

issues on a securities exchange, pursuant to tender offers, or under such other circumstances as the Commission may permit by rules or orders designed to ensure that purchases are made in a manner that does not unfairly discriminate against any holders of the securities to be purchased. Rule 23c-1 [17 CFR 270.23c1] under the Act permits a closed-end fund that meets certain requirements to repurchase its securities other than on an exchange or pursuant to a tender.

A registered closed-end fund that relies on rule 23c-1 may purchase its securities for cash if, among other conditions set forth in the rule, certain conditions are met:

- Payment of the purchase price is accompanied or preceded by a written confirmation of the purchase;
- The purchase is made at a price not above the market value, if any, or the asset value of the security, whichever is lower, at the time of the purchase; and
- If the security is stock, the issuer has, within the preceding six months, informed stockholders of its intention to purchase stock of the class by letter or report addressed to all the stockholders of the class.

In addition, the issuer must file with the Commission, on or before the tenth day of the month following the date in which the purchase occurs, two copies of Form N-23C-1. The form requires the issuer to report all purchases it has made during the month, together with a copy of any written solicitation to purchase securities under rule 23c-1 sent or given during the month by or on behalf of the issuer to ten or more persons.

The purpose of rule 23c-1 is to protect shareholders of closed-end funds from fraud in connection with the repurchase by funds of their own securities. The purpose of the rule's requirement that the fund file Form N-23C-1 with the Commission is to allow the Commission to monitor funds' repurchase of securities as well as any written solicitation used by the fund to effect those repurchases, and to make that information available to the public. Investors may seek this information when determining whether to invest in certain funds.

The requirement to file Form N-23C-1 applies to a closed-end fund only when the fund has repurchased its securities. If the information provided in the form were collected less frequently than a month after repurchases occur, the Commission and investing public would lack current information about closed-end funds that repurchase their own securities.

Commission staff estimates that each year approximately 19 closed-end funds use the repurchase procedures under rule 23c-1, and that these funds file a total of 115 forms each year.<sup>1</sup> The number of forms filed by each fund ranges from 1 to 12 depending on the number of months in which the fund repurchases its securities under rule 23c-1. Commission staff estimates that each response requires 1 burden hour to prepare and file Form N-23C-1 with a copy of any written solicitation to purchase securities under the rule (if necessary). Commission staff estimates each burden hour consists of 15 minutes of professional time and 45 minutes of support staff time.<sup>2</sup> Commission staff further estimates that each of the 19 funds expends between 1 and 12 hours annually in filing Form N-23C-1. The total number annual burden of the rule's paperwork requirements is estimated to be 115 hours.

These estimates represent an increase of 92 hours from the prior estimate of 23 hours. The increase results primarily from the increase in the number of funds relying on the rule to purchase their securities. At the time of the last submission the Commission estimated that 4 funds filed a total of 23 Form N-23C-1s annually with the Commission (with each fund filing between 1 and 12 forms during the year). In 1999, 19 funds filed 115 forms with the Commission.

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act. The estimate is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

Written comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the Commission, including whether the information has practical utility; (b) the accuracy of the Commission's estimate of the burdens of the collections of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burdens 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.

<sup>1</sup> These estimates are based on Form N-23C-1 filings for 1999.

<sup>2</sup> The burden hour estimates are based upon consultation with lawyers and accountants familiar with the practices of fund boards and the staff of investment advisers.

Please direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549.

Dated: January 24, 2000.

**Margaret H. McFarland,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42360/January 28, 2000;  
File No. 4-430]

### Order Directing the Exchanges and the National Association of Securities Dealers, Inc. To Submit a Decimalization Implementation Plan Pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934

Notice is hereby given that, pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> the Securities and Exchange Commission ("Commission") orders the American Stock Exchange LLC ("AMEX"), the Boston Stock Exchange, Inc. ("BSE"), the Chicago Board Options Exchange, Inc. ("CBOE"), the Chicago Stock Exchange, Inc. ("CHX"), the Cincinnati Stock Exchange, Inc. ("CSE"), the National Association of Securities Dealers, Inc. ("NASD"), the New York Stock Exchange, Inc. ("NYSE"), the Pacific Exchange, Inc. ("PCX"), and the Philadelphia Stock Exchange, Inc. ("PHLX") (collectively the "Participants" and individually a "Participant") to act jointly in discussing, developing, and submitting to the Commission a plan to implement decimal pricing in the equities and options markets beginning no later than July 3, 2000 ("Decimals Implementation Plan"), and in implementing the Decimals Implementation Plan. The Participants should discuss the development and implementation of the Decimals Implementation Plan with interested market participants, including, but not limited to, the Securities Industry Association ("SIA") and its members, the International

<sup>1</sup> 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." 15 U.S.C. 78k-1(a)(3)(B).

Securities Exchange ("ISE"),<sup>2</sup> the National Securities Clearing Corporation ("NSCC"),<sup>3</sup> the Depository Trust Company ("DTC"),<sup>4</sup> the Options Clearing Corporation ("OCC"),<sup>5</sup> the Securities Industry Automation Corp. ("SIAC"),<sup>6</sup> the Intermarket Trading System Operating Committee ("ITSOC"),<sup>7</sup> the Options Price Reporting Authority ("OPRA"),<sup>8</sup> the Consolidated Tape Association ("CTA"),<sup>9</sup> and the Consolidated Quote Operating Committee ("CQOC") (collectively the "Interested Parties").<sup>10</sup> The Commission further directs the Participants to submit to the Commission a Decimals Implementation Plan no later than 45 days after the issuance of this Order. Finally, the Commission directs each Participant to submit for notice, comment and Commission consideration the rule changes necessary to implement the Decimals

<sup>2</sup> 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).

<sup>3</sup> NSCC, a clearing agency registered with the Commission pursuant to Section 17A of the Act, clears and guarantees securities transactions and determines its members' net settlement obligations.

<sup>4</sup> DTC, a clearing agency registered with the Commission pursuant to Section 17A of the Act, is the depository for more than 90% of the securities held in the United States.

<sup>5</sup> OCC, a clearing agency registered with the Commission pursuant to Section 17A of the Act, issues and clears transactions in options on equities, currencies, indexes, and financial instruments, records participants' positions, and determines participants' daily options net settlement obligations.

<sup>6</sup> SIAC is a registered exclusive securities information processor and is owned by the AMEX and the NYSE. See Securities Exchange Act Release No. 12035 (Jan. 22, 1976), 41 FR 4372 (Jan. 29, 1976).

<sup>7</sup> The ITSOC consists of representatives from each Participant and is responsible for implementing the terms of the ITS plan.

<sup>8</sup> OPRA is an association governed by a committee consisting of representatives of the four national securities exchanges authorized by the Commission to list options for trading (the AMEX, the CBOE, the PCX, and the PHLX) and of the NYSE (which no longer lists options for trading). In 1976, OPRA registered as a securities information processor. See Securities Exchange Act Release No. 12035 (Jan. 22, 1976), 41 FR 4372 (Jan. 29, 1976). OPRA was formed and operates pursuant to a plan approved by the Commission on March 18, 1981, as amended. See Securities Exchange Act Release No. 17638, as amended. See, e.g., Securities Exchange Act Release No. 40767 (Dec. 9, 1998), 63 FR 69354 (Dec. 16, 1998).

<sup>9</sup> The CTA governs the consolidated transaction reporting system. It consists of representatives from each Participant.

<sup>10</sup> The CQOC oversees the development and implementation of a consolidated data stream for quotation information. See Securities Exchange Act Release No. 15009 (July 28, 1978), 43 FR 34851 (Aug. 7, 1978). It is a committee consisting of representatives from each of the exchanges and the NASD.

Implementation Plan no later than 60 days after the issuance of this Order.<sup>11</sup>

### I. Background

The current convention of quoting stock prices in fractions dates back more than two hundred years.<sup>12</sup> The United States securities markets are the only major markets not to price securities in decimals.<sup>13</sup> For the past few years, market participants and the Commission have discussed the possibility and usefulness of moving to decimal pricing. In January 1994, Commission staff recognized the potential benefits of decimal pricing over the current fraction-based pricing scheme and indicated that a move to decimals was likely to be inevitable.<sup>14</sup> Throughout the mid and late 1990s, the Commission engaged the securities industry and the public in a discussion of the need for decimal pricing in the U.S. securities markets.

On March 13, 1997, this debate moved to the legislative arena when Congressman Oxley<sup>15</sup> introduced a bill in the U.S. House of Representatives that would have directed the Commission to adopt a rule requiring quotations in dollars and cents for transactions in equity securities.<sup>16</sup> Subsequently, the NYSE announced that it would implement decimal pricing by January 2000.<sup>17</sup> Other markets soon followed suit.<sup>18</sup> In light of this activity,

<sup>11</sup> Additional requirements are discussed at text accompanying note 34.

<sup>12</sup> Testimony of Lois Kazakoff, Business News Editor, The San Francisco Chronicle, before the Subcommittee on Finance and Hazardous Materials, Committee on Commerce, U.S. House of Representatives on April 10, 1997.

<sup>13</sup> Testimony of Steven M.H. Wallman, Commissioner, Commission, before the Subcommittee on Finance and Hazardous Materials, Committee on Commerce, U.S. House of Representatives on April 10, 1997 ("Wallman Testimony").

<sup>14</sup> Division of Market Regulation ("Division"), Commission, *Market 2000: An Examination of Current Equity Market Developments* (Jan. 1994).

<sup>15</sup> Congressman Oxley introduced the bill for himself and Congresspersons Markey, Bliley, Gillmor, Crapo, Furse, Largent, Ganske, Boucher

<sup>16</sup> H.R. 1053, 105th Cong. 1st Sess. (1997) (commonly referred to as the "Common Cents Stock Pricing Act of 1997").

<sup>17</sup> See Floyd Norris, *So Long, Fractions, But Maybe Not Till 2000*, N.Y. Times, June 6, 1997, at D1.

<sup>18</sup> See Letter from Arthur Levitt, Chairman, Commission, to the Honorable John D. Dingell and the Honorable Thomas J. Manton, U.S. House of Representatives, dated July 25, 1997. As the markets committed to move to decimal pricing, they took the interim step of quoting in narrow increments. See e.g., Securities Exchange Act Release Nos. 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (permitting all AMEX equity securities selling at or above \$.25 to trade in sixteenths); 38744 (June 18, 1997), 62 FR 34334 (June 25, 1997) (order approving proposal to quote in sixteenths on the NYSE); 38779 (June 26, 1997), 62 FR 36328 (July 7, 1997), (order approving proposal to quote in sixteenths on the

the bill was not taken to full markup in the House Commerce Committee.

On May 8, 1998, the General Accounting Office ("GAO") determined that "[e]nsuring that securities industry systems are ready for the Year 2000 is too important to the continued functioning of the industry to risk failure by attempting to implement decimal trading before the Year 2000 effort is completed."<sup>19</sup> Chairman Levitt, in the Commission's response to the GAO report, concurred in this assessment.<sup>20</sup> Chairman Levitt noted the importance, however, of setting a date certain by which the markets must move to decimal pricing. He noted that the industry should strive to implement decimal pricing by June 30, 2000.<sup>21</sup> In light of what appears to be a successful resolution of the Year 2000 problem, the Commission believes that the industry's primary technological priority should be the implementation of decimal pricing.

On August 25, 1998, Commission staff requested that the Participants provide information regarding the status of rule and systems changes that would need to be adopted to implement decimal pricing.<sup>22</sup> The Participants' responses indicated that a range of rules and systems would require modification to accommodate decimal pricing.<sup>23</sup>

PHLX); and 38678 (May 27, 1997), 62 FR 30363 (June 3, 1997) (changing the minimum quotation increment for certain Nasdaq securities to sixteenths).

<sup>19</sup> Testimony of Thomas J. McCool, Director, Financial Institutions and Markets Issues, GAO, before the Subcommittee on Finance and Hazardous Materials, Committee on Commerce, U.S. House of Representatives on May 8, 1998. The GAO also recommended that the Commission, in directing the securities industry's move to decimal pricing, assess: (1) The potential impact of decimal trading on the industry's processing and communication capacity; and (2) the impact on market regulations and exchange rules.

<sup>20</sup> While confirming the importance of moving to decimals expeditiously, he stated that "the industry's technological priority must be to prepare for Year 2000 readiness." See letter from Arthur Levitt, Chairman, Commission, to the Honorable Ted Stevens and the Honorable Fred Thompson, U.S. Senate, and to the Honorable Dan Burton and the Honorable Bob Livingston, U.S. House of Representatives, dated July 20, 1999.

<sup>21</sup> *Id.*

<sup>22</sup> See letter from Richard R. Lindsey, Director, Division, Commission, to the Participants, dated August 25, 1998.

<sup>23</sup> See e.g., letters from George W. Mann, Jr., Senior Vice President and General Counsel, BSE, to Richard R. Lindsey, Director, Division, Commission, dated September 24, 1998 (citing, in part, the need for possible amendments to the Intermarket Trading System Plan and exchange surveillance procedures); and Charles J. Henry, President and Chief Operating Officer, CBOE, to Richard R. Lindsey, Director, Division, Commission, dated September 16, 1998 (identifying, in part, the following rules that would have to be amended or reconsidered as a result of decimals: Retail Automatic Execution System operations, crossing orders, and priority rules). In

Because many of these rule and systems changes will have an impact on the securities industry as a whole, the Participants must develop a coordinated plan for converting to decimal pricing. To ensure a smooth conversion to decimal pricing, the Commission is therefore directing the Participants to develop a Decimals Implementation Plan and submit rule changes necessary to implement the plan to the Commission.<sup>24</sup>

## II. Discussion

Section 11A(a)(2) of the Act<sup>25</sup> 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. Section 11A(a)(3)(B) gives the Commission the ability to authorize or require by order the self-regulatory organizations "to act jointly \* \* \* in planning, developing, operating, or regulating a national market system."<sup>26</sup> This authority enables the Commission to require joint activity that otherwise might be asserted to have an impact on competition, where the activity serves the public interest and the interests of investors.<sup>27</sup>

The Commission believes that decimal pricing could benefit investors by enhancing investor comprehension, facilitating globalization of our markets, and potentially reducing transactions costs, depending on the minimum price variant used.<sup>28</sup> These benefits in turn will further the national market system

light of the potential impact of decimal pricing on the industry's processing and communication capacity, the SIA commissioned SRI Consulting to assess the impact on message traffic of trading equities and options in decimals. The study projected that in the listed equities markets, a nickel minimum price variation could increase daily quote volume by 3.5 percent, while a penny minimum price variation could increase quote volume by 139 percent. In addition, SRI projects that, by the end of 2001, options message traffic may increase by as much as 257 percent as a result of decimal pricing.

<sup>24</sup> By letter dated October 14, 1999, the AMEX, CBOE, NASD, PCX and PHLX asked the Commission to authorize expressly joint discussions and action by the exchanges regarding decimal pricing. See letter from Colleen P. Mahoney to Harvey J. Goldschmid, General Counsel, Commission, dated October 14, 1999.

<sup>25</sup> 15 U.S.C. 78k-1(a)(2).

<sup>26</sup> 15 U.S.C. 78k-1(a)(3)(B).

<sup>27</sup> See, e.g., Securities Exchange Act Release No. 41843 (Sept. 7, 1999), 64 FR 50126 (Sept. 15, 1999) (order directing options exchanges to develop strategies to mitigate quote message traffic); and Securities Exchange Act Release No. 42029 (Oct. 19, 1999), 64 FR 57674 (Oct. 26, 1999) (order directing options exchanges to submit an intermarket linkage plan).

<sup>28</sup> As discussed above, the U.S. securities markets are the only major markets not using decimals. See Wallman Testimony, *supra* note 13.

objectives of economically efficient execution of securities transactions and fair competition.

In light of the complex technical and legal issues raised by the industry-wide conversion to decimal pricing, a coordinated industry effort is necessary to ensure that the markets continue to operate in an efficient, orderly, and fair manner during the conversion process. In particular, the Participants will need to convert the systems governing the quotation, trading, reporting and surveillance of securities traded on their marketplaces. In addition, the Participants may need to discuss the market-wide impact of small minimum, price variations, such as one penny, on trading rules, such as priority and trade-through rules. Similarly, clearing agencies will need to modify their systems to clear and settle trades priced in decimals. Entities that operate systems that link the different markets or disseminate information, such as the Intermarket Trading System and CTA, also will need to allow for quotation and reporting in decimals. Because information is processed and shared among all of these entities, it is imperative that all market participants convert to decimals in a coordinated manner.

The Commission therefore finds that the public interest in maintaining fair and orderly markets is furthered by requiring the Participants to work jointly in discussing, developing, and implementing a Decimals Implementation Plan, and by discussing the plan with the Interested Parties. To ensure a smooth conversion to decimal pricing, the Commission is directing the Participants to develop a Decimals Implementation Plan and requiring each Participant to submit for notice, comment and Commission consideration the rule changes necessary to implement the plan.

## III. Plan

While the Commission is not mandating the details of a Decimals Implementation Plan, the plan must provide that decimal pricing of at least some equities (and options on those equities) trading on the Participants' markets will begin no later than July 3, 2000, and decimal pricing of all equities and options on the Participants' markets will be completed within six months of that date.<sup>29</sup> If the Participants adopt a

<sup>29</sup> The Commission is not mandating that the phase-in period last six months. Instead, six months is the maximum time period for phasing in decimal pricing. After considering options capacity studies and after discussions with the industry, the Commission believes that six months provides adequate time for the Participants to make an

phase-in plan for implementing decimal pricing, rather than pricing all equities and options on the Participants' markets in decimals on July 3, 2000, the plan must provide specific dates by which each phase will be completed and identify which securities will be priced in decimals during each phase. The Decimals Implementation Plan may fix the minimum increment during the phase-in period, provided that the minimum increment is no greater than five cents for any equity priced in decimals. The Commission believes that it is appropriate for the Participants to establish a minimum increment during the phase-in period to allow the industry to make a smooth transition to decimal pricing and to determine the impact of decimal pricing on trading rules and inter-market systems capacity.<sup>30</sup>

The Commission also believes that the securities industry should study the impact of quoting and trading in increments smaller than a nickel on trading patterns and capacity. For example, there are concerns that OPRA may not have a sufficient capacity to handle increased quote traffic resulting from the conversion to decimal pricing and other market changes.<sup>31</sup> As a result, queuing and stale quotes may become an issue if quote traffic exceeds OPRA's capacity.<sup>32</sup> Therefore, in the event that the Participants adopt a phase-in plan using a minimum increment greater than a penny, the Participants should also concurrently establish a pilot program that provides for selected securities (equities and options on those equities) to be traded in penny increments. The pilot should allow the Participants and the Commission to evaluate the effect of smaller trading increments on capacity and trading behavior. The pilot should run concurrently with the phase-in period and should be considered part of the Decimals Implementation Plan.

Thirty days after the end of the phase-in period, the Participants must submit (1) a study to the Commission regarding the impact of decimal pricing on trading and capacity, including the impact of the pilot program, and (2) a recommendation regarding the need for uniform minimum increments, if any. The recommendation should discuss whether one uniform minimum increment should be adopted or

orderly transition to decimal pricing while responding to changes in the markets that could result from the conversion from fractions to decimals.

<sup>30</sup> See *supra* note 23.

<sup>31</sup> See SIAC/SRI Consulting, *Mitigating Options Message Traffic Final Report* (Dec. 14, 1999).

<sup>32</sup> *Id.* at 1.

whether different minimum increments should be applied and the criteria by which the Participants would select securities to be traded in those various minimum increments. Thirty days after submitting their study and recommendation, and absent Commission action, the Participants individually must submit for notice, comment and Commission consideration proposed rule changes to implement their individual choice of minimum increments by which equities and options are quoted and traded on their respective markets.

*It is hereby ordered*, pursuant to Section 11A(a)(3)(B) of the Act,<sup>33</sup> that the Participants act jointly in discussing, developing and submitting to the Commission a Decimals Implementation Plan, as described above. The Participants are ordered to submit to the Commission a Decimals Implementation Plan for the equity and options markets no later than 45 days after the issuance of this Order. In addition, each Participant is ordered to submit for notice, comment and Commission consideration the rule changes necessary to implement the Decimals Implementation Plan no later than 60 days after the issuance of this Order.<sup>34</sup> The Participants are also directed to submit a study and recommendation, as described in this Order, 30 days after the phase-in period. In addition, absent Commission action, 30 days following the submission of the study, each Participant must submit rule changes implementing their individual choice of minimum pricing increments for their respective markets for notice, comment and Commission consideration.

This Order will be effective until such time as the implementation of decimal pricing is completed.

By the Commission.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42348; File No. SR-CHX-99-26]

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

January 18, 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 December 2, 1999, the Chicago Stock Exchange, Inc. ("CHX" 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 proposes to list and trade a trust issued receipt based on the stocks of selected biotechnology companies, Biotech HOLDRs, pursuant to unlisted trading privileges ("UTP"). The text of the proposed rule change is available at the Office of the Secretary, CHX 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 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

On October 22, 1999, the Commission approved a new CHX rule, Article

XXVIII,<sup>3</sup> Rule 27, which provides listing standards for trust issued receipts. At the same time, the Commission authorized the Exchange to list and trade Internet HOLDRs, a particular type of trust issued receipt.<sup>4</sup> As noted in that approval order, the Exchange must consult with the Commission prior to listing and trading other similarly structured products, including trust issued receipts based on other industries. The Exchange now proposes to list and trade a new type of trust issued receipt, Biotech HOLDRs, pursuant to unlisted trading privileges.

As noted in the CHX's earlier submission, trust issued receipts provide investors with a flexible, cost-effective way to purchase, hold and transfer the securities of one or more specified companies. Except for the individual securities that are deposited in the Biotech HOLDRs trust, this trust issued receipt is structurally identical to the Internet HOLDRs that the Commission has already approved for listing and trading on the Exchange.

###### i. 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 allow investors to hold securities investments from a variety of companies in a single, exchange-traded instrument that represents their beneficial ownership of each of the deposited securities, evidenced by the receipts. Holders may cancel their trust issued receipts at any time to receive the deposited securities.

The initial offering price for a trust issued receipt will be established on the dates the receipts are priced for sale to the public. The amounts 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.

<sup>3</sup> All references in this filing should be to Article XXVIII, not XXVII, pursuant to telephone conversation between Ellen J. Neely, Vice President and General Counsel, CHX, and Heather Traeger, Attorney, Division of Market Regulation, SEC, on December 21, 1999.

<sup>4</sup> Securities Exchange Act Release No. 42056 (October 22, 1999), 64 FR 58870 (November 1, 1999).

<sup>33</sup> 15 U.S.C. 78k-1(a)(3)(B).

<sup>34</sup> Although Commission staff may be consulted in discussing the proposed Decimals Implementation 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 that is not ordered or requested by this Order.

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

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