

that the Board has found that participation in the Reorganizations is in the best interests of each Fund, and that the interests of the existing shareholders will not be diluted as a result of the Reorganizations. In addition, applicants state that the exchange of Acquired Funds' shares for Acquiring Funds' shares will be based on net asset value.

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. 34-42347; File No. SR-BSE-99-15]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange, Inc., Relating to Listing Standards for Trust Issued Receipts

January 13, 2000.

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 November 22, 1999, the Boston Stock Exchange, Inc. ("BSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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 grant accelerated approval to the proposed rule change.

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

The Exchange seeks to adopt listing standards for trust issued receipts. Once these listing standards have been approved, the Exchange intends to trade Internet Holding Company Depository Receipts ("Internet HOLDERS"), a trust issued receipt, pursuant to unlisted trading privilege ("UTP"). The text of the proposed rule change is available at the Office of the Secretary, BSE and at the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 III 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 Exchange is proposing to add a new rule to Chapter XXIV-A *et seq.*, of the Exchange's rules to adopt new listing standards to allow the Exchange to list trust issued receipts, and to trade Internet HOLDERS, a type of trust issued receipt, pursuant to UTP.

a. Trust Issued Receipts Generally

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 traded 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.

Creation of a Trust. Trust issued receipts will be issued by a trust created

pursuant to a depository trust 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.

b. Criteria for Initial and Continued Listing

The Exchange believes that the listing criteria proposed in its new rule are generally consistent with the listing standards for "Hybrid Securities," currently found in Article XXVII of the Exchange Rules, as well as the trust issued receipt listing criteria currently used by the American Stock Exchange ("Amex").³

Initial Listing. If trust issued receipts are to be listed on Exchange, the Exchange will establish a minimum number of receipts that must be outstanding at the time trading commences on the Exchange, and such minimum number will be included in any required submission to the Commission.

Continued Listing. In connection with continued listing, 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 when any of the following circumstances arise: (1) If the trust has more than 60 days remaining until termination and there have been fewer than 50 record and/or beneficial holders of the trust issued receipts for 30 or more consecutive trading days; (2) if the trust has fewer than 50,000 receipts issued and outstanding; (3) if the market value of all receipts issued and outstanding is less than \$1 million; or (4) if such other event occurs or conditions exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvertable. These flexible criteria allow the Exchange to avoid delisting trust issued receipts (leading to a possible termination of the trust) because of relatively brief fluctuations in market conditions that may cause the number of holders to vary.

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

³ The Amex listing criteria were approved by the Commission on September 21, 1999. See Securities Exchange Act Release No. 41892 (September 21, 1999), 64 FR 52559 (September 29, 1999).

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 each 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.

c. Exchange Rules Applicable to the Trading of Trust Issued Receipts

Trust issued receipts are considered "securities" under the Rules of the Exchange and are subject to all applicable trading rules, including the provisions of Chapter XXXI, Section 4, Trade-Throughs and Locked Markets, which prohibit Exchange members from initiating trade-throughs for ITS securities, as well as rules governing priority, parity and precedence of orders, market volatility-related trading halt provisions and responsibilities of the assigned specialist firm.⁴ Exchange equity margin rules will apply.

Trust issued receipts are currently traded on the Amex at a minimum variation of $\frac{1}{16}$ th of \$1.00 for trust issued receipts selling at or above \$.25, and $\frac{1}{32}$ nd of \$1.00 for those selling below \$.25. Thus, the Exchange is proposing the same minimum fractional increments for the trading of trust issued receipts on the Exchange, until such time as decimal increments are approved. It is anticipated that some time after July, 2000, the industry minimum-price variations will be converted from fractions to decimals.

The Exchange's surveillance procedure for trust issued receipts will be similar to the procedures used for portfolio depository receipts and will incorporate and rely upon existing BSE surveillance systems.

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

⁴ There are two possible exceptions to this general rule. First, if trust issued receipts are traded only in round lots (or round-lot multiples), the Exchange's rules relating to odd-lot executions will not apply. Additionally, the Exchange understands that the Commission has provided an exemption from the short sale rule, Rule 10a-1 under the Act, for transactions in Internet HOLDrs. 17 CFR 240.10a-1. The Exchange will issue a notice to its members detailing the terms of the exemption.

parameters set forth in BSE Chapter II, Section 34 B 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 an underlying security(s) and whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

d. Disclosure to Customers

The Exchange will require its members to provide all purchasers of newly issued trust issued receipts with a prospectus for that series of trust issued receipts.

e. Trading of Internet HOLDrs

As mentioned above, upon approval of the BSE's listing standards for trust issued receipts, the Exchange intends to begin trading a particular series of trust issued receipts, Internet HOLDrs pursuant to UTP privileges. The following section of this submission contains information about Internet HOLDrs. This information is based on upon descriptions included in the Internet HOLDrs prospectus, the Amex submissions relating to its trust issued receipt listing proposal, and the Commission's order approving the Amex proposal.⁵

Creation of Internet HOLDrs. The Internet HOLDrs are being issued by the Internet HOLDrs trust, which was created pursuant to a depository 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. As of September 22, 1999, the date of the prospectus, 3,766,700 Internet HOLDrs were sold by the Trust.

As of September 22, 1999, the deposited securities underlying Internet HOLDrs were: American Online (AOL), Yahoo Inc. (YAHOO), Amazon.com Inc. (AMZN), EBay Inc. (EBAY), At Home Corp. (ATHM), Priceline.Com.Inc (PCLN), CMGI Inc. (CMGI), Inktomi Corporation (INKT), RealNetworks, Inc. (RNWK), Exodus Corporation, Inc. (EXDS), E*TRADE Group Inc. (EGRP), DoubleClick Inc. (DCLK), Ameritrade Holding Corp. (AMTD), Lycos Inc. (LCOS), CNET, Inc. (CNET), PSINet Inc. (PSIX), Network Associates, Inc. (NETA), Earthlink Network, Inc. (ELNK), MindSpring Enterprises, Inc. (MSPG), and Go2Net, Inc. (GNET).

The twenty companies represented by the securities in the portfolio underlying

the Internet HOLDrs trust were required to meet the following minimum criteria when they were selected on August 31, 1999: (1) The companies' common stock must have been registered under Section 12 of the Exchange Act; (2) the minimum public float of each company included in the portfolio must have been at least \$150 million; (3) each security was either listed on a national securities exchange or traded through the facilities of Nasdaq and be a reported national market system security; (4) the average daily trading volume for each security was at least 100,000 shares during the preceding sixty-day trading period; and (5) the average daily dollar value of the shares traded during the preceding sixty-day trading period was at least \$1 million. The initial weighting of each security in the portfolio was based on its market capitalization; however, if on the date such weighting was determined, a security represented more than 20% of the overall value of the receipt, then the amount of such security was to be reduced to no more than 20% of the receipt value. The Exchange anticipates that 150,000 trust issued receipts will be issued in connection with the initial distribution of the Internet HOLDrs.

In addition, each of the companies whose common stock is included in the Internet HOLDrs also met the following criteria: (1) The market capitalization for each company was equal to or greater than \$1 billion; (2) the average daily trading volume for each security was at least 1.2 million shares over the 60 trading days prior to August 31, 1999; (3) the average daily dollar volume of the shares traded for each company during the sixty-day trading period prior to August 31, 1999 was at least \$60 million; and (4) each company was traded on a national securities exchange or Nasdaq/National Market for at least ninety days prior to August 31, 1999.

Trading Issues. 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

⁵ See *supra*, note 3.

round-lot multiple, rejecting the remaining odd-lot.⁶

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.

Maintenance of the Internet HOLDRs Portfolio. Except when a reconstitution event occurs, as described below, the securities represented by a trust issued receipt will not change.⁷ According to the Internet HOLDRs prospectus, under no circumstances will a new company be added to the group of issuers of the underlying securities and weightings of component securities will not be adjusted after they are initially set.

Reconstitution Events. As described in the Internet HOLDRs prospectus, the securities underlying the trust issued receipts will be automatically distributed to the beneficial owners of the receipts in four circumstances:

(1) If the issuer of the underlying securities no longer has a class of common stock registered under Section 12 of the Act, then its securities will no longer be an underlying security and the trustee will distribute the securities of

⁶ For example, an order for 50 trust issued receipts will be rejected, while an order for 1,050 trust issued receipts, will be executed in part (1,000) and rejected in part (50).

⁷ Even if a reconstitution event does not occur, 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 and the relative weightings among the deposited securities may change based on the current market price of the deposited securities.

that company to the owners of the trust issued receipts;

(2) If the Commission finds that an issuer of underlying securities 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 shares of that company to the owners of the trust issued receipts;

(3) If the underlying securities of an issuer cease to be outstanding as a result of a merger, consolidation or other corporate combination, the trustee will distribute the consideration paid by and received from the acquiring company to the beneficial owners of the trust issued receipts, unless 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 issuer's underlying securities are delisted⁸ from trading on a national securities exchange or Nasdaq 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.

As described in the prospectus, if a reconstitution event occurs, the trustee 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.

Issuance and Cancellation of Internet HOLDRs. The trust will issue and cancel, and an investor may obtain, hold, trade or surrender, Internet HOLDRs 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. The trust will issue additional receipts on a continuous basis when an investor deposits the required securities with the trust.

An investor may obtain trust issued receipts by either purchasing them on an exchange or by delivering to the trustee the underlying securities evidencing a round lot of trust issued receipts. The trustee will charge an issuance fee of up to \$10.00 per 100

⁸ This 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.

trust issued receipts. An investor may cancel trust issued receipts and withdraw the deposited securities by delivering a round lot or round-lot multiple of the trust issued receipts to the trustee, 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. According to the prospectus, the trustee expects that, in most cases, it will deliver the deposited securities within one business day of the withdrawal request.

Termination of the Trust. The trust shall terminate upon the earlier of: (1) the removal of the receipts from Amex listing if they are not listed for trading on another national securities exchange or through Nasdaq within five business days from the date the receipts are delisted; (2) the trustee resigns and no successor trustee is appointed within 60 days from the date the trustee provides notice to the initial depositor of its intent to resign; (3) 75% of the beneficial owners of outstanding trust issued receipts (other than Merrill Lynch, Pierce, Fenner & Smith Incorporated) vote to dissolve and liquidate the trust; or (4) 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.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5)⁹ of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, 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 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

No written comments were either solicited or received.

III. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and

⁹ 15 U.S.C. 78f(b)(5).

arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies 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-99-15 and should be submitted by February 17, 2000.

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

A. Generally

The Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act¹⁰ and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission finds, as it did in the Amex and CHX orders approving the listing and trading of trust issued receipts and Internet HOLDRs,¹¹ that the proposal establishing listing standards for trust issued receipts and to trade Internet HOLDRs will provide investors with a convenient and less expensive way of participating in the securities markets. The 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 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, to protect investors and the public interest, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.¹²

As noted in the Amex approval order, 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 issued 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.¹³ Nevertheless, the Commission believes that the unique nature of trust issued receipts raises certain product design, disclosure, trading, and other issues.

B. Trading of Trust Issued Receipts—Listing and UTP

The Commission finds that the BSE's proposal contains adequate rules and procedures to govern the trading of trust issued receipts whether by listing or

pursuant to UTP. Trust issued receipts are equity securities that will be subject to the full panoply of BSE rules governing the trading of equity securities on the BSE, 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.¹⁴

In addition, the BSE 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 also allows the BSE 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 BSE flexibility to delist trust issued receipts if circumstances warrant such action. BSE'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 BSE will apply surveillance procedures for trust issued receipts that will be similar to the procedures used for portfolio depositary receipts and will incorporate and rely upon existing BSE surveillance procedures governing equities. The Commission believes that these surveillance procedures are adequate to address concerns associated with listing

¹⁰ 15 U.S.C. 78f(b)(5)

¹¹ See Securities Exchange Act Release No. 41892 (September 21, 1999), 64 FR 52559 (September 29, 1999) (approving listing and trading of trust issued receipts and Internet HOLDRs on the Amex) and Securities Exchange Act Release No. 42056 (October 22, 1999), 64 FR 58870 (November 1, 1999) (approving listing and trading of trust issued receipts and Internet HOLDRs on the CHX pursuant to UTP).

¹² In approving this rule, the Commission notes that it has also considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹³ The Commission has concerns about continued trading of the trust issued receipts whether listed or pursuant to UTP, 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 BSE has agreed to consult the Commission concerning continued trading, once the trust has fewer than nine component securities, and for each subsequent loss of a security thereafter.

¹⁴ Trading rules pertaining to the availability of odd-lot trading do not apply because trust issued receipts only can be traded in round-lots.

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 BSE 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. Accelerated Approval

BSE has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice in the **Federal Register**. The Commission believes that the Exchange's proposal to trade trust issued receipts, and specifically Internet HOLDERS pursuant to UTP privileges, will provide investors with a convenient and less expensive way of participating in the securities markets. The Commission believes that the proposed rule change could produce added benefits to investors through the increased competition between other market centers trading the product. Specifically, the Commission believes

that by increasing the availability of trust issued receipts, and in particular Internet HOLDERS, as an investment tool, the BSE's proposal should help provide 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. The Commission notes, however, 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 by the Exchange prior to contacting Division staff. In addition, the BSE may be required to submit a rule filing prior to trading a new issue or series on the Exchange.

As noted above, the Commission has approved the listing and trading of trust issued receipts, including Internet HOLDERS, at the Amex, under rules that are substantially similar to BSE Chapter XXIV-A. The trading requirements of trust issued receipts at the BSE will be substantially similar to the trading requirements of trust issued receipts at the Amex and the CHX. The Commission published those rules in the **Federal Register** for the full notice and comment period. No comments were received on the proposed rules, and the Commission found them consistent with the Act.¹⁵ The Commission does not believe that trading of this product raises novel regulatory issues that were not addressed in the previous filing. Accordingly, the Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice in the **Federal Register**.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁶ that the proposed rule change (SR-BSE-99-15), is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁷

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-1972 Filed 1-26-00; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42352; File No. SR-CSE-99-05]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Cincinnati Stock Exchange Enabling Members to Trade NASDAQ/NM Securities

January 20, 2000.

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 December 10, 1999, the Cincinnati Stock Exchange, Inc. ("CSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its rules to enable members to trade NASDAQ National Market ("NASDAQ/NM") securities on the Exchange pursuant to unlisted trading privileges ("UTP") under Section 12(f) of the Act. The text of the proposed rule change is available at the Office of the Secretary, 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 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 the CSE Rules to permit members to trade NASDAQ/NM

¹⁵ See *supra*, note 11.

¹⁶ 15 U.S.C. 78s(b)(2).

¹⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.