

hours per response resulting from creating and filing the information required by the form. The total burden hours for Form N-54A would be 1.5 hours per year in the aggregate. The estimated annual burden of 1.5 hours represents a decrease of 0.5 hours over the prior estimate of 2 hours. The decrease in burden hours is attributable to a decrease in the number of respondents from 4 to 3.

*Form N-54C Under the Investment Company Act of 1940, Notification of Withdrawal of Election To Be Subject to Sections 55 Through 65 of the Investment Company Act of 1940 Filed Pursuant to Section 54(c) of the Investment Company Act of 1940*

Form N-54C [17 CFR 274.54] is a notification to the Commission that a company withdraws its election to be regulated as a business development company. Such a company only has to file a Form N-54C once.

It is estimated that approximately 12 respondents per year file with the Commission a Form N-54C. Form N-54C requires approximately 1 burden hour per response resulting from creating and filing the information required by the form. The total burden hours for Form N-54C would be 12 hours per year in the aggregate. The estimated annual burden of 12 hours represents an increase of 11 hours over the prior estimate of 1 hour. The increase in burden hours is attributable to an increase in the number of respondents from 1 to 12.

*Form N-6F Under the Investment Company Act of 1940, Notice of Intent to Elect To Be Subject to Sections 55 through 65 of the Investment Company Act of 1940*

Certain companies may have to make a filing with the Commission before they are ready to elect on Form N-54A to be regulated as a business development company.<sup>1</sup> A company that is excluded from the definition of "investment company" by Section 3(c)(1) of the Investment Company Act of 1940 because it has fewer than one hundred shareholders and is not making a public offering of its securities may lose such an exclusion solely because it proposes to make a public offering of securities as a business development company. Such a company, under certain conditions, would not lose its exclusion if it notifies the Commission on Form N-6F [17 CFR 274.15] of its

intent to make an election to be regulated as a business development company. The company only has to file a Form N-6F once.

It is estimated that approximately 3 respondents per year file with the Commission a Form N-6F. Form N-6F requires approximately 0.5 burden hours per response resulting from creating and filing the information required by the form. The total burden hours for Form N-6F would be 1.5 hours per year in the aggregate. The estimated annual burden of 1.5 hours represents a decrease of 0.5 hours over the prior estimate of 2 hours. The decrease in burden hours is attributable to a decrease in the number of respondents from 4 to 3.

The estimates of average burden hours for Forms N-54A, N54-C and N-64F are made solely for the purposes of the Act and are not derived from a comprehensive or even representative survey or study of the costs of Commission rules and forms.

Written comments are invited on: (a) whether the proposed collections of information are necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the collections of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collections of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549.

Dated: January 6, 2000.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-779 Filed 1-12-00; 8:45 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42313; File No. SR-CHX-99-19]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange Regarding Minimum Term of Equity-Linked Debt Securities

January 4, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 24, 1999, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change. The Exchange submitted Amendment No. 1 to its proposal on October 19, 1999<sup>3</sup> and Amendment No. 2 on December 30, 1999.<sup>4</sup> The proposed rule change, as amended, is described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as constituting a "non-controversial" rule change under subparagraph (f)(6) of Rule 19b-4 under the Act<sup>5</sup> which renders the proposal effective upon receipt of this filing by the Commission.<sup>6</sup> The Commission is

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1 the Exchange requested accelerated approval of the proposed rule change pursuant to Section 19(b)(2) of the Act. Letter from Kathleen M. Boege, Associate General Counsel, Exchange, to Katherine A. England, Assistant Director, Division of Market Regulation ("Division"), Commission, dated October 19, 1999 ("Amendment No. 1").

<sup>4</sup> In Amendment No. 2, the Exchange requested accelerated approval of the proposed rule change pursuant to Section 19(b)(3)(A)(i) of the Act and subparagraph (f)(6) of Rule 19b-4; confirmed that it has surveillance procedures in place to identify and deter manipulative trading activity of ELDS; and represented that it would notify the Commission in advance if the Exchange intended to list equity-linked debt securities of a non-U.S. company issuer and the issue has a term of more than three years. The Exchange also noted that the proposed rule change is identical to rule changes recently approved by the Commission for the New York Stock Exchange ("NYSE") and the American Stock Exchange ("AMEX"). Finally, the Exchange clarified that the proposed rule not only reduces the minimum term of ELDS, but also eliminates the maximum term of ELDS. Letter from Kathleen M. Boege, Associate General Counsel, Exchange, to Katherine A. England, Division, Commission, dated December 30, 1999 ("Amendment No. 2"). Because Amendment No. 2 is substantive, the Commission will consider the date Amendment No. 2 was filed on the filing date for the proposed rule change under Section 19(b)(3)(A) of the Act.

<sup>5</sup> 17 CFR 240.19b-4(f)(6).

<sup>6</sup> As required by 17 CFR 240.19b-4(f)(6), the Exchange has represented that the proposed rule

<sup>1</sup> A company might not be prepared to elect to be subject to sections 55 through 65 of the Investment Company Act of 1940 because its capital structure or management compensation plan is not yet in compliance with the requirements of those sections.

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 Article XXVIII, Rule 26 of the Exchange's rules to reduce the minimum term of equity-linked debt securities ("ELDS"), whether based on a domestic or foreign issuer, to one year, and eliminate the maximum term of an ELDS. The text of the proposed rule change is available at the Exchange and at the Commission.

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

In its filing with the Commission, the Exchange included statement 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**

On November 30, 1998, the Commission approved listing standards for ELDS trading on the Exchange.<sup>7</sup> ELDS are non-convertible debt of an issuer, the value of which is based, at least in part, on the value of another issuer's common stock or non-convertible preferred stock. Article XXVIII, Rule 26 of the Exchange's rules details the listing standards for ELDS. Among other requirements, these

change will not significantly affect the protection of investors or the public interest, nor will it impose any significant burden on competition. The Exchange also fulfilled its obligation to provide at least five business days notice to the Commission of its intent to file this proposed rule change because this proposal was initially filed on September 24, 1999. Therefore, the Commission finds that it is consistent with the protection of investors and the public interest to grant immediate effectiveness to this proposed rule change. Further, given the similarity of this rule filing to rules amending the minimum term of equity-linked debt securities recently approved by the Commission for the NYSE and the AMEX, the Commission is exercising its authority under 17 CFR 240.19b-4(f)(6) to declare this rule immediately effective.

<sup>7</sup> Securities Exchange Act Release No. 40730 (November 30, 1998), 63 FR 67958 (December 9, 1998).

standards currently require that ELDS have a term of two to seven years, but no more than three years, if the issuer is a non-U.S. company. The Exchange initially adopted this term minimum (which is substantially longer than the one-year minimum generally established for other derivative securities) as a conservative measure to help ensure that the trading of ELDS did not have an adverse effect on the liquidity of the underlying stock and were not used in a manipulative manner.<sup>8</sup>

Since the Exchange began listing ELDS for trading, the possible adverse effects set forth above not manifested themselves. In fact, the Exchange believes that ELDS complement the trading of the underlying stocks and the continued popularity of ELDS amply demonstrates their appeal in the market. The Exchange has in place surveillance procedures covering ELDS and the securities linked to ELDS for the purposes of identifying and deterring manipulative trading activity, and the Exchange has represented that it will notify the Commission in advance if the Exchange intends to list equity-linked debt securities of a non-U.S. company issuer and the issue has a term of more than three years.<sup>9</sup> Finally, the Exchange notes that the Commission recently approved rules for both the NYSE and AMEX that reduces the minimum term for their equity-linked debt instruments to one year.<sup>10</sup> Accordingly, the Exchange believes that it is appropriate to relax the more stringent term requirements set forth in Article XXVIII, Rule 26 of the Exchange's rules by reducing the minimum ELDS term to one year and eliminating the maximum term limit of ELDS.

##### **2. Statutory Basis**

The Exchange represents that the proposed rule change is consistent with Section 6(b)<sup>11</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>12</sup> in particular in that, by reducing the minimum term of ELDS, impediments to the mechanism of a free

<sup>8</sup> The AMEX and the NYSE initially adopted similar term limits for equity-linked debt securities listed on their exchanges. Securities Exchange Act Release No. 32343 (May 20, 1993), 58 FR 30833 (May 27, 1993) (File No. SR-AMEX-92-42) for the AMEX; Securities Exchange Act Release No. 33468 (January 13, 1994), 59 FR 3387 (January 21, 1994) (File No. SR-NYSE-93-39) for the NYSE.

<sup>9</sup> Amendment No. 2, *supra* note 4.

<sup>10</sup> Securities Exchange Act Release No. 41992 (October 7, 1999), 64 FR 56007 (October 15, 1999) (No. SR-NYSE-99-22) for the NYSE; Securities Exchange Act Release No. 42110 (November 5, 1999), 64 FR 61677 (November 11, 1999) (File No. SR-AMEX-99-33) for the AMEX.

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

and open market and a national market system will be removed, and investors and the public interest will be protected.<sup>13</sup>

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

This proposed rule filing has been filed by the Exchange as a "non-controversial" rule change pursuant to Section 19(b)(3)(A)(i) of the Act<sup>14</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>15</sup> The foregoing proposed rule change does not significantly affect the protection of investors or the public interest, nor does it impose any significant burden on competition. The Exchange also provided the Commission with written notice of its intent to file the proposed rule change at least five days prior to the filing date, as statutorily required.

Pursuant to subparagraph (f)(6) of Rule 19b-4,<sup>16</sup> the Commission has the authority to shorten the time period for the effectiveness of a rule "if consistent with the protection of investors and the public interest." In this case, shortening the time period for effectiveness from 30 days after the date of filing<sup>17</sup> to immediate effectiveness is consistent with the protection of investors and the public interest because approval of this proposed rule conforms the listing criteria for equity-linked debt instruments among the Exchange, AMEX, and the NYSE.

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,

<sup>13</sup> In reviewing this proposal, the Commission has considered its impact on efficiency competition, and capital formation. 15 U.S.C. 78c(f).

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>15</sup> 17 CFR. 240.19b-4(f)(6).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

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 the proposed rule change is consistent with the Act. Persons making written submissions should file 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 also will be available for inspection and copying at the principal office of the Chicago Stock Exchange, Incorporated. All submissions should refer to File No. SR-CHX-99-19 and should be submitted by February 3, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>18</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-781 Filed 1-12-00; 8:45 am]

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42310; File No. SR-NASD-99-6]

#### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Implementation of Mandatory Trade Reporting for PORTAL Securities

January 3, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 28, 1999,<sup>3</sup> the National Association of

Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by the NASD. 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 NASD is proposing to amend the rules of The PORTAL Market in the Rule 5300 Series to implement reporting of transactions in certain PORTAL securities. Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

\* \* \* \* \*

#### 5300. THE PORTAL MARKET

##### 5310. Definitions

For purposes of the PORTAL Market Rules, unless the context requires otherwise:

(a) "Association" means the National Association of Securities Dealers, Inc. (Association) or its wholly-owned subsidiary, The Nasdaq Stock Market, Inc., as determined by the Association.

(b) "Exchange Act" or "Act" means the Securities Exchange Act of 1934, as amended from time to time.

(c) "Execution" means entering into a purchase, sale or transfer of a PORTAL security.]

[(d)] (c) "PORTAL" or "PORTAL Market" means the Association's market for designated foreign and domestic securities [through an automated quotation and communications system that facilitates private offerings, resales, trading, clearance and settlement by PORTAL participants] *that are eligible for resale under SEC Rule 144A.*

(e) "PORTAL account instruction system" means one or more communications systems designated by the Association to transfer information concerning PORTAL account activities between a PORTAL qualified investor, its agent providing it access to the PORTAL depository system, PORTAL dealers and PORTAL brokers].

[(f)] "PORTAL broker" means any member of the Association that is currently registered as a PORTAL broker in the PORTAL Market pursuant to Rule 5339.]

things. See Letter from Suzanne E. Rothwell, Chief Counsel, Corporate Financing, NASD Regulation, Inc., to Katherine A. England, Assistant Director, Division of Market Regulation, SEC, dated December 29, 1999. The substance of the amendment has been incorporated into this notice.

[(g)] "PORTAL clearing organization" means a clearing organization that is part of the PORTAL clearing system and is designated by the Association to perform clearance and settlement functions with respect to PORTAL securities.]

[(h)] "PORTAL clearing system" means the system consisting of one or more organizations designated by the Association to perform clearance and settlement functions with respect to PORTAL securities.]

[(i)] "PORTAL dealer" means any member of the Association that is currently registered as a PORTAL dealer in the PORTAL Market pursuant to Rule 5338 of the PORTAL Rules, and is thereby also registered as a PORTAL qualified investor.]

[(j)] "PORTAL depository organization" means a depository organization that is part of the PORTAL depository system and is designated by the Association to perform the functions of a securities depository with respect to PORTAL securities.]

[(k)] "PORTAL depository system" means the system consisting of one or more organizations designated by the Association to perform the functions of a securities depository with respect to PORTAL securities.]

[(l)] "PORTAL Market information" means quotation, transaction and other data and information displayed in the PORTAL Market that is accessed directly through the PORTAL Market system or indirectly through a third-party distributor of PORTAL Market information.]

(d) "PORTAL equity security" means a PORTAL security that represents an ownership interest in a legal entity, including but not limited to any common, capital, ordinary, preferred stock, or warrant for any of the foregoing, shares of beneficial interest, or the equivalent thereof (regardless of whether voting or non-voting, convertible or non-convertible, exchangeable or non-exchangeable, exercisable or non-exercisable, callable or non-callable, redeemable or non-redeemable).

(e) "PORTAL debt security" means a fixed income corporate bond issued by a U.S. company that is not rated or is rated BB+ or lower by a nationally recognized statistical rating organization, but shall not include convertible debt instruments, medium term notes, sovereign debt, Yankee bonds, municipal and municipal-derivative securities, or asset-backed instruments.

[(m)] (f) "PORTAL Market system" or "PORTAL system" means [the PORTAL Market] any computer system(s) [used]

<sup>18</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> On December 30, 1999, the NASD submitted Amendment No. 1 clarifying when transactions are exempt from reporting requirements under the proposed ACT and TRACE rules, among other