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

1. Purpose

Amendment No. 4 clarifies two aspects of the proposal [4] and processing of the Proposed Forms U–4 and U–5 on the new World Wide Web–based Central Registration Depository (''Web CRD''). When a firm initiates a Form U–4 filing on Web CRD for the first time for an individual with disclosure information, a blank Page 3 of the Proposed Form U–4 will appear on the screen. Just as with the current paper filing system, a firm will be required to fill out the entire Page 3 to reflect all currently reportable disclosure information, some or all of which may already have been reported to CRD. Thereafter, as a convenience, a member will be able to retrieve the most recently filed electronic Page 3 of the Form U–4 and edit it for submission, rather than filling out the blank Page 3 for each subsequent filing.

There also will be paper processing available for one part of one Disclosure Reporting Page (''DRP'') associated with the Proposed Form U–5. The 1996 Form U–5 DRP for internal reviews contains a Part II, which allows a terminated registered representative to provide a summary of the circumstances relating to an internal review disclosure submitted by the individual's former employer on the Form U–5. This Part II also appears on the Proposed Form U–5 Internal Review DRP. NASDR has informed the Commission staff that it is prepared to accept paper submissions of this Part II information by a terminated registered representative and that NASDR staff will enter the information on to The Web CRD system on behalf of the terminated registered representative.

2. Statutory Basis

NASDR believes that Amendment No. 4 is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that the Association's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. NASDR believes that Amendment No. 4 is consistent with the NASD's authority to adopt appropriate qualification and registration requirements for persons associated with NASD members or applicants for NASD membership. Article V, Section 2 of the NASD By-Laws authorizes the Board to prescribe the form used by any person who wishes to make application for registration with the NASD. NASDR believes that Amendment No. 4 will make the filing of information with CRD easier and more efficient while continuing to provide complete information for use by regulators, SROs, and firms conducting pre-hire checks.

B. Self-Regulatory Organization's Statement on Burden on Competition

NASD Regulation does not believe that the proposed rule change, as amended, will result in 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 were neither solicited nor received.

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 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 NASD. All submissions should refer to File No. SR–NASD–98–96 and should be submitted by May 28, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[5]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–12069 Filed 5–12–99; 8:45 am]

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[4] *See supra* note 3.

[5] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41365; International Series Release No. 1195; File No. SR–Phlx–99–12]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Proposing To Set Temporarily the Add-On Margin Levels for Non-Customized Cross-Rate Foreign Currency Options

May 4, 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 April 8, 1999, the Philadelphia Stock Exchange, Inc. (''Phlx'' 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 Phlx. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposal on an accelerated basis for a period of six months until November 4, 1999.

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

The Exchange proposes to codify the margin levels set forth in Phlx Rule 722(d) for non-customized cross-rate foreign currency options (''Cross-Rate FCOs'') for a three month period or until it develops an updated method of calculating those margin levels. Specifically, the Exchange proposes to continue to require that the initial and maintenance margin requirement for customers' short positions in Cross-Rate FCOs equal an ''add-on margin'' of four percent of the current market value of the underlying FCO contract, plus 100 percent of the current market value of the option's premium, adjusted for ''out-

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

of-the-money-amounts,'' [3] However, the overall initial and maintenance margin may not be reduced below the ''minimum margin requirement.'' [4]

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

In 1991, the Commission approved the Exchange's proposal to list and trade three non-customized cross rate currency options—German mark/Japanese yen, British pound/German mark and British pound/Japanese yen options.[5] The Commission's order approved the proposed margin system for these products for a one-year period only, because the Cross-Rate FCOs were new products and the Commission was concerned that the volatility in the underlying currencies could change significantly. Accordingly, the Commission stated that the Exchange should further analyze the add-on margin adequacy, and, within nine months, submit the analysis along with a proposed rule change to retain the margin level or establish a new level.

As approved by the Commission in 1991, the Exchange's customer margin requirements for short positions for each Cross-Rate FCO applied a four percent add-on margin. The Exchange represented at the time that this add-on margin level was sufficient to cover each cross-rate product's historical volatility over seven-day intervals (for the July 30, 1990 to July 30, 1991 time period) with a confidence level of greater than 96 percent.

Due to an oversight, the Exchange did not file the required analysis and the proposed rule change with the Commission within nine months of the 1991 order. The Exchange now proposes to codify the four percent add-on margin level for three months or until it develops an updated method of calculating those margin levels. During this time, the Exchange will examine the add-on margin level to determine if it continues to cover the same confidence level or whether a different add-on margin level will be more appropriate. The Exchange anticipates filing a new proposed rule change within three months from the date that this order has been approved by the Commission. Applying the same reasoning as in 1991, the Exchange believes that the four percent add-on margin level currently provides an adequate level of customer's add-on margin coverage for the German mark/Japanese yen and British pound/German mark cross-rate products.[6]

2. Statutory Basis

The Exchange believes that the four percent level is an adequate add-on margin level for each German mark/Japanese yen and British pound/German mark FCO on a temporary basis, pending further analysis. For this reason, the Exchange believes that the proposed rule change is consistent with Section 6 of the Act [7] in general, and in particular, with Section 6(b)(5),[8] in that it is designed to promote just and equitable principles of trade, as well as to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission has reviewed carefully the Phlx's proposed rule change and believes, for the reasons set forth below, the proposal is consistent with the requirements of Section 6 of the Act and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act [9] because it will facilitate transactions in securities, promote just and equitable principles of trade, and protect investors and the public interest by allowing the Exchange to continue to trade Cross-Rate FCOs on an interim basis, while using a margin requirement that the Commission believes is justifiable.

The Commission's 1991 order approved the four percent add-on margin for Cross-Rate FCOs for a one-year period. The Exchange now proposes to use a four percent add-on margin level for each non-customized cross-rate product for ''a three-month period or until an updated method for calculating such margins * * * is developed.'' The Exchange will further examine the adequacy of the four percent add-on margin level during that period.

The Exchange represents that for the period of January 16, 1998 to January 15, 1999, the four percent add-on margin level covered non-customized German mark/Japanese yen FCOs at a 94.49 percent confidence level, and covered non-customized British pound/German mark FCOs at a 100 percent confidence level. Based on those confidence levels, the lower of which is close to the 96 percent confidence level that was contained in the Commission's 1991 approval order, the Commission believes it is reasonable to permit the

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[3] For foreign currency put options, ''out-of-the-money-amounts'' equal the aggregate exercise price of the option minus the product of units per foreign currency contract and the closing spot price. *See* Phlx Rule 722(d).

For foreign currency call options, ''out-of-the-money-amounts'' equal the product of units per foreign currency contract and the closing spot price minus the aggregate exercise price of the option. *See id.*

[4] The minimum margin on any put or call carried ''short'' in a customer's account may be reduced by any ''out-of-the-money-amount'' but shall not be less than 100% of the current market value of the option plus ¾% of the current market value of the underlying FCO contract, with the exception that the minimum margin on each such put option contract shall not be less than 100% of the current market value of the option plus ¾% of the option's aggregate exercise price amount. *See id.*

[5] *See* Securities Exchange Act Release No. 29919 (November 7, 1991), 56 FR 58109 (November 15, 1991). Although the Exchange received approval for the British pound/Japanese yen cross-rate FCO, the Exchange has not listed such a contract. Non-customized options carry specific contract terms for features such as contract size, strike price intervals, expiration date, price quoting and premium settlement.

[6] For the British pound/German mark FCOs, the 4% add-on margin level covers the historical price volatility of all seven-day price movements at a 100% confidence level for the period January 16, 1998 to January 15, 1999.

For the German mark/Japanese yen FCOs, the 4% add-on margin level covers the historical price volatility of all seven-day price movements at a 94.49% confidence level for the period of January 16, 1998 to January 15, 1999. To attain a 96% confidence level for German mark/Japanese yen FCOs, the Exchange would have to apply a 4.5% add-on margin level.

[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78f(b)(5).

[9] 15 U.S.C. 78f(b)(5).

Exchange to use a four percent add-on margin level for all Cross-Rate FCOs for a six-month period until November 4, 1999.[10]

The Exchange has requested that the Commission approve the proposed rule change prior to the thirtieth day after the publication of the proposal in the **Federal Register**, so that the Exchange may immediately codify the four percent add-on margin until it can complete further analysis. The Commission finds good cause for approving the proposed rule change, on a pilot basis, prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**, so that the Exchange may continue to use the four percent add-on margin for Cross-Rate FCOs during this six-month period, while it is reviewing the adequacy of margin levels for these products on a permanent basis.

The Commission requires that the Exchange file a proposed rule change to permanently codify the margin system for non-customized Cross-Rate FCOs by August 4, 1999, which is three months from the date of this order. That requirement will provide the Commission with sufficient time to review that proposed rule change before this order's approval of the four percent add-on margin expires on November 4, 1999.

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 Section, 450 Fifth Street, NW, Washington, DC 20549–0609. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR–Phlx–99–12 and should be submitted by June 3, 1999.

V. Conclusion

It is therefore ordered, pursuant to section 19(b)(2) of the Act,[11] that the proposed rule change is hereby approved on an accelerated basis for a period of six months until November 4, 1999.[12]

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

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[10] The Commission believes that the Exchange should consider requiring a sufficient add-on margin level for all German mark/Japanese yen FCOs to achieve at least a 96% confidence level.

[11] 15 U.S.C. 78s(b)(2).

[12] In approving the proposal, the Commission has considered the rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41377; File No. 600–31]

Self-Regulatory Organizations; Thomson Financial Technology Services, Inc.; Order Approving Application for Exemption From Registration as a Clearing Agency

May 7, 1999.

I. Introduction

On January 11, 1999, Thomson Financial Technology Services, Inc. (TFTS)[1] filed with the Securities and Exchange Commission (Commission) an application on Form CA–1[2] for exemption from registration as a clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934 (Exchange Act)[3] and Rule 17Ab2–1 thereunder.[4] Notice of TFTS's application was published in the Federal Register on February 4, 1999.[5] The Commission received one comment letter in response to the notice of TFTS's exemption request.[6] This order grants TFTS an exemption from registration as a clearing agency to offer an electronic trade confirmation (ETC) service and a central matching service subject to the conditions and limitations described below.

II. Description of TFTS's Services

TFTS will be permitted to offer two types of services under this order: (1) an ETC service where TFTS will transmit messages among broker-dealers, customers, and custodian banks regarding the terms of a trade executed for the customer and (2) a central matching service where TFTS will act as an intermediary in the confirmation/affirmation process by comparing a broker-dealer's trade data with a customer's allocation instructions to produce an affirmed confirmation.

The parties to institutional trades use ETC services to transmit electronically the messages (*e.g.*, the institution's allocation instructions to the broker-dealer and the broker-dealer's submission of trade data to the institutional customer) necessary to confirm and affirm the trades. TFTS's ETC service is designed to be used by institutional customers, broker-dealers, and custodian banks to communicate the terms and acknowledgment of their securities trades.[7]

Matching services are a recent development in institutional trade processing. A matching service produces an affirmed confirmation of the trade by independently performing some of the steps in confirming and affirming an institutional trade. It thereby reduces the number of messages that have to be sent among the parties to the trade. TFTS's matching service will compare the broker-dealer's trade data submission to the institution's allocation instructions and will produce an affirmed confirmation of the trade if the two descriptions match.[8]

[1] TFTS is a wholly owned subsidiary of Thomson Information Services, Inc., which is indirectly owned by the Thomson Corporation. The Thomson Corporation is a public company incorporated under the laws of Ontario, Canada.

[2] Copies of TFTS's application are available for inspection and copying at the Commission's Public Reference Room in File No. 600–31. TFTS submitted a document entitled ''Application for Exemptive Order'' with its Form CA–1. That document was not considered in the evaluation of TFTS's application.

[3] 15 U.S.C. 78q–1.

[4] 17 CFR 240.17Ab2–1.

[5] Securities Exchange Act Release No. 41003 (January 29, 1999), 64 FR 5691 (notice of filing of application for exemption from registration as a clearing agency).

[6] Letter from Frank Denaro, Senior Vice President, Salomon Smith Barney (March 5, 1999). The letter is available for inspection and copying in the Commission's Public Reference Room in File No. 600–31.

[7] The Commission has approved proposed rule changes by the Municipal Securities Rulemaking Board (MSRB), the National Association of Securities Dealers (NASD), and the New York Stock Exchange (NYSE) under which their broker-dealer members are permitted to use ETC services provided by an entity that has received an exemption from clearing agency registration to provide confirmation and affirmation services. Securities Exchange Act Release No. 41378 (May 7, 1999) [File Nos. SR–MSRB–98–06, SR–NASD–98–20, and SR–NYSE–98–07]. Previously, those rules required broker-dealers to use ETC services provided by a registered clearing agency.

[8] The notice of TFTS's application contains a detailed description of both the confirmation/affirmation process for institutional trades and