

Washington, DC 20503; and (ii) Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549. Comments must be submitted to OMB within 30 days of this notice.

Dated: August 20, 1998.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40343; International Series Release No. 1153; File No. SR-Amex-98-27]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange, Inc. Relating to the Settlement of the Eurotop 100 Index

August 19, 1998.

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 July 8, 1998, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On July 28, 1998, the Exchange filed an amendment to the proposed rule change ("Amendment No. 1").³ 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 revise the Eurotop 100 Index's settlement value methodology.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 made the following clarifications: (i) the London International Financial Futures and Options Exchange ("LIFFE") will be the new official calculation agent of settlement values; (ii) the current agent is the European Options Exchange ("EOE"); and (iii) reference to the maintenance of the index is deleted from the filing. See letter from Scott G. Van Hatten, Legal Counsel, Amex to Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission (July 27, 1998).

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 Amex 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 Amex 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 proposes to revise the Eurotop 100 Index's ("Index") settlement value methodology in response to a change in the official calculation agent from EOE to LIFFE. Since the Index was initially approved for options trading, an official settlement value for the Index has been calculated each month for use in connection with financial products based on the Index.⁴ The settlement value has been calculated on the third Friday of the month and based on the average of the Index values calculated at 5 minute intervals between 12:30 p.m. and 1 p.m. Central European Time (C.E.T.) (6:30 a.m. and 7:00 a.m. Eastern Standard Time (E.S.T.)). Accordingly, on each expiration Friday, EOE has calculated and disseminated an Index settlement value by averaging the Index values quoted at 12:30, 12:35, 12:40, 12:45, 12:50, 12:55 and 1:00 p.m., and shortly after 1:00 p.m. (C.E.T.) announced a settlement value. The Exchange has settled its contracts based on this value, reduced by a factor of one-tenth (0.10).

LIFFE is currently calculating and disseminating a settlement value which will use a similar methodology, but instead of every five minutes, the new settlement value will be an average of the Index's values taken every fifteen seconds during the period 12:40 p.m. to 1:00 p.m. C.E.T. The values averaged during the twenty minute period will exclude the twelve highest and twelve lowest values resulting in a settlement value made up of an average of 57 individual index values. This methodology, which yields a value known as the Exchange Delivery Settlement Price ("EDSP"), is currently

⁴ Securities Exchange Act Release No. 30463 (March 11, 1992), 57 FR 9284 (March 17, 1992).

used by LIFFE for the calculation and dissemination of settlement values for all of its indices. FT-SE Eurotop 100 Index futures contracts traded on the New York Mercantile Exchange will settle using the existing methodology through December, 1998 before converting to the new settlement methodology for subsequent contract months. And in June, 1998, FTSE Eurotop 100 Index futures contracts traded on LIFFE and the Amsterdam Exchange FTSE Eurotop 100 Ecu options contracts began settling using the new value calculated and disseminated by LIFFE.

Because the use of the existing settlement value methodology will be discontinued in December, 1998 and the methodology used to determine the EDSP is or will be used by other options and futures exchanges trading options and futures on the Index, the Exchange believes the use of EDSP for the Index's settlement value is appropriate and should ensure consistency and uniformity with respect to all index settlement values disseminated by the agent and with other marketplaces.

The settlement value using the existing methodology will continue to be disseminated by the Exchange and used to settle contracts expiring through December, 1998. Options expiring after December, 1998 will settle based on the new EDSP settlement methodology.⁵ No other changes are being proposed to the Index. The Exchange will inform its members of the change in the settlement methodology through dissemination of an information circular.

(2) Basis

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

⁵ Currently, there are no outstanding contracts that expire after December 1998.

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

No written comments were solicited or received with respect to the proposed rule change.

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 date, views and arguments concerning the foregoing, including whether the proposal 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. 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 Section, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Amex.

All submissions should refer to File No. SR-AMEX-98-27 and should be submitted by September 16, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40338; File No. SR-Amex-98-25]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange, Inc. Relating to the Listing and Trading of Stock Upside Note Securities on the Lehman Brothers' European Stock Basket

August 19, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notes is hereby given that on July 1, 1998, the American Stock Exchange, Inc. ("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 Amex. On August 3, 1998, the Exchange file with the Commission Amendment No. 1 to the proposed rule change.³ 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 proposes to list and trade Stock Upside Note Securities on the Lehman Brothers' European Stock Basket, a new stock basket developed by Lehman Brothers Holdings Inc. containing stocks of European companies.

The test of the proposed rule change is available at the Office of the Secretary, 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 Amex 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 Amex has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See letter from Claire P. McGrath, Vice President and Special Counsel, Derivatives Legal Counsel, Amex, to Richard Strasser, Associate Director, Division of Market Regulation ("Division"), SEC, dated July 30, 1998 ("Amendment No. 1"). In Amendment No. 1, the Exchange makes several substantive changes to the filing.

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

1. Purpose

The Amex proposes to trade Stock Upside Note Securities ("SUNS") on the Lehman Brothers' European Stock Basket (the "Basket"), a new basket of stocks developed by Lehman Brothers Holdings, Inc. ("Lehman Brothers") based entirely on the shares of European companies. SUNS on the Basket are designed to allow investors to combine the protection of a portion of the principal amount of the SUNS with a potential additional payment based upon the performance of a portfolio of highly capitalized European stocks. In particular, the proposed European Stock Basket will provide at least 90% principal protection with the opportunity to participate in any upside appreciation of the Basket, subject to any cap on appreciation that may be include by the issuer.

Criteria Under Section 107A of the Amex Company Guide

Under Section 107A of the *Amex Company Guide*, the Exchange may approve for listing and trading securities that can be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures or warrants.⁴ SUNS issues on the Basket will conform to the listing guidelines under Section 107A of the *Amex Company Guide*, which provide, among other things, that the issuer shall satisfy the earnings criteria set forth in Section 101⁵ of the *Amex Company Guide* and have assets in excess of \$100 million and stockholders' equity of at least \$10 million. Where the issuer does not satisfy the earnings criteria set forth in Section 101 of the *Amex Company Guide*, the issuer must have assets in excess of \$200 million and stockholders' equity of at least \$10 million; or have assets in excess of \$100 million and stockholders' equity of at least \$20 million. Further, SUNS will have a minimum public distribution of 1,000,000 units with a minimum of 400 public shareholders, except, if traded in thousand dollar denominations, then no minimum number of holders will be required. SUNS will have a principal amount/aggregate market value of not less than \$4 million. In addition, Amex will apply the continued listing

⁴ See Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8626 (March 8, 1990).

⁵ Section 101 of the *Amex Company Guide* requires issuers to have pre-tax earnings of at least \$750,000 in the fiscal year of two of the last three fiscal years.

⁶ 17 CFR 200.30-3(a)(12).