

sales charges, distribution-related fees and service fees paid by a Series relating to its acquisition, holding or disposition of Fund Shares, will not exceed the limits set forth in rule 2830(d) for the NASD Conduct Rules.

3. Each sale of Fund Shares between the Series will be effected at the net asset value of the Fund Shares as determined by the Fund on the sale date or, if traded on a national securities exchange or Nasdaq-NMS, the closing sale price on the sale date. Such sales will be effected without any brokerage commissions or other remuneration except customary transfer fees, if any.

4. The nature and conditions of such transactions will be disclosed to investors in the prospectus of each Series.

5. The Trustee of each Rollover Series and New Series will (a) review the procedures relating to the sale of Fund Shares from a Rollover Series and the purchase of Fund Shares for deposit in a New Series and (b) make such changes to the procedures as the Trustee deems necessary that are reasonably designed to comply with paragraphs (a), (c) and (d) of rule 17a-7.

6. A written copy of these procedures and a written record of each transaction effected pursuant to the requested order will be maintained as provided in rule 17a-7(f).

7. No Series will acquire securities of a Fund which, at the time of acquisition, owns securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

8. No Series will terminate within 30 days of the termination of any other Series that holds shares of one or more common Funds.

9. The prospectus of each Series and any sales literature or advertising that mentions that existence of an in-kind distribution option will disclose that unitholders who elect to receive Fund Shares will incur any applicable rule 12b-1 fees.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-7532 Filed 3-27-00; 8:45 am]

**BILLING CODE 8010-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42543; File No. SR-Amex-99-49]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by American Stock Exchange LLC Relating to Investment Series of the iShares<sup>SM</sup> Trust Based on Foreign Stock Indexes

March 17, 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 28, 1999, the American Stock Exchange LLC ("Amex" 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.

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

The Amex proposes to list the trade under rules 1000A *et seq.* ("Index Fund Shares") series of the iShares<sup>SM</sup> Trust based on stock indexes that consist in whole or part of foreign stocks. The text of the proposed rule change is available at the Office of the Secretary, the Amex 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 self-regulatory organization 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 self-regulatory organization has prepared summaries, set forth in section A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

Amex rules 1000A *et seq.* provide for the listing and trading of Index Fund Shares, which are shares issued by an

open-end management investment company that seeks to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic index.<sup>3</sup> The Exchange currently lists under Amex rules 1000A *et seq.* seventeen series of World Equity Benchmark Shares<sup>SM</sup> ("WEBS<sup>TM</sup>") based on Morgan Stanley Capital International foreign stock indices;<sup>4</sup> and nine series of Select Sector SPDRs<sup>®</sup> based on Select Sector Indexes comprised of stocks representing various industry sectors and included in the S&P 500<sup>®</sup> Index.<sup>5</sup>

The Exchange proposes to list and trade under Amex rules 1000A *et seq.* the following investment series (each a "Fund" and collectively, the "Funds") of the iShares<sup>SM</sup> Trust<sup>6</sup> ("Trust") based on indexes (referred to herein as "Underlying Indices") comprised in whole or part of equity securities issued by foreign issuers as follows: (1) iShares S&P Europe 350 Fund and (2) iShares S&P/TSE 60 Fund.

In addition to the Funds listed above, the Trust's Investment Company Act of 1940 ("1940 Act") exemptive application requests that the exemptive relief sought in the Application apply to Funds (referred to herein as "Additional Funds") based on the following indexes: (1) S&P Euro Index; (2) Dow Jones Global Media Sector Index; (3) Dow Jones Global Pharmaceuticals Sector Index; and (4) Dow Jones Global Telecommunications Sector Index. Funds on these indexes will not be the subject of the Trust's initial registration statement, which will cover, among other Funds,<sup>7</sup> the iShares S&P Europe 350 Fund and the iShares S&P/TSE 60 Fund. The Exchange proposes to list and trade the Additional Funds, listed above, that are the subject of the Trust's 1940 Act exemptive application after an effective registration statement is in place for those funds. All descriptions herein that apply to the two proposed

<sup>3</sup> See Securities Exchange Act Release No. 36947 (March 8, 1996), 61 FR 10606 (March 14, 1996).

<sup>4</sup> "World Equity Benchmark Shares" and "WEBS" are service marks of Morgan Stanley Group, Inc. See Securities Exchange Act Release No. 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999).

<sup>5</sup> "S&P<sup>®</sup>", "S&P 500<sup>®</sup>" and "SPDRs<sup>®</sup>" are trademarks of The McGraw-Hill Companies, Inc., and "Selected Sector SPDR" is a service mark of The McGraw-Hill Companies, Inc. See Securities Exchange Act Release 40479 (December 4, 1998), 63 FR 68483 (December 11, 1998).

<sup>6</sup> The Trust has filed with the Commission an Application for Orders ("Application") under Sections 6(c) and 17(b) of the Investment Company Act of 1940 ("1940 Act") as amended, for the purpose of exempting the Trust from various provisions of the 1940 Act and Amex Rules thereunder (File No. 812-11598).

<sup>7</sup> See File No. SR-Amex-99-48 for a description of iShares Funds based on indexes composed of stocks traded in the U.S.

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

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

iShares Funds also apply to the Additional Funds.

A detailed description of each Underlying Index for the iShares Funds and the Additional Funds, as prepared by the compilers of the Underlying Indices, is available in the Commission's public reference room as Exhibit B. These descriptions include information regarding component selection criteria, issue changes, index maintenance, index availability, index description, and industry group distribution by market capitalization.

*"Passive" or Indexing Investment Approach.* The investment objective of each Fund is to provide investment results that, before expenses, correspond generally to the price and yield performance of companies in the Underlying Index. In seeking to achieve the respective investment objective of each Fund, Barclays Global Fund Advisors, ("the Adviser"), will utilize some variety of "passive" or indexing investment approach. Certain Funds will use a replication strategy by which an index fund seeks to match an Underlying Index's performance, before fees and expenses, by buying and selling all of the Underlying Index's securities in the same proportion as they are reflected in the Underlying Index. These Funds reserve the right not to invest in every security in the Underlying Index if the Adviser believes it is not practical to do so under the circumstances. It is anticipated that the iShares S&P/TSE 60 Fund will use a replication strategy.

*Representative Portfolio Sampling Approach.* Other Funds may not hold all or most of the securities in the Underlying Index ("Component Securities"). This may be the case, for example, when there are substantial costs involved in compiling an entire Underlying Index basket that contains scores of Component Securities or, in certain instances, when a Component Security is illiquid. In cases such as these, a Fund will attempt to hold a representative sample of the Component Securities in the Underlying Index, which will be selected by the Adviser utilizing quantitative analytical models in a strategy known as "representative portfolio sampling." It is anticipated that the iShares S&P Europe 350 Fund will use this technique.

No Fund will concentrate (*i.e.*, hold more than 25% of its assets in the stocks of a single industry or a group of industries) its investments in issuers of one or more particular industries, except that a Fund will concentrate to the extent that its Underlying Index concentrates in the stocks of such particular industry or industries.

Under this strategy, each security is considered for inclusion in a Fund based on its contribution to certain capitalization, industry, and fundamental investment characteristics. The Adviser will seek to construct the portfolio of a Fund so that it will have capitalization, industry and fundamental investment characteristics that perform like those in the corresponding Underlying Index. From time to time, adjustments, will be made in the portfolio of each Fund in accordance with changes in the composition of the Underlying Index, or to maintain compliance as a "regulated company" under the Internal Revenue Code.<sup>8</sup> Certain of these Funds may also hold some securities that are not components of the relevant Underlying Index if the Adviser decides it is appropriate in view of such Funds' investment objectives and investment or tax constraints. If the representative portfolio sampling technique is used, a Fund will not be expected to track its Underlying Index with the same degree of accuracy as would an investment vehicle that invested in every Component Security of the Underlying Index with the same weighting as the Underlying Index. It is anticipated that, over time, the Adviser in such case will be able to employ representative portfolio sampling techniques such that the expected tracking error of a Fund relative to the performance of its Underlying Index will be less than 5 percent.

*Procedures for Creation and Redemption of iShares of the Funds.* Procedures for the creation and redemption of iShares of the proposed Funds similar to procedures for creation and redemption of certain other Index Fund Shares based on a foreign stock index currently listed on the Amex (*i.e.*, WEBS), which do not utilize processes of the National Securities Clearing

<sup>8</sup> In order for a Fund to qualify for tax treatment as a regulated investment company, it must meet several requirements under the Internal Revenue Code. Among these is the requirement that, at the close of each quarter of the Fund's taxable year, (1) at least 50 percent of the market value of the Fund's total assets must be represented by cash items, U.S. government securities, securities of other regulated investment companies and other securities, with such other securities limited for purposes of this calculation in respect of any one issuer to an amount not greater than 5 percent of the value of the Fund's assets and not greater than 10 percent of the outstanding voting securities of such issuer, and (2) not more than 25 percent of the value of its total assets may be invested in the securities of any one issuer, or of two or more issuers that are controlled by the Fund (within the meaning of Section 851(b)(4)(B) of the Internal Revenue Code) and that are engaged in the same or similar trades or business or related trades or business (other than U.S. government securities or the securities of other regulated investment companies.)

Corporation ("NSCC") in connection with the transmittal of trade instructions, the transfer of component securities and the cash component, and the transfer of iShares on creation and redemption. In contrast, creation and redemption procedures applicable to Portfolio Depositary Receipts, such as SPDRs and Index Fund Shares, such as Select Sector SPDRs based on domestic stock indexes, utilize such NSCC processes.

*Purchase or Creation of Creation Unit Aggregations.* The Trust will issue and sell iShares of each Fund only in Creation Unit Aggregations<sup>9</sup> on a continuous basis through the distributor, SEI Investments Distribution Company ("the Distributor"), without a sales load at their net asset value ("NAV") next determined after receipt, on any business day, of an order in proper form. The consideration for purchase of Creation Unit Aggregations of a Fund generally consists of the in-kind deposit of a designated portfolio of equity securities (the "Deposit Securities") per each Creation Unit Aggregation of the stocks and weightings in the relevant Fund's portfolio ("Fund Securities") and an amount of cash (the "Cash Component") computed as described below. Together, the Deposit Securities and the Cash Component constitute the "Fund Deposit," which represents the minimum initial and subsequent investment amount for a Creation Unit Aggregation of any Fund. The Trust will impose a Transaction Fee in connection with the creation and redemption of Creation Unit Aggregations.

The Cash Component is an amount equal to the Balancing Amount. The "Balancing Amount" is an amount equal to the difference between the NAV of the iShares (per Creation Unit Aggregation) and the "Deposit Amount," an amount equal to the market value of the Deposit Securities. If the Balancing Amount is a positive number, (*i.e.*, the NAV per Creation Unit Aggregation exceeds the Deposit Amount), the Cash Component will be paid to the Trust by the creator. If the Balancing Amount is a negative number, (*i.e.*, the NAV per Creation Unit Aggregation is less than the Deposit Amount), the creator will receive cash in an amount equal to the differential.

The Adviser, through NSCC will make available on each Business Day immediately prior to the opening of business on the Amex, currently 9:30 a.m., New York time, the list of the

<sup>9</sup> iShares cannot be redeemed individually but must be redeemed in Creation Unit Aggregations applicable to the specific Fund.

names and the required number of shares of each Deposit Security to be included in the current Fund Deposit for each Fund. Such Fund Deposit is applicable, subject to any adjustments, to effect creations of Creation Unit Aggregations of a given Fund, until such time as the next-announced composition of the Deposit Securities is made available.

It is anticipated that the deposit of Deposit Securities and the Cash Component in exchange for iShares will be made primarily by institutional investors, arbitrageurs, and the Exchange specialist. Creation Unit Aggregations are separable upon issuance into identical shares that are listed and traded on the Amex.

Redemption of Creation Unit Aggregations. Shares may be redeemed only in Creation Unit Aggregations at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Distributor and only on a business day. Immediately prior to the opening of business on the Amex on each business day, the Adviser, through NSCC, will identify the Fund Securities that will be applicable (subject to possible amendment or correction) to redemption requests for each Fund received in proper form on that day. Fund securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Unit Aggregations.

Unless cash redemptions are available or specified for a Fund, the redemption proceeds for a Creation Unit Aggregation generally consist of Fund Securities—as announced by the Adviser on the business day of the request for redemption received in proper form—plus cash in an amount equal to the difference between the NAV of the iShares being redeemed, as next determined after a receipt of a request in proper form, and the value of the Fund Securities (the “Cash Redemption Amount”).

If it is not possible to effect deliveries of the Fund Securities, the Trust may in its discretion exercise its option to redeem iShares in cash, and the redeeming beneficial owner will be required to receive redemption proceeds in cash. In addition, an investor may request a redemption in cash which the Fund may, in its sole discretion, permit. In either case, the investor will receive a cash payment equal to the NAV of its iShares based on the NAV of iShares of the relevant Fund next determined after the redemption request is received in proper form. A Fund may also, in its sole discretion, upon request of a shareholder, provide the redeemer a

portfolio of securities that differs from the exact composition of the Fund Securities but does not differ in NAV.

*Availability of Information Regarding Fund Shares and Underlying Indices.* In addition to the list of names and amount of each security constituting the current Deposit Securities of the Portfolio Deposit, the Cash Component effective as of the previous business day, per outstanding share of each Fund, is expected to be made available each business day. The Exchange expects to disseminate, every 15 seconds during regular Amex trading hours, through the facilities of the Consolidated Tape Association (“CTA”), an amount per Fund Share representing the sum of the estimated Cash Component effective through and including the previous business day, plus the current value of the Deposit Securities in U.S. dollars, on a per share basis.

The value of each Underlying Index will be updated intra-day on a real time basis as individual Component Securities change in price. These intra-day values of the Underlying Indices will be disseminated every 15 seconds throughout the trading day. In addition, these organizations will disseminate a value for each Underlying Index once each trading day, based on closing prices in the relevant exchange market. Each Fund will make available on a daily basis the names and required number of shares of each of the Deposit Securities in a Creation Unit Aggregation, as well as information regarding the cash-balancing amount. The NAV for each Fund will be calculated and disseminated daily. In addition, the Adviser maintains a website that provides information about the returns and methodology of various indices, and will include the relevant Underlying Index for each Fund. The Trust also intends to maintain a website that will include the relevant prospectuses and additional quantitative information that is updated on a daily basis, including daily trading volume and closing price for each Fund. The Amex also intends to disseminate a variety of data with respect to each Index Series on a daily basis by means of CTA and Consolidated Quotation High Speed Lines, including shares outstanding and cash amount per Creation Unit Aggregation, which will be made available prior to the opening of the Amex. The closing prices of the Funds' Deposit Securities are readily available from, as applicable, the relevant exchanges, automated quotation systems, or on-line information services such as Bloomberg or Reuters.

*Dissemination of Indicative Portfolio Value.* In order to provide updated information relating to each Fund for use by investors, professionals and persons wishing to create or redeem iShares based on indexes with non-U.S. components, it is expected that the Exchange will disseminate through the facilities of the CTA an updated indicative portfolio value (“Value”) for each of the Funds traded on the Exchange as calculated by a securities information provider (“Value calculator”). It is anticipated that the methodology utilized in connection with the Funds will be similar to procedures used to calculate the Value for WEBS currently trading on the Exchange. The Value will be disseminated on a per iShares basis every 15 seconds during regular Amex trading hours of 9:30 a.m. to 4:15 p.m. New York time. The equity securities values included in the Value are the values of the Deposit Securities, which are the same as the portfolio that is to be utilized generally in connection with creations and redemptions of iShares in Creation Unit Aggregations on that day. The equity securities included in the Value reflects the same market capitalization weighting as the Deposit Securities in the portfolio for the particular iShares Fund. In addition to the value of the Deposit Securities for each Fund, the Value includes the Cash Component. The Value also reflects changes in currency exchange rates between the U.S. dollar and the applicable home foreign currency.

The Value may not reflect the value of all securities included in the applicable Underlying Index. In addition, the Value does not necessarily reflect the precise composition of the current portfolio of securities held by each Fund at a particular point in time. Therefore, the Value on a per iShares basis disseminated during Amex trading hours should not be viewed as a real time updated of the NAV of a particular Fund, which is calculated only once a day. While the Value that will be disseminated by the Amex at 9:30 a.m. is expected to be generally very close to the most recently calculated Fund NAV on a per iShares basis, it is possible that the value of the portfolio of securities held by a Fund may diverge from the Deposit Securities Values during any trading day. In such case, the Value will not precisely reflect the value of the Fund portfolio.

However, during the trading day, the Value can be expected to closely approximate the value per Fund share of the portfolio of securities for each Fund except under unusual circumstances (e.g., in the case of extensive

rebalancing of multiple securities in a Fund at the same time by the Advisor). The circumstances that might cause the Value to be based on calculations different from the valuation per Fund share of the actual portfolio of a Fund would not be different than circumstances causing any index fund or trust to diverge from an underlying benchmark index.

The Exchange believes that dissemination of the Value based on the Deposit Securities provides additional information regarding each Fund that would not otherwise be available to the public and is useful to professionals and investors in connection with iShares trading on the Exchange or the creation or redemption of iShares.

For each Fund the Value calculator will utilize closing prices (in applicable foreign currency prices) in the principles foreign market(s) for securities in the Fund portfolio, and convert the price to U.S. dollars. This Value will be updated every 15 seconds during the Amex trading hours to reflect change in currency exchange rates between the U.S. dollars and the applicable foreign currency. The Value will also include the applicable Cash Component for each Fund.

For Funds that include foreign stocks, the principal foreign markets for which have trading hours overlapping regular Amex trading hours, the Value calculator will update the applicable Value every 15 seconds to reflect price changes in the applicable foreign market or markets, and convert such prices into U.S. dollars based on the current currency exchange rate. When the foreign market or markets are closed but the Amex is open, the Value will be updated every 15 seconds to reflect changes in currency exchange rates after the foreign markets close.

*Other Characteristics of iShares.* It is anticipated that a minimum of two Creation Unit Aggregations for each Fund will be outstanding at the commencement of trading on the Exchange. The number of shares per Creation Unit Aggregation is anticipated to be approximately 50,000 shares.

Funds shares will be registered in book-entry form through the Depository Trust Company ("DTC"). Trading in Funds shares on the Exchange will be effected until 4:15 p.m. each business day. The minimum trading increment under Amex rule 127 for Fund Shares will be  $\frac{1}{64}$  of \$1.00.

Dividends from net investment income will be declared and paid at least annually by each Fund. Distributions of realized securities gains, if any, generally will be declared and paid at least once a year, but each

Fund may make distributions on a more frequent basis to comply with Internal Revenue Code distribution requirements. Certain of the Funds intend to make the DTC book-entry Dividend Reinvestment Service available for use by beneficial owners of the Fund through DTC Participants for reinvestment of their cash proceeds.

The Exchange, in an information circular, will inform member firms, prior to commencement of trading, that investors purchasing iShares will be required to receive a fund prospectus prior to or concurrently with the confirmation of a transaction therein.<sup>10</sup>

*Original and Annual Listing Fees.* The Amex original listing fee applicable to the listing of iShares is \$5,000 for each Fund. In addition, the annual listing fee under Section 141 of the Amex *Company Guide* will be based upon the year-end aggregate number of outstanding iShares for all Funds combined.

*Stop and Stop Limit Orders.* Amex rule 154, Commentary .04(c) provides that stop and stop limit orders to buy or sell a security other than an option, which is covered by Amex rule 950(f) and Commentary thereto, the price of which is derivatively priced based upon an other security or index of securities, may with the prior approval of a Floor Official be elected by a quotation, as set forth in Commentary .04(c) (i-v). The Exchange has designated iShares as eligible for this treatment.<sup>11</sup>

*Trading Halts.* In addition to other factors that may be relevant, the Exchange may consider factors such as those set forth in Amex rule 918C(b) in exercising its discretion to halt or suspend trading in a Fund. These factors would include: (1) The extent to which trading is not occurring in stocks underlying the specific underlying index; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in iShares will halt in the event that market-wide circuit breakers are triggered pursuant to Amex rule 117.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of

<sup>10</sup>In its 1940 Act exemptive application, the Trust requests relief from the prospectus delivery requirements imposed by Section 24(d) of the 1940 Act. The Exchange will inform member firms of the prospectus delivery requirements applicable at commencement of trading.

<sup>11</sup>See Securities Act Release No. 29063, note 9, (SR-Amex-90-31) regarding Exchange designation of equity derivative securities as eligible for such treatment under Amex Rule 154, Commentary .04(c).

Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general to protect investors and the public interest.

### B. Self-Regulatory Organizations' Statement on Burden on Competition

The Exchange believes that the proposed rule change will impose no burden on competition.

### C. Self-Regulatory Organizations' Statement on Comments on the Proposed Amex Rule Change Received From Members, Participants, or Others

The Exchange neither solicited nor received written comments.

## 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 self-regulatory organization 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, D.C. 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing also will be

available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-99-49 and should be submitted by April 18, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-7533 Filed 3-27-00; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42542; File No. SR-Amex-00-14]

### Self-Regulatory Organization; Notice of Filing of Proposed Rule Change by the American Stock Exchange LLC Relating to Generic Standards Applicable to Listing Portfolio Depository Receipts and Index Fund Shares Pursuant to Rule 19b-4(e)

March 17, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder, notice is hereby given that on March 6, 2000, the American Stock Exchange LLC ("Amex" 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.

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

The Amex proposes to add new Commentary .03 to Amex Rule 1000 (Portfolio Depository Receipts) and New Commentary .02 to Amex Rule 1000A (Index Fund Shares) to provide standards to permit listing and trading of Portfolio Depository Receipts ("PDR") and Index Fund Shares pursuant to Rule 19b-4(e) under the Act.<sup>3</sup> Below is the text of the proposed rule change. Proposed new language is in italics.

#### Portfolio Depository Receipts

Rule 1000 No change.

\* \* \* Commentary

.01 No change.

.02 No change.

*.03 The Exchange may approve a series of Portfolio Depository Receipts for listing and trading pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:*

*(a) Eligibility Criteria for Index Components. Upon the initial listing of a series of Portfolio Depository Receipts on the Exchange, the component stocks of an index or portfolio underlying such series of Portfolio Depository Receipts shall meet the following criteria:*

*(1) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio shall have a minimum market value of at least \$75 million;*

*(2) The component stocks shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares for stocks representing at least 90% of the weight of the index or portfolio;*

*(3) The most heavily weighted component stock cannot exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the index or portfolio;*

*(4) The underlying index or portfolio must include a minimum of 13 stocks; and*

*(5) All securities in an underlying index or portfolio must be listed on a national securities exchange or The Nasdaq Stock Market (including the Nasdaq SmallCap Market).*

*(b) Index Methodology and Calculation. (i) The index underlying a series of Portfolio Depository Receipts will be calculate based on either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology; (ii) If the index is maintained by a broker-dealer, the broker-dealer shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer; and (iii) The current index value will be disseminated every 15 seconds over the Consolidated Tape Association's Network B.*

*(c) Disseminated Information. The Reporting Authority will disseminate for each series of Portfolio Depository Receipts an estimate, undated every 15 seconds, of the value of a share of each series. This may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the index value.*

*(d) Initial Shares Outstanding. A minimum of 100,000 shares of a series*

*of Portfolio Depository Receipts is required to be outstanding at start-up of trading.*

*(e) Trading Increment. The minimum trading increment for a series of Portfolio Depository Receipts shall be 1/64 of \$1.00.*

*(f) Listing Fees. The original listing fee is \$5,000 for each series of Portfolio Depository Receipts. The annual listing fee under Section 141 of the Amex Company Guide will be based upon the number of a series of Portfolio Depository Receipts outstanding at the end of each calendar year.*

*(g) Surveillance Procedures. The Exchange will implement written surveillance procedures for Portfolio Depository Receipts.*

*(h) Applicability of Other Rules. The provisions of Rules 1000 et seq. will apply to all series of Portfolio Depository Receipts.*

\* \* \* \* \*

#### Index Fund Shares

Rule 1000A No change.

\* \* \* Commentary

.01 No change.

*.02 The Exchange may approve a series of Index Fund Shares of listing pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:*

*(a) Eligibility Criteria for Index Components. Upon the initial listing of a series of Index Fund Shares each component of an index or portfolio underlying a series of Index Fund Shares shall meet the following criteria:*

*(1) Component stocks that in the aggregate account for at least 90% of the weight of the index or portfolio shall have a minimum market value of at least \$75 million;*

*(2) The component stocks shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares for stocks representing at least 90% of the weight of the index or portfolio;*

*(3) The most heavily weighted component stock cannot exceed 25% of the weight of the index or portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the index or portfolio;*

*(4) The underlying index or portfolio must include a minimum of 13 stocks; and*

*(5) All securities in an underlying index or portfolio must be listed on a national securities exchange or The Nasdaq Stock Market (including the Nasdaq SmallCap Market.)*

*(b) Index Methodology and Calculation. (i) The index underlying a*

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

<sup>13</sup> 15 U.S.C 78s(b)(1).

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

<sup>3</sup> 17 CFR 240.19b-4(e).