust Issued Receipts are included within the definition of "security" or "securities" as such terms are used in the Constitution and Rules of the Exchange.

(b) *Definitions.* The following terms as used in the Rules shall, unless the context otherwise requires, have the meanings herein specified:

Trust Issued Receipts. The term "Trust Issued Receipt" means a security (a) that is issued by a trust ("Trust") which holds specified securities deposited with the Trust; (b) that, when aggregated in some specified minimum number, may be surrendered to the trust by the beneficial owner to receive the securities; and (c) that pays beneficial owners dividends and other distributions on the deposited securities, if any are declared and paid to the trustee by an issuer of the deposited securities.

Commentary

.01 The Exchange requires that members and member organizations provide to all purchasers of newly issued Trust Issued Receipts a prospectus for the series of Trust Issued Receipts.

.02 Transactions in Trust Issued Receipts may be effected until 4:00 pm each business day.

Designation

Rule 1201

The Exchange may list and trade Trust Issued Receipts based on one or more securities. The Trust Issued Receipts based on particular securities shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Trust Issued Receipts

shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the Exchange, or by such other person as shall have a proprietary interest in such Trust Issued Receipts.

Initial and Continued Listing

Rule 1202

Trust Issued Receipts will be listed and traded on the Exchange subject to application of the following criteria:

(a) **Initial Listing**—For each Trust, the Exchange will establish a minimum number of Trust Issued Receipts required to be outstanding at the time of commencement of trading on the Exchange.

(b) **Continued Listing**—Following the initial twelve month period following formation of a Trust and commencement of trading on the Exchange, the Exchange will consider the suspension of trading in or removal from listing of a Trust upon which a series of Trust Issued Receipts is based under any of the following circumstances:

(i) if the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;

(ii) if the Trust has fewer than 50,000 receipts issued and outstanding;

(iii) if the market value of all receipts issued and outstanding is less than \$1,000,000; or

(iv) if such other event shall occur or condition exists in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of a Trust, the Exchange requires that Trust Issued Receipts issued in connection with such Trust be removed from Exchange listing. A Trust may terminate in accordance with the provision of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(c) **Term**—The stated term of the Trust shall be as stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(d) **Trustee**—The requirements of paragraph (a) of Section #811 of the Exchange Company Guide apply.

(e) **Voting**—Voting rights shall be as set forth in the Trust prospectus.

Specialist Transactions with Public Customers

Rule 190

(a)–(e) No change.

Commentary

.01–.04 No change.

Nothing in paragraph (a) of this rule should be construed to restrict a specialist registered in a security issued by a trust, listed pursuant to Rules 1200 et seq., from purchasing and canceling the listed security or securities included in the portfolio held by the trust that can be deposited with the trust in connection with the issuance of the listed security, from the issuer as appropriate to facilitate the maintenance of a fair and orderly market in the subject security.

A. Description

Trust issued receipts are negotiable receipts which are issued by a trust representing securities of issuers that have been deposited and are held on behalf of the holders of the trust issued receipts. Trust issued receipts are designed to allow investors to hold securities investments from a variety of companies throughout a particular industry in a single, exchange-listed and trade instrument that represents their beneficial ownership in the deposited securities. Holders of trust issued receipts maintain beneficial ownership of each of the deposited securities evidenced by trust issued receipts. Holders may cancel their trust issued receipts at any time to receive the deposited securities.

Beneficial owners of the receipts will have the same rights, privileges and obligations as they would have if they beneficially owned the deposited securities outside of the trust issued receipt program. Holders of the receipts have the right to instruct the trustee to vote the deposited securities evidenced by the receipts, will receive reports, proxies and other information distributed by the issuers of the deposited securities to their security holders, and will receive dividends and other distributions declared and paid by the issuers of the deposited securities to the trustee.

Trust issued receipts are not leveraged instruments, and therefore do not possess any of the attributes of stock index options. The Exchange believes that the level of risk involved in the purchase and sale of trust issued receipts is almost identical to the risk involved in the purchase or sale of the common stocks represented by the receipt. Although the Exchange anticipates listing trust issued receipts on one or more groups of securities other than those described herein, it notes that it will be required to submit a proposal, pursuant to Section 19(b) of the Act, before either listing trust issued receipts on a new group of securities or listing options on the trust issued receipts described in this proposal.

B. Creation of the Trust

Trust issued receipts will be issued by a trust created pursuant to a depositary trust agreement. After the initial offering, the trust may issue additional receipts on a continuous basis agreement. After the initial offering, the trust may issue additional receipts on a continuous basis when an investor deposits the requisite securities with the trust. An investor in trust issued receipts will be permitted to withdraw his or her deposited securities upon delivery to the trustee of one or more round-lots of 100 trust issued receipts and to deposit such securities to receive trust issued receipts.

The Internet HOLDRs will be issued by the Internet HOLDRs Trust, which was created pursuant to a depositary trust agreement dated September 2, 1999, among The Bank of New York, as trustee, Merrill Lynch Pierce Fenner & Smith Incorporated, other depositors and the owners of the Internet HOLDRs. The Exchange anticipates that 150,000 trust issued receipts will be issued in connection with the initial distribution of the Internet HOLDRs.

The deposited securities underlying the Internet HOLDRs are:

Name of company	Symbol	Share amounts	Initial weighting (percent)	Primary trading market
America Online	AOL	21	19.60	NYSE.
Yahoo Inc.	YHOO	13	19.60	NASDAQ.
Amazon.com Inc.	AMZN	18	11.44	NASDAQ.
EBay Inc.	EBAY	6	7.70	NASDAQ.
At Home Corp.	ATHM	17	6.97	NASDAQ.
Priceline.Com.Inc	PCLN	7	4.87	NASDAQ.
CMGI Inc.	CMGI	5	4.29	NASDAQ.
Inktomi Corporation	INKT	3	3.48	NASDAQ.
RealNetworks, Inc.	RNWK	4	3.34	NASDAQ.
Exodus Corporation, Inc.	EXDS	4	3.29	NASDAQ.
E*TRADE Group Inc.	EGRP	12	3.07	NASDAQ.
Double Click Inc.	DCLK	2	2.04	NASDAQ.

Name of company	Symbol	Share amounts	Initial weighting (percent)	Primary trading market
Ameritrade Holding Corp.	AMTD	9	1.87	NASDAQ.
Lycos Inc.	LCOS	4	1.66	NASDAQ.
CNET, Inc.	CNET	4	1.54	NASDAQ.
PSINet Inc.	PSIX	3	1.47	NASDAQ.
Network Associates, Inc.	NETA	7	1.21	NASDAQ.
Earthlink Network, Inc.	ELNK	2	1.00	NASDAQ.
MindSpring Enterprises, Inc.	MSPG	3	0.90	NASDAQ.
Go2Net, Inc.	GNET	1	0.66	NASDAQ.

C. The Trust Issued Receipts Portfolio

The companies represented by the securities in the portfolio underlying the trust issued receipts must meet the following minimum criteria:

(1) The companies' common stock must be registered under Section 12 of the Exchange Act.

(2) The minimum public float of each company included in the portfolio must be at least \$150 million.

(3) Each security must either be listed on a national securities exchange or be traded through the facilities of Nasdaq and be a reported national market system security.

(4) The average daily trading volume for each security must be at least 100,000 shares during the preceding sixty-day trading period.

(5) The average daily dollar value of the shares traded during the preceding sixty-day trading period must be at least \$1 million.

The initial weighting of each security in the portfolio will be based on its market capitalization, however, if on the date such weighting is determined, a security would represent more than 20% of the overall value of the receipt, then the amount of such security will be reduced to no more than 20% of the receipt value. Once initially set, the securities represented by a receipt will not change, except in accordance with the reconstitution events described below.

Each of the companies whose common stock is included in the portfolio of the Internet HOLDERS Trust also meet the following criteria:

(1) The market capitalization for each company is equal to or greater than \$1 billion.

(2) The average daily trading volume for each security was at least 1.2 million shares during the sixty-day trading period prior to August 31, 1999.

(3) The average daily dollar value of the shares traded during the sixty-day trading period prior to August 31, 1999 was at least \$60 million.

(4) Each company was traded on a national securities exchange or Nasdaq/NM for at least ninety days prior to August 31, 1999.

D. Trading of Trust Issued Receipts

A round-lot of 100 trust issued receipts represents a holder's individual and undivided beneficial ownership interest in the whole number of securities represented by the receipt. The amount of deposited securities for each round-lot of 100 trust issued receipts will be determined at the beginning of the marketing period and will be disclosed in the prospectus to investors. Trust issued receipts may be acquired, held or transferred only in round-lot amounts (or round-lot multiples) of 100 receipts. Orders for less than a round-lot will be rejected, while orders for greater than a round-lot, but not a round-lot multiple will be executed to the extent of the largest round lot multiple, rejecting the remaining odd-lot (e.g., an order for 50 trust issued receipts will be rejected, while for an order for 1050 trust issued receipts, 1000 will be executed and 50 will be rejected). The initial offering price for a trust issued receipt will be established on the date the receipts are priced for sale to the public.

Trust issued receipts will be deemed "Eligible Securities," as defined in Amex rule 230, for purposes of the Intermarket Trading System Plan and therefore will be subject to the trade through provisions of Amex Rule 236 which require that Amex members avoid initiating trade-throughs for ITS securities. Further, specialist transactions with the trust issued receipts' trust made in connection with the creation and redemption of trust issued receipts will not be subject to the prohibitions of Amex rule 190, which prohibits, among other things, any business transaction between a specialist and the company in which stock the specialists is registered. Finally, application for an exemption from the short sale rule, Rule 10a-1 under the Act,⁵ has been made for trust issued receipts and is currently pending with the Commission.

Trust issued receipts will trade in minimum fractional increments

pursuant to Amex rule 127. Application of Amex rule 127 will result in a minimum fractional change of $\frac{1}{16}$ th of \$1.00 for those trust issued receipts selling at or above \$0.25 and $\frac{1}{32}$ nd of \$1.00 for those selling below \$0.25.

The Exchange believes that trust issued receipts will not trade at a material discount or premium to the assets held by the issuing trust. The exchange represents that the arbitrage process—which provides the opportunity to profit from differences in prices of the same or similar securities (e.g., the trust issued receipts and the portfolio of deposited securities), increases the efficiency of the markets and serves to prevent potentially manipulative efforts should promote correlative pricing between the trust issued receipts and the deposited securities. If the price of the trust issued receipt deviates enough from the portfolio of deposited securities to create a material discount or premium, an arbitrage opportunity is created allowing the arbitrageur to either buy the trust issued receipt at a discount, immediately cancel them in exchange for the deposited securities and sell the shares in the cash market at a profit, or sell the trust issued receipts short at a premium and buy the securities represented by the receipts to deposit in exchange for the trust issued receipts to deliver against the short position. In both instances, the arbitrageur locks in a profit and the markets move back into line.

E. Maintenance of the Trust Issued Receipts Portfolio

Except when a reconstitution event occurs, as described below, the securities represented by a trust issued receipt will not change. Notwithstanding, the static nature of the portfolio, the number of each security represented in a receipt may change due to certain corporate events such as stock splits or reverse stock splits on the deposited securities or when a reconstitution event occurs. In addition, the relative weightings among the deposited securities will change based

⁵ 17 CFR 240.10a-1.

on the current market price of the deposited securities and upon the reconstitution events discussed below. Under no circumstances will a new security be added to the list of securities after a particular receipt program is established, nor will weightings of component securities be adjusted after they are initially set. If the portfolio of securities underlying the trust issued receipts drops to fewer than nine, Amex will consult with the Commission to confirm the appropriateness of continued listing of such trust issued receipts.

F. Reconstitution Events

The trust agreement provides for the automatic distribution of specified deposited securities in the trust's portfolio to the beneficial owner of such receipts in the circumstances referred to in the prospectus as "reconstitution events." The reconstitution events occur under the following circumstances:

(1) If the deposited securities of a company evidenced by a trust issued receipt no longer has a class of common stock registered under Section 12 of the Act, then those securities will no longer be considered deposited securities and the trustee will distribute the securities of that company to the owners of the trust receipts;

(2) If the Commission finds that a company with deposited securities evidenced by the trust issued receipts is a company that should be registered as an investment company under the Investment Company Act of 1940, and the trustee has actual knowledge of the Commission's finding, then the trustee will distribute the securities of that company of the owners of the trust issued receipts.

(3) If the deposited securities of a company evidenced by a trust issued receipt are no longer outstanding because the securities were acquired by another company, the trustee will distribute the consideration paid by and received from the acquiring company to the beneficial owners of trust issued receipts, unless the consideration is additional deposited securities (*i.e.*, the acquiring company's securities are already included in the trust issued receipt as deposited securities), in which case such additional securities will be deposited into the trust; and

(4) If an underlying issuer's deposited securities are delisted from trading on their primary exchange or market and are not listed for trading on another national securities exchange or through Nasdaq within five business days from

the date the deposited securities are delisted.⁶

If the trustee removes a deposited security from the trust due to the occurrence of one of the reconstitution events described above, the trustee, in accordance with the depositary trust agreement, will deliver the deposited security to the investor as promptly as practicable after the date that the trustee has knowledge of the occurrence of a reconstitution event.

G. Issuance and Cancellation of Trust Issued Receipts

The trust will issue and cancel, and an investor may obtain, hold, trade or surrender, receipts only in a round-lot of 100 trust issued receipts and round-lot multiples. While investors will be able to acquire, hold, transfer and surrender a round-lot of 100 trust issued receipts, the bid and asked prices will be quoted on a per receipt basis.⁷ The trust will issue additional receipts on a continuous basis when an investor deposits the required securities with the trust.

A holder may obtain trust issued receipts by either purchasing them on the Exchange or by delivering to the trust during its normal business hours the requisite securities evidencing a round-lot of trust issued receipts. The trustee will charge an issuance fee of up to \$10.00 per 100 trust issued receipts. If a holder wants to cancel trust issued receipts and withdraw the deposited securities the holder may do so by surrendering the receipts to the trust during normal business hours. The trustee will charge a cancellation fee of up to \$10.00 per 100 trust issued receipts. Lower charges may be assigned for bulk issuances and cancellations. The holder will receive the deposited securities no later than the business day after the trustee receives the request.

H. Termination of the Trust

The trust shall terminate upon the earlier of: (i) The removal of the receipts from Amex listing if they are not listed for trading on another national securities exchange or through the facilities of Nasdaq within five business days from the date the receipts are

⁶This provision is designed for the purpose of permitting a deposited security to move its listing between, *e.g.*, the Amex and Nasdaq without requiring the automatic distribution of the deposited security to beneficial owners of the receipts. Should deposited securities be moved to a market other than a national securities exchange or Nasdaq, (*e.g.*, the OTC Bulletin Board) such securities will be automatically distributed to the beneficial owners of the receipts.

⁷The per receipt amount will be disseminated by the Amex every 15 seconds over the Consolidated Tape Association's Network B.

delisted; (ii) the trustee resigns and no successor trustee is appointed within sixty days from the date the trustee provides notice to the initial depositor of its intent to resign; (iii) seventy-five percent of beneficial owners of outstanding trust issued receipts vote to dissolve and liquidate the trust; or (iv) December 31, 2039. If a termination event occurs, the trustee will distribute the underlying securities to the beneficial owners as promptly as practicable after the termination event.

I. Criteria for Initial and Continued Listing

Because of the continuous issuance and cancellation of trust issued receipts, the Exchange believes it is necessary to maintain appropriate flexibility in connection with listing a specific trust. In connection with initial listing, the Exchange will establish a minimum number of receipts that must be outstanding at commencement of Exchange trading, and such minimum number will be included in any required submission under Rule 19b-4. The Exchange anticipates requiring a minimum of 150,000 outstanding receipts before trading can commence.

In connection with continued listing, and because the number of holders can be subject to substantial fluctuations depending on market conditions, the Exchange believes it would be inappropriate and burdensome on trust issued receipt holders if the Exchange considers suspending trading in or delisting a series of receipts with the consequent termination of the trust, unless the number of holders remains severely depressed over an extended time period. Therefore, the Exchange will consider suspending or delisting a trust from trading when, in its opinion, further dealing in such securities appears unwarranted under the following circumstances:

(a) If the trust has more than sixty days remaining until termination and there have been fewer than fifty record and/or beneficial holders of the trust issued receipts for the previous thirty or more consecutive trading days;

(b) If the aggregate number of trust issued receipts outstanding is less than 50,000;⁸

(c) If the aggregate market value of trust issued receipts publicly held is less than \$1 million;⁹ or

(d) If such other event occurs or condition exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

⁸ See *supra* note 4.

⁹ *Id.*

The Exchange will not, however, be required to suspend or delist from trading, based on the above factors, any trust issued receipts for a period of one year after the initial listing of such trust issued receipts for trading on the Exchange. In addition, if the number of companies represented by the deposited securities drops to less than nine, and such time thereafter the number of companies is reduced, the Exchange will consult with the Commission to confirm the appropriateness of continued listing of the trust issued receipts.

J. Exchange Rules Applicable to Trading of Trust Issued Receipts

Trust issued receipts will be deemed equity securities subject to all Amex rules governing the trading of equity securities, including, among others, rules governing priority, parity and precedence of orders, responsibilities of the specialist, account opening and customer suitability (Amex Rule 411) and the election, with the prior approval of a floor official, of a stop or limit order by a quotation (Amex Rule 154, Commentary .04(c)). Equity margin requirements of fifty percent and the regular equity trading hours of 9:30 a.m. to 4:00 p.m. will apply to transactions in trust issued receipts. However, trading rules pertaining to the availability of odd-lot trading in Amex equities will not apply to the trading of trust issued receipts, since they can only be traded in round-lots. Application for exemption from the short sale rule, Rule 10a-1 under the Act, has been made and is currently pending with the Commission. If granted, the Exchange will issue a notice to its members detailing the terms of the exemption. Amex's surveillance procedures for trust issued receipts will be similar to those used for portfolio depositary receipts and will incorporate and rely upon existing Amex surveillance procedures governing options and equities.

K. Disclosure

With respect to investor disclosure, the Exchange notes that all investors in trust issued receipts who purchase in the initial offering will receive a prospectus. In addition, anyone purchasing a trust issued receipt directly from the trust (by delivering the underlying securities to the trust) will also receive a prospectus. Finally, all Amex members purchasing trust issued receipts from the trust for resale to customers will deliver a prospectus to such customers.

Prior to the commencement of trading in trust issued receipts, the Exchange will issue a circular to members

highlighting the characteristics of purchases in trust issued receipts including that trust issued receipts are not individually redeemable. In addition, the circular will inform members of Exchange policies about trading halts in such securities. First, the circular will advise that trading will be halted in the event the market volatility trading halt parameters set forth in Amex Rule 117 have been reached. Second, the circular will advise that, in addition to other factors that may be relevant, the Exchange may consider factors such as the extent to which trading is not occurring in a deposited security(s) and whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

III. Discussion

A. Generally

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, with the requirements of Section 6(b)(5).¹⁰ Specifically, the Commission finds that the proposal to list and trade trust issued receipts will provide investors with a convenient and less expensive way of participating in the securities markets. The Exchange's proposal should advance the public interest by providing investors with increased flexibility in satisfying their investment needs by allowing them to purchase and sell a single security replicating the performance of a broad portfolio of stocks at negotiated prices throughout the business day. Accordingly, the Commission finds that the Exchange's proposal will facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.¹¹

The Commission believes that trust issued receipts will provide investors with an alternative to trading a broad range of securities on an individual basis, and will give investors the ability to trade trust issued receipts representing a portfolio of securities continuously throughout the business day in secondary market transactions at

negotiated prices. Trust issued receipts will allow investors to: (1) Respond quickly to changes in the overall securities markets generally and for the industry represented by a particular trust; (2) trade, at a price disseminated on a continuous basis, a single security representing a portfolio of securities that the investor owns beneficially; (3) engage in hedging strategies similar to those used by institutional investors; (4) reduce transaction costs for trading a portfolio of securities; and (5) retain beneficial ownership of the securities underlying the trust receipts.

Although trust issued receipts are not leveraged instruments, and, therefore, do not possess any of the attributes of stock index options, their prices will be derived and based upon the securities held in their respective trusts. Accordingly, the level of risk involved in the purchase or sale of trust issued receipts is similar to the risk involved in the purchase or sale of traditional common stock, with the exception that the pricing mechanism for trust issued receipts is based on a basket of securities.¹² Nevertheless, the Commission believes that the unique nature of trust issued receipts raises certain product design, disclosure, trading, and other issues that must be addressed.

B. Lasting and Trading of Trust Issued Receipts

The Commission finds that the Amex's proposal contains adequate rules and procedures to govern the trading of trust issued receipts. Trust issued receipts are equity securities that will be subject to the full panoply of Amex rules governing the trading of equity securities on the Amex, including, among others, rules governing the priority, parity and precedence of orders, responsibilities of the specialist, account opening and customer suitability requirements, and the election of a stop or limit order.¹³

In addition, the Amex has developed specific listing and delisting criteria for trust issued receipts that will help to ensure that a minimum level of liquidity will exist for trust issued receipts to allow for the maintenance of fair and orderly markets. The delisting criteria

¹² The Commission has concerns about continued listing of the trust issued receipts if the number of component securities falls to a level below nine securities, because the receipts may no longer adequately reflect a cross section of the selected industry. Accordingly, the Amex has agreed to consult the Commission, once the trust has fewer than nine component securities, and for each subsequent loss of a security thereafter.

¹³ Trading rules pertaining to the availability of odd-lot trading do not apply because trust issued receipts only can be traded in round-lots.

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

also allows the Amex to consider the suspension of trading and the delisting of a trust issued receipt if an event occurred that made further dealings in such securities inadvisable. This will give the Amex flexibility to delist trust issued receipts if circumstances warrant such action. Amex's proposal also provides procedures to halt trading in trust issued receipts in certain enumerated circumstances.

Moreover, in approving this proposal, the Commission notes the Exchange's belief that trust issued receipts will not trade at a material discount or premium in relation to the overall value of the trusts' assets because of potential arbitrage opportunities. The Exchange represents that the potential for arbitrage should keep the market price of a trust issued receipt comparable to the overall value of the deposited securities.

Furthermore, the Commission believes that the Exchange's proposal to trade trust issued receipts in minimum fractional increments of $\frac{1}{16}$ th of \$1.00 is consistent with the Act. The Commission believes that such trading should enhance market liquidity, and should promote more accurate pricing, tighter quotations, and reduced price fluctuations. The Commission also believes that such trading should allow customers to receive the best possible execution of their transactions in trust issued receipts.

Finally, the Amex has developed surveillance procedures for trust issued receipts that incorporate and rely upon existing Amex surveillance procedures governing equities. The Commission believes that these surveillance procedures are adequate to address concerns associated with listing and trading trust issued receipts, including any concerns associated with purchasing and redeeming round-lots of 100 receipts. Accordingly, the Commission believes that the rules governing the trading of trust issued receipts provide adequate safeguards to prevent manipulative acts and practices and to protect investors and the public interest.

C. Disclosure and Dissemination of Information

The Commission believes that the Exchange's proposal will ensure that investors have information that will allow them to be adequately apprised of the terms, characteristics, and risks of trading trust issued receipts. The prospectus will address the special characteristics of a particular trust issued receipt basket, including a statement regarding its redeemability and method of creation. The

Commission notes that all investors in trust issued receipts who purchase in the initial offering will receive a prospectus. In addition, anyone purchasing a trust issued receipt directly from the trust (by delivering the underlying securities to the trust) will also receive a prospectus. Finally, all Amex member firms who purchase trust issued receipts from the trust for resale to customers must deliver a prospectus to such customers.

The Commission also notes that upon the initial listing of any trust issued receipts, the Exchange will issue a circular to its members explaining the unique characteristics and risks of this type of security. The circular also will note the Exchange members' prospectus delivery requirements, and highlight the characteristics of purchases in trust issued receipts. The circular also will inform members of Exchange policies regarding trading halts in trust issued receipts.

D. Scope of the Commission's Order

The Commission is approving in general the Amex's proposed listing standards for trust issued receipts, and, specifically, the listing of the Internet HOLDERS described herein. The Commission specifically notes that, notwithstanding approval of the listing standards for trust issued receipts, other similarly structured products, including trust issued receipts based on other industries, will require review by the Commission prior to being traded on the Exchange. Additional series cannot be listed prior to contacting Division staff. In addition, the Amex may be required to submit a rule filing prior to trading a new issue or series on the Exchange.

E. Accelerated Approval

The Commission finds good cause for approving proposed Amendment Nos. 1, 2, 3 and 4 prior to the thirtieth day after the day after the date of publication of notice of filing in the **Federal Register**. Specifically, the amendments strengthen the proposed rule change by clarifying and expanding the explanations regarding the nature and composition of the trust issued receipts, the trading halt procedures, the applicable equity trading rules, the minimum fractional change, the potential for arbitrage opportunities, the disclosure requirements, the reconstitution events, the termination events and the continued listing criteria. Moreover, the Commission notes that the proposed rule change was noticed for the full statutory period and no comment letters were received. Finally, Amendment Nos. 1, 2, 3 and 4 do not raise any new regulatory issues.

Accordingly, the Commission finds that there is good cause, consistent with Section 6(b)(5) of the Act, to approve Amendment Nos. 1, 2, 3 and 4 to the proposal on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendments Nos. 1, 2, 3 and 4, including whether these amendments are 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-AMEX-99-20 and should be submitted by October 20, 1999.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-Amex-99-20), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-25281 Filed 9-28-99; 8:45 am]

BILLING CODE 8010-01-M

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).