

Fund and the Global Asset Allocation Fund if Lincoln Life continued to make the funds available through the Annuity Contract.

### Conclusion

Applicants submit that, for all the reasons stated above, the proposed substitutions are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42357; File No. SR-PCX-99-50]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to Non-Agency Orders in P/COAST

January 27, 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 November 18, 1999, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") 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.

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

The Exchange is proposing to amend its rules to allow non-agency orders to be executed in the P/COAST system.<sup>3</sup> The text of the proposed rule change is available at the Office of the Secretary, the PCX and at the Commission.

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

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

<sup>3</sup> P/COAST, the "Pacific Computerized Order Access SysTem," is the Exchange's communication, order routing and execution system for equity securities. It operates on a dual processing system, with mainframe computers in San Francisco and Los Angeles. The system allows trading to be integrated from two separate trading floors. See PCX Rule 5.25.

#### 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

Currently, pursuant to PCX Rule 5.25(b)(1), only "agency" orders are permitted to be routed through and executed in the P/COAST system.<sup>4</sup> While the PCX Rules do not currently define the term "agency orders,"<sup>5</sup> the Exchange notes that, in general, all

<sup>4</sup> Cf. Boston Stock Exchange ("BSE") Rules, ch. XXXIII, sec. 1(d); Cincinnati Stock Exchange ("CSE") Rules 11.8 and 11.9; Chicago Stock Exchange ("CHX") Rules, art. XX, Rule 37; and Philadelphia Stock Exchange ("Phlx") Rule 229.

<sup>5</sup> Cf. CSE Rule 11.8(b) ("For purposes of Rule 11.8, a public agency order shall mean any order for the account [of] a person other than a member, which order is represented, as agent, by a member"); CSE Rule 11.9(a)(7) ("The term 'public agency order' means any order for the account of a person other than a member, an Approved Dealer or a person who could become an Approved Dealer by complying with this Rule with respect to his use of the System, which order is presented, as agent, by a User"); CSE Rule 11.9(a)(8) ("The term 'professional agency order' means an order entered by a User as agent for the account of a broker-dealer, a futures commission merchant, or a member of a contract market"); NASD Manual—The Nasdaq Stock Market, Rule 4710(h) ("The term 'agency order' shall mean public customer orders which are executed by the SOES Order Entry Firm on an agency basis. It shall also include, for purposes of these rules, an order entered into SOES on a principal basis by a SOES Order Entry Firm that is not a market maker in the SOES security, in SOES or otherwise, where the SOES Order Entry Firm has contemporaneously received an order from a customer and executed the transaction on a riskless principal basis"); and Phlx Rule 229, Supp. Mat. .02 ("For purposes of the PACE System, an agency order is any order entered on behalf of a public customer, and does not include any order entered for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest"). See also New York Stock Exchange Information Memo No. 96-36 re New Audit Trail Identifiers (defining the term "As Agent for Other Member, Competing Market-Maker" as "a member or member organization trading as agent for another member's competing market-maker account" and also defining "Other Agency" as a member or member organization trading as agent for "any other customer (including institutions, non-member broker/dealers and managed accounts)").

orders are either "agency" orders or "principal" orders, *i.e.*, orders for the principal account of a registered broker-dealer.<sup>6</sup> In any event, under the Exchange's proposal, the distinction will be abolished so the both agency and principal orders will be permitted to be executed through the P/COAST system.

The Exchange is proposing to eliminate Rule 5.25(b)(1) as a competitive measure. The Exchange believes that the rule change will help to attract new market participants to the PCX and will result in an increase in the amount of order flow currently sent to the Exchange.

The Exchange is not proposing to change its existing rules regarding the priority of bids and offers,<sup>7</sup> which do not currently distinguish between agency and principal orders.<sup>8</sup> Accordingly, agency and principal orders will, in general, be on a par with respect to their priority for execution in the P/COAST system.

###### 2. Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>9</sup> of the Act, in general, and furthers the objectives of section 6(b)(5),<sup>10</sup> in particular, that it is designed to facilitate transactions in securities, to promote just and equitable principles of trade, to protect investors and the public interest, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

##### 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

Written comments on the proposed rule change were neither solicited nor received.

<sup>6</sup> See *supra* notes 2-3.

<sup>7</sup> See, *e.g.*, PCX Rule 5.8(c).

<sup>8</sup> However, the Exchange notes that the rule change will not alter the rule that orders for the proprietary accounts of PCX specialists and floor brokers must yield priority, parity and precedence to other orders (unless an exception applies). See SEC Rule 11a-1 *et seq.*

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

### 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, 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the PCX. All submissions should refer to File No. SR-PCX-99-50 and should be submitted by February 23, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## DEPARTMENT OF STATE

### [Public Notice 3210]

### Language and Culture Enrichment Program; Bureau of Educational and Cultural Affairs; Request for Proposals

**SUMMARY:** The Office of Citizen Exchanges, Youth Programs Division, of

the Bureau of Educational and Cultural Affairs announces an open competition for a Language and Culture Enrichment Program. Public and private non-profit organizations meeting the provisions described in IRS regulation 26 CFR 1.501(c) may submit proposals to conduct a four-week homestay-based, English language and cultural enrichment program in July 2000 for 40 students from the New Independent States (NIS) of the former Soviet Union selected for the Freedom Support Act (FSA) Future Leaders Exchange (FLEX) program. Approximately 15 of the participants will be students with physical disabilities who were specially recruited and selected. The remaining 25 students will be from more isolated regions of the NIS, where there is less opportunity for quality English instruction. The purpose of the program is to raise the English capability of these students to the level where they are able to attend regular classes when their academic program starts in fall. Additionally, this program will ease the acculturation process when students transit to their permanent families and communities. Funds requested for this project may not exceed \$80,000.

#### Program Information

**Objectives:** To prepare a select group of students with special needs to attend school in the fall and perform at a level closer to that of those FSA FLEX students that make up the majority of the program finalists. To provide students with cultural tools and strategies that will foster a successful exchange experience.

**Background:** Academic year 2000/2001 will be the eighth year of the FSA/FLEX program, which now includes over 7000 alumni. This component of the NIS Secondary School Initiative was initially authorized under the FREEDOM Support Act of 1992 and is funded by annual allocations from the Foreign Operations and Department of State appropriations. The goals of the program are to promote mutual understanding and foster a relationship between the people of the NIS and the U.S.; assist the successor generation of the NIS to develop the qualities it will need to lead in the transformation of those countries in the 21st century; and to promote democratic values and civic responsibility by giving NIS youth the opportunity to live in American society for an academic year.

During the program's early years, there was concern that students from the more remote regions of the NIS might be underrepresented because the lack of English competence in those regions could prevent applicants from

meeting the rigorous English language requirements of the FLEX recruitment process, including attaining a reasonable score on the Secondary Level English Proficiency (SLEP) examination. To address this concern, a pre-academic year English language enrichment program was developed so that some students from the remote areas could be selected whose SLEP scores were slightly lower than average. In subsequent years, lack of English competence in the remote regions of the NIS has become less of a problem. However, the Bureau has added a component focusing on students with disabilities, who do have a need for some special training before initiating their academic year program. The enrichment program for which proposals are being solicited here are in support of both groups of students. The essential components of the enrichment program are:

- A four-week course of study in English, approximately 5.5 hours a day.
- Programming that builds on cultural issues that will have been introduced at the pre-departure orientation for all FSA FLEX students.
- Orientation programming that addresses the special needs of the students with disabilities and their unique adjustment issues.
- Lodging with volunteer host families.
- The students' transition to their permanent host families and communities.

**Other Components:** Two organizations have already been awarded grants to perform the following functions: recruitment and selection of students; targeted recruitment for students with disabilities; assistance in documentation and preparation of IAP-66 forms; preparation of cross-cultural materials; pre-departure orientation; international travel from home to host community and return; facilitation of ongoing communication between the natural parents and placement organizations, as needed; maintenance of a student database and provision of data to Department of State; and ongoing follow-up with alumni upon their return to the NIS.

Additionally, 16 organizations have been selected through a grants competition to place the 2000-2001 FSA FLEX students in schools and homestays for the academic year, to monitor their progress, and to conduct cultural enrichment activities. The organization selected for the Language and Culture Enrichment Program will be asked to interact with the organizations to ensure the students' smooth transition from the pre-academic training to their permanent placements.

<sup>11</sup> 15 U.S.C. 78f(b)(5).