which was its principal asset and which it carried at a value of approximately $86 million;

(c) Whether disclosure related to other transactions the Company has entered into, including disclosure and valuation of a reinsurance license, was complete and accurate; and

(d) Whether ownership interests and transactions in the common stock of the Company have been accurately disclosed.

In light of these concerns raised by the Amex, the Company has stated in its application to the Commission that it has determined it does not meet the requirements for continued listing on the Exchange. The Company has further stated in its application that it believes that these matters should be resolved by withdrawal of the Company’s Security from listing on the Exchange.

Section 1011 of the American Stock Exchange Company Guide states:

In appropriate circumstances, when the Exchange is considering delisting because a company no longer meets the requirements for continued listing, a company may, with the consent of the Exchange, file a delisting application, provided that it states in its application that it is no longer eligible for continued dealings on the Exchange.

The Exchange, by letter dated October 5, 1999, has advised the Company that, based on the provisions of Section 1011 quoted above, it has determined not to interpose an objection to the Company’s filing of an application with the Commission to withdraw the Security from listing and registration on the Exchange.

The Company has complied with Amex Rule 18 by filing with the Exchange a certified copy of the resolution approved by its Board of Directors, effective September 21, 1999, authorizing the withdrawal of the security from listing on the Amex.

Any interested person may, on or before November 10, 1999, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Jonathan G. Katz,
secretary.

[FR Doc. 99-27884 Filed 10-25-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42029]

Order Directing Options Exchanges To Submit an Inter-Market Linkage Plan Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934

October 19, 1999.

Notice is hereby given that pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934 (the “Act”), the Securities and Exchange Commission (“SEC” or “Commission”) orders the American Stock Exchange LLC (“AMEX”), the Chicago Board Options Exchange, Inc. (“CBOE”), the Pacific Exchange Inc. (“PCX”), and the Philadelphia Stock Exchange, Inc. (“PHLX”), as well as requests the International Securities Exchange (“ISE”) (collectively, the “Options Exchanges”), to act jointly in discussing, developing, and submitting for Commission approval an inter-market linkage plan for multiply-traded options (“Linkage Plan”). The Commission further directs the Options Exchanges to submit for Commission approval a Linkage Plan no later than 90 days after the issuance of this Order.

I. Background

In 1975, Congress directed the Commission to oversee the development of a national market system.1 At the time, the trading of standardized options was relatively new.2 As a result, the Commission deferred applying to the options markets many of the national market system initiatives that applied to the equity markets to give options trading an opportunity to develop. Nevertheless, since the establishment of the options exchanges, the Commission has repeatedly called for market integration facilities for the options markets.3 In 1980, the Commission ended a voluntary moratorium on expansion of the standardized options markets. The Commission deferred the general expansion of multiple trading to afford the options exchanges “an opportunity to consider whether, and to what extent, the development of market integration facilities would minimize concerns regarding market fragmentation and maximize competitive opportunities in the options markets.”4

In 1989, the Commission adopted Exchange Act Rule 19c-5, which generally prohibits any exchange from adopting rules limiting its ability to list any stock option class because that option class is listed on another exchange.5 In proposing Rule 19c-5, the Commission acknowledged that market

1 Section 11A(a)(3)(B) authorizes the Commission, in furtherance of its statutory directive, to facilitate the establishment of a national market system, by rule or order, “to authorize or require self-regulatory organizations to act jointly with respect to matters as to which they share authority under [the Act] in planning, developing, operating, or regulating a national market system (or a subsystem thereof) or one or more facilities thereof.”

2 The ISE has filed an application with the Commission to register as a national securities exchange. See Securities Exchange Act Release No. 41439 (May 24, 1999) 64 FR 29367 (June 1, 1999).


4 The trading of standardized options on securities exchanges began in 1973, with the establishment of a national market system, by rule or order, “to authorize or require self-regulatory organizations to act jointly with respect to matters as to which they share authority under [the Act] in planning, developing, operating, or regulating a national market system (or a subsystem thereof) or one or more facilities thereof.”


6 The trading of standardized options on securities exchanges began in 1973, with the establishment of a national market system, by rule or order, “to authorize or require self-regulatory organizations to act jointly with respect to matters as to which they share authority under [the Act] in planning, developing, operating, or regulating a national market system (or a subsystem thereof) or one or more facilities thereof.”


11 In 1997, the Commission had requested that the options exchanges refrain from listing any options classes beyond those already listed as of July 15, 1997, because of concerns over the rapid growth in listed options trading and possible trading and sales practice abuses.
integration facilities were unlikely to be built voluntarily if they were a prerequisite to multiple trading. In 1990, then Chairman Breeden requested that the options exchanges develop an inter-market linkage plan. The exchanges submitted proposals for the development of a linkage. However, unlike the equity markets, the options exchanges never adopted an inter-market linkage plan.

Recent increases in the multiple listing of options previously listed on a single exchange have heightened the need for an inter-market linkage. The registered options exchanges have been given ample opportunity to create a linkage but have not done so in the absence of a Commission directive. Ultimately, the Commission has concluded that the options markets have developed sufficiently to make market integration not only possible but also critical to promoting vigorous competition among the option exchanges. Therefore, the Commission is now directing the Options Exchanges to develop an acceptable Linkage Plan to be submitted to the Commission for its consideration.

II. Discussion

Section 11A(a)(2) of the Act directs the Commission, having due regard for the public interest, the protection of investors, and the maintenance of fair and orderly markets, to use its authority under the Act to facilitate the establishment of a national market system for securities. In exercising its authority to facilitate the establishment of a national market system, the Commission must protect the public interest in maintaining fair and orderly markets in the face of new technology and other significant market developments. As part of this authority, Congress gave the Commission the ability to authorize or require by order the self-regulatory organizations "to act jointly * * * in planning * * * operating, or regulating a national market system." This authority is intended, among other things, to enable the Commission to require joint activity that otherwise might be asserted to have a negative impact on competition, where the activity serves the public interest and the interests of investors.

The Commission believes that establishing a linkage among options markets will benefit investors by increasing competition among markets (and market participants) to provide the best execution of customer orders. The Commission considers ensuring competition among options market and the best execution of customer options orders to be in the public interest and for the benefit of investors. The Commission further believes that an inter-market linkage is essential to achieving these goals. In the absence of a linkage, which includes a prohibition against trade-throughs, the likelihood of inter-market trade-throughs increases. As a result, there is a risk that investors will not receive the best price available. This concern is heightened given the recent increase in multiple listing of the most active options.

The Commission finds that the public interest in maintaining fair and orderly markets is furthered by requiring the Options Exchanges to work jointly in discussing, developing, and implementing a Linkage Plan. Accordingly, the Commission has determined to order the Options Exchanges to cooperate with each other and to conduct joint discussions and to take such joint action as is necessary to develop and single Linkage Plan to permit the efficient transmission of orders among the various Options Exchanges on a nondiscriminatory basis. The Commission believes that a linkage of all the Options Exchanges that permits orders to be transmitted between Options Exchanges on a nondiscriminatory basis is necessary to increase the opportunities for brokers to secure the best execution of their customers' orders, to ensure effective competition among the Options Exchanges, and to further facilitate the establishment of a national market system as directed by Congress in Section 11A of the Act.

The Commission further believes that it is in the best interest of the Options Exchanges to develop and implement a Linkage Plan, which can be integrated with the Options Exchanges' existing technology at the lowest possible cost, that is acceptable to all of the Options Exchanges. As a result, the Commission is not mandating the details of a linkage at this time. At the same time, however, the Commission believes that to operate effectively any Linkage Plan submitted by the Options Exchanges for approval by the Commission must contain the following elements:

- **Uniform Trade-Through Rules**: Uniform trade-through rules are a necessary part of a national market system. Trade-through rules should generally prohibit a trade from being executed on one options market in a multiply-listed option at a price inferior to the price quoted on another options market. The absence of clear trade-through rules removes one incentive that firms would otherwise have to seek out better prices at away markets. In addition, as part of the implementation of uniform trade-through rules, the Options Exchanges should submit to the Commission proposed rule changes repealing existing trade-or-fade rules that become unnecessary with the adoption of trade-through rules.

- **Expansion of Public Customer Definition**: The Commission believes that the firm quote requirement of the four currently-registered options exchanges should be expanded to include agency orders presented by competing exchanges. Therefore, an agency order received by one exchange that is routed to another exchange displaying the best bid or offer would receive the same protection as customer orders that originate at the exchange showing the best bid or offer.

Although the Commission is not mandating that the Options Exchanges include a uniform firm quote rule requirement as part of the Linkage Plan, the Commission anticipates that the Options Exchanges will address this issue in the proposal they submit to the Commission for approval. The Commission also anticipates that the options Exchanges will address the issue of fees charged by exchanges that receive orders through the proposed linkage.

It is hereby ordered, pursuant to Section 11A(a)(3)(B) of the Act, that the AMEX, CBOE, PCX, and PHLX act jointly with ISE in discussing.

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9 See Letter from Chairman Breeden to the Registered Options Exchanges dated January 9, 1990.
SECURITIES AND EXCHANGE COMMISSION

[Release No. 34±42034; File No. SR±BSE±99±14]

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Boston Stock Exchange, Inc. Amending its Revenue Sharing Program

October 19, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") 1 and rule 19b±4 thereunder, 2 notice is hereby given that on September 30, 1999, the Boston Stock Exchange, Inc. ("BSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the BSE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its Transaction Fee Schedule to revise the monthly transaction related revenue the BSE must generate before it shares excess revenue with eligible member firms.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with Commission, the BSE 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 BSE has prepared summaries, set forth in Section 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 the Revenue Sharing Program highlighted on the BSE's Transaction Fee Schedule. Currently, the minimum amount of monthly transaction related revenue that the BSE must generate before it shares excess revenue with eligible member firms is $3,100,000. 3 The BSE proposes to revise this amount to $1,400,000 to meet the budgeted costs of operating the Exchange in the upcoming fiscal year.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act, 4 in general, and furthers the objectives of Section 6(b)(4), 5 in particular, that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members. 6

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

The Exchange does not believe that the proposed rule change will impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has not solicited or received comments on the proposed rule change.

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

The proposed rule change establishes or changes a due, fee, or other charge imposed by the BSE and, therefore, has become effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act 7 and Rule 19b±4(f)(2) 8 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. 9

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549±0609. Copies of the 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 the filing will also be available for inspection and copying at the principal office of the BSE. All submissions should refer to the File No. SR±BSE±99±14 and should be submitted by November 16, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. 10

Margaret H. McFarland,
Deputy Secretary.

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9 In reviewing this rule change, the Commission has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. 15 U.S.C. 78c(f).

Although Commission staff may be consulted in discussing the proposed linkage plan, staff presence at joint discussions is not required by this Order. In issuing this Order, the Commission does not address: (a) any joint or other conduct that occurred prior to the issuance of this Order, and (b) any joint or other conduct occurring after the date of this Order which is not ordered or requested by this Order.