

in the amount that they would be paid on the Contracts.

5. Warburg believes that the terms of the proposed transaction are reasonable and fair and do not involve overreaching on the part of any person, that the proposed transaction is consistent with the policy of each of the Trusts, and that the requested exemption is appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policies and provisions of the Act.

Applicant's Conditions

Warburg agrees that the order granting the requested relief will be subject to the following conditions:

1. Any investment company owning voting stock of any Trust in excess of the limits imposed by section 12(d)(1) of the Act will be required by the Trust's charter documents, or will undertake, to vote its Trust shares in proportion to the vote of all other Holders.

2. The trustees of each Trust, including a majority of the trustees who are not interested persons of the Trust, (i) will adopt procedures that are reasonably designed to provide that the conditions set forth below have been complied with; (ii) will make and approve such changes as are deemed necessary; and (iii) will determine that the transactions made pursuant to the order were effected in compliance with such procedures.

3. The Trusts (i) will maintain and preserve in an easily accessible place a written copy of the procedures (and any modifications to the procedures), and (ii) will maintain and preserve for the longer of (a) the life of the Trusts and (b) six years following the purchase of any Treasuries, the first two years in an easily accessible place, a written record of all Treasuries purchased, whether or not from Warburg, setting forth a description of the Treasuries purchased, the identity of the seller, the terms of the purchase, and the information or materials upon which the determinations described below were made.

4. The Treasuries to be purchased by each Trust will be sufficient to provide payments to Holders of Securities that are consistent with the investment objectives and policies of the Trust as recited in the Trust's registration statement and will be consistent with the interests of the Trust and the Holders of its Securities.

5. The terms of the transactions will be reasonable and fair to the Holders of the Securities issued by each Trust and will not involve overreaching of the Trust or the Holders of Securities of the

Trust on the part of any person concerned.

6. The fee, spread, or other remuneration to be received by Warburg will be reasonable and fair compared to the fee, spread, or other remuneration received by dealers in connection with comparable transactions at such time, and will comply with section 17(e)(2)(C) of the Act.

7. Before any Treasuries are purchased by the Trust, the Trust must obtain such available market information as it deems necessary to determine that the price to be paid for, and the terms of, the transaction are at least as favorable as that available from other sources. This will include the Trust obtaining and documenting the competitive indications with respect to the specific proposed transaction from two other independent government securities dealers. Competitive quotation information must include price and settlement terms. These dealers must be those who, in the experience of the Trust's trustees, have demonstrated the consistent ability to provide professional execution of Treasury transactions at competitive market prices. They also must be those who are in a position to quote favorable prices.

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 34-41104; File No. 600-23]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Order Approving a Request for Extension of Temporary Registration as a Clearing Agency

February 24, 1999.

Notice is hereby given that on November 27, 1998, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") an application pursuant to Section 19(a) of the Securities Exchange Act of 1934 ("Act")¹ requesting that the Commission grant GSCC full registration as a clearing agency or in the alternative extend GSCC's temporary registration as a clearing agency until such time as the

Commission is able to grant GSCC permanent registration.² The Commission is publishing this notice and order to solicit comments from interested persons and to extend GSCC's temporary registration as a clearing agency until August 31, 1999.

On May 24, 1988, pursuant to Sections 17A(b) and 19(a) of the Act³ and Rule 17Ab2-1 promulgated thereunder,⁴ the Commission granted GSCC registration as a clearing agency on a temporary basis for a period of three years.⁵ The Commission subsequently has extended GSCC's registration through February 28, 1999.⁶

GSCC provides clearance and settlement services for its members' transactions in government securities. GSCC offers its members services for next-day settling trades, forward settling trades, auction takedown activity, repurchase transactions, the multilateral netting of trades, the novation of netted trades, and the daily marking-to-the-market. In connection with GSCC's clearance and settlement services, GSCC provides a centralized loss allocation procedure and maintains margin to offset netting and settlement risks.

At the time of GSCC's initial registration, the Commission granted GSCC exemptions from the financial responsibility and operational capability standards of Sections 17A(b)(3)(B) and 17A(b)(4)(B) of the Act and from the fair representation requirements of Section 17A(b)(3)(C) of the Act.⁷ The Commission has since determined that GSCC is in compliance with these sections and has eliminated the exemptions.⁸ In the Order initially granting GSCC's temporary registration, the Commission also discussed the need for GSCC to amend its standard of care with respect to functions affecting the settlement of government securities. The Commission believes that the issues regarding the appropriate standard(s) of liability of a clearing agency to its members have been resolved. Accordingly, the Commission plans to issue a notice seeking comment on GSCC's permanent registration as a

² Letter from Sal Ricca, President and Chief Operating Officer, GSCC (November 23, 1998).

³ 15 U.S.C. 78q-1(b) and 78s(a).

⁴ 17 CFR 240.17Ab2-1.

⁵ Securities Exchange Act Release No. 25740 (May 24, 1988), 53 FR 19639.

⁶ Securities Exchange Act Release Nos. 29067 (April 11, 1991), 56 FR 15652; 32385 (June 3, 1993), 58 FR 32405; 35787 (May 31, 1995); 60 FR 30324; 36508 (November 27, 1995), 60 FR 61719; and 37983 (November 25, 1996), 61 FR 64183.

⁷ 15 U.S.C. 78q-1(b)(3)(B), 78q-1(b)(4)(B), and 78q-1(b)(3)(C).

⁸ Securities Exchange Act Release Nos. 46508 (November 27, 1995), 60 FR 61719 and 39372 (November 28, 1997), 62 FR 64415.

¹ 15 U.S.C. 78s(a).

clearing agency in the near future.⁹ As a result of the foregoing, the Commission believes that it is appropriate to temporarily approve GSCC's registration as a clearing agency until August 31, 1999.

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application. Such written data, views, and arguments will be considered by the Commission in granting registration or instituting proceedings to determine whether registration should be denied in accordance with Section 19(a)(1) of the Act.¹⁰ 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 amended application for registration and all written comments will be available for inspection at the Commission's Public Reference Room, 450 Fifth Street, NW, Washington, DC 20549. All submissions should refer to File No. 600-23 and should be submitted by March 25, 1999.

It is therefore ordered pursuant to Section 19(a) of the Act, that GSCC's registration as a clearing agency (File No. 600-23) be and hereby is temporarily approved through August 31, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41098; File No. SR-Amex-98-44]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change, as Amended, by the American Stock Exchange LLC To Increase to Fifty, the Maximum Permissible Number of Equity and Index Option Contracts in an Order Executable Through AUTO-EX

February 24, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 9, 1998, 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 and II below, which Items have been prepared by the Exchange. On December 31, 1998, the Exchange submitted Amendment No. 1 to the proposed rule change.³ On February 2, 1999, the Exchange submitted Amendment No. 2 to the proposed rule change.⁴ The Commission is publishing this notice to solicit comment on the proposed rule change from interested persons. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change, as amended.

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

The Amex proposes to increase the maximum permissible number of equity and index option contracts in an order executable through the AUTO-EX system to 50. The text 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 text of the statements may be examined at the places specified in item III below. 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 Scott G. Van Hatten, Legal Counsel, Derivative Securities, Amex, to Richard Strasser, Assistant Director, Division of Market Regulation ("Division"), SEC, dated December 31, 1998 ("Amendment No. 1"). In Amendment No. 1, the Amex represents that its systems capacity is sufficient to accommodate the anticipated increased number of automatic executions.

⁴ See Letter from Scott G. Van Hatten, Legal Counsel, Derivative Securities, Amex, to Richard Strasser, Assistant Director, Division, SEC, dated February 1, 1999 (Amendment No. 2). In Amendment No. 2, the Exchange requests that the Commission find good cause to grant accelerated approval of the proposal.

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

In 1985, the Exchange implemented the AUTO-EX system, through which public customer market and marketable limit orders are executed automatically in options at the best bid or offer displayed at the time the order is entered into the Amex Order File ("AOF"). There are, however, limitations on the number of options contracts that can be entered into or executed by these systems. AOF, which handles limit orders routed to the specialist's book as well as orders routed to AUTO-EX, currently allows for the entry of orders of up to 50 option contracts. AUTO-EX, however, is only permitted to execute automatically equity option orders of 20 contracts or less and index option orders of 30 contracts or less,⁵ thus market and marketable limit orders of more than 20 or 30 contracts are routed by AOF to the specialist's book.

The Amex is now proposing to increase the maximum permissible number of equity and index option contracts in an order that can be executed through the AUTO-EX system to 50 contracts. Thus, the maximum permissible size of an option order—50 contracts—will be equivalent for both orders entered into the specialist's book and those executed through AUTO-EX. The Amex proposes that this increase in permissible order size to 50 contracts for AUTO-EX be done on a case by case basis for an individual option class, or for all option classes when two floor governors or senior floor officials deem such an increase appropriate. The Amex currently anticipates, however, that the ability to execute orders of up to 50 contracts in AUTO-EX will only occur during high volume, and/or high volatility emergency situations. At all other times, the order size for AUTO-EX will remain at 20 contracts for equity options, and 30 contracts for index options (or such larger size currently in effect for certain index options).

The Amex indicates that AUTO-EX has been extremely successful in enhancing execution and operational efficiencies during emergency situations and during other, non-emergency situations for certain option classes. Automatic executions of orders for up to

⁵ While the maximum permissible number of contracts in an index option order executable through AUTO-EX is generally 30 contracts, there are a few exceptions. (i.e., in the Major Market Index, 50 contract orders may be automatically executed and in the Institutional, Japan and S&P MidCap 400 Indexes, 99 contract orders may be automatically executed.)

⁹ A detailed discussion of the appropriate standard(s) of liability of a clearing agency to its members will be set forth in that future notice.

¹⁰ 15 U.S.C. 78s(a)(1).

¹¹ 17 CFR 200.30-3(a)(16).