

general, to protect investors and the public interest.

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

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

The Exchange has neither solicited nor received written comments 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 self-regulatory organization consents, the Commission will:

(A) By order approve the 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, N.W., 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 the filing will also be available for inspection and copying at the principal office of the CHX. All submissions should refer to file No. SR-CHX-00-19 and should be submitted by July 28, 2000.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42986; File No. SR-CHX-00-16]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 by the Chicago Stock Exchange, Inc. Relating to the Listing and Trading of Trust Issued Receipts

June 28, 2000.

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 May 5, 2000, the Chicago Stock Exchange, Incorporated ("CHX" 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. On June 7, 2000, the Exchange filed Amendment No. 1 to the proposal.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 amend its listing standards for Trust Issued Receipts (CHX Article XXVIII, Rule 27) to provide standards that permit listing and trading, or trading pursuant to unlisted trading privileges, of Holding company Depositary Receipts ("HOLDRs")⁴ pursuant to Rule 19b-4(e) under the Act.⁵ The text of the proposed

⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, which has been incorporated into the proposed rule change, the Exchange replaced a reference to "trust issued receipts" with a reference to "a series of HOLDRs" in the text of proposed Interpretation and Policy .01 to CHX Rule 27. See Letter from Ellen J. Neely, Vice President and General Counsel, CHX, to Andrew Shipe, Attorney, Division of Market Regulation, SEC, dated June 6, 2000.

⁴ "HOLDRs" and "HOLDing Company Depositary Receipts" are service marks of Merrill Lynch & Co.

⁵ Rule 19b-4(e) provides that the listing and trading of a new derivative securities product by a self-regulatory organization ("SRO") shall not be deemed a proposed rule change, pursuant to paragraph (c)(1) of Rule 19b-4, if the Commission has approved, pursuant to Section 19(b) of the Act,

rule change follows. *Italics* indicate text to be added.

Article XXVIII

Listed Securities

* * * * *

Trust Issued Receipts

Rule 27. No change to Text

* * * *Interpretations and Policies*

.01 *The Exchange may approve a series of HOLDRs for trading, whether by listing or pursuant to unlisted trading privileges, pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934, provided that the following criteria are satisfied:*

(a) *Each security underlying the HOLDR must be registered under Section 12 of the Exchange Act;*

(b) *Each company whose securities are underlying securities for the HOLDR must have a minimum public float of at least \$150 million;*

(c) *Each security underlying the HOLDR must be listed on a national securities exchange or traded through the facilities of Nasdaq as a reported national market system security;*

(d) *Each company whose securities are underlying securities for the HOLDR must have an average daily trading volume of at least 100,000 shares during the preceding sixty-day trading period;*

(e) *Each company whose securities are underlying securities for the HOLDR must have an average daily dollar value of shares traded during the preceding sixty-day trading period of at least \$1 million; and*

(f) *The most heavily weighted security in the HOLDR cannot initially represent more than 20% of the overall value of the HOLDR.*

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 regarding 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

The Exchange proposes to amend CHX Article XXVIII, Rule 27 (Trust Issued Receipts) to provide standards

the SRO's trading rules, procedures and listing standards for the product class that include the new derivative securities product and the self-regulatory organization has a surveillance program for the product class. 17 CFR 240.19b-4(e).

that permit listing and trading, or trading pursuant to unlisted trading privileges, of HOLDRs pursuant to Exchange Act Rule 19b-4(e).

On October 22, 1999, the Exchange received Commission approval for a new rule that permits the trading of Trust Issued Receipts.⁶ Since that time, the Exchange has begun trading, pursuant to unlisted trading privileges, several different Trust Issued Receipts, including Internet HOLDRs, Biotech HOLDRs, Pharmaceutical HOLDRs, Telecommunications HOLDRs and Broadband HOLDRs.⁷ The Exchange believes that it will want the opportunity to similarly trade additional HOLDRs products that are developed from time to time.

To accommodate the efficient listing and trading, or trading pursuant to unlisted trading privileges, of additional HOLDRs, the Exchange proposes to add a new Interpretation to its existing rule to permit the listing and trading of HOLDRs pursuant to Rule 19b-4(e). Rule 19b-4(e) provides that the listing and trading of a new derivative securities product by an SRO shall not be deemed a proposed rule change under the Act, if the Commission has approved, pursuant to Section 19(b) of the Act, the SRO's trading rules, procedures and listing standards for the product class that include the new derivative securities product and the SRO has a surveillance program for the product class.⁸

As described above, the Commission has previously approved rules that permit the listing and trading of individual HOLDRs. In approving these securities for trading, the Commission considered the structure of these securities, their usefulness to investors and to the markets, and the Exchange rules and surveillance programs that govern their trading. Indeed, each of the Exchange's proposals to trade these products was set forth in a separate Form 19b-4 and published in the **Federal Register**, thus providing interested parties an opportunity to comment on the proposals. No comments were received.

CHX Article XXVIII, Rule 27 subjects HOLDRs to all of the Exchange's trading rules by expressly providing that the provisions of the Exchange's Constitution and all other rules and

policies of the Board of Governors apply to the trading of HOLDRs by the Exchange.⁹ Further structure is added to the listing or trading of these products through the initial and continued listing standards established for this product class. These standards confirm that, for each Trust, the Exchange will establish a minimum number of Trust Issued Receipts required to be outstanding at the time trading begins on the Exchange.¹⁰ These standards also confirm that, following the initial twelve month period after trading begins, the Exchange will consider the suspension of trading in, or removal from listing of a Trust Issued Receipt if: (1) The Trust has more than 60 days remaining until termination and there are fewer than 50 record or beneficial holders of Trust Issued Receipts for 30 or more consecutive days; (2) the Trust has fewer than 50,000 receipts issued and outstanding; (3) the market value of all receipts issued and outstanding is less than \$1,000,000; or (4) any other event occurs or condition exists which, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.¹¹

Under the new Interpretation proposed by the Exchange, the Exchange could list or trade, pursuant to Rule 19b-4(e), any HOLDRs that met the following additional criteria: (1) The common stock of each company included as an underlying security in the HOLDR must be registered under Section 12 of the Act; (2) each company whose securities are underlying securities for the HOLDR must have a minimum public float of at least \$150 million; (3) each security included as an underlying security must be listed on a national securities exchange or traded through the facilities of Nasdaq as a reported national market system security; (4) each company whose securities are underlying securities for the HOLDR must have an average daily trading volume of at least 100,000 shares during the preceding sixty-day trading period; and (5) each company whose securities are underlying securities for the HOLDR must have an average daily dollar value of shares traded during the preceding sixty-day trading period of at least \$1 million. Finally, no security included as an underlying security may initially

represent more than 20% of the overall value of the receipt.¹²

The Exchange believes that these additional criteria will ensure that no security included as an underlying security in a HOLDRs product will be readily susceptible to manipulation, while permitting sufficient flexibility in the construction of various HOLDRs to meet investors' needs. These criteria also will ensure sufficient liquidity for those investors seeking to purchase and deposit the underlying securities with the trustee to create a new HOLDR.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act¹³ in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

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

The Exchange believes that no burden will be placed on competition as a result of the proposed rule change. Indeed, the rule change encourages competition among markets by allowing more than one exchange to list and trade the products described in this proposal pursuant to Rule 19b-4(e).

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

No written comments were either solicited or 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 upon 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.

⁶ See Securities Exchange Act Release No. 42056 (October 22, 1999), 64 FR 58870 (November 1, 1999).

⁷ See, e.g., Securities Exchange Act Release No. 42056 (October 22, 1999), 64 FR 58870 (November 1, 1999) (Internet HOLDRs); Securities Exchange Act Release No. 42348 (January 18, 2000), 65 FR 5006 (February 2, 2000) (Biotech HOLDRs).

⁸ 17 CFR 240.19b-4(e).

⁹ Exceptions exist where a trading rule is inconsistent with the Trust Issued Receipt listing standard or where the context otherwise requires. CHX Article XXVIII, Rule 27(e).

¹⁰ See CHX Article XXVIII, Rule 27(c)(1).

¹¹ See CHX Article XXVIII, Rule 27(c)(2).

¹² Each HOLDR product approved by the Commission to date has met these criteria. See *supra*, note 7.

¹³ 15 U.S.C. 78f(b)(5).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-00-16 and should be submitted by July 28, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42991; File No. SR-GSCC-00-03]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Choice of Law Rules

June 29, 2000.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act"), notice is hereby given that on April 27, 2000, the Government Securities Clearing Corporation ("GSCC") 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 primarily prepared by GSCC. 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 proposed rule change will amend GSCC's rules by specifying that GSCC's rules will be governed by and interpreted under the laws of the State of New York.

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.²

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

GSCC proposes to add a new provision to its rules that will specify that GSCC's rules and the rights and obligations under the rules will be governed by the laws of the State of New York without regard to New York's conflicts of laws principles. Even though GSCC believes that New York law governs its rules since GSCC's membership agreement states that the agreement and rules are expressly governed by New York law, GSCC believes that the proposed rule change will eliminate any doubts as to which law governs its rules.

GSCC believes that being governed by New York law is appropriate and offers numerous advantages, including: (i) New York has well-established commercial law principles; (ii) GSCC is established under the New York Business Corporation Law; (iii) GSCC is located in New York; and (iv) the majority of GSCC's members have their principal office in New York.

GSCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F)³ of the Act and the rules and regulations thereunder because it will clarify GSCC's rules.

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

GSCC does not believe that the proposed rule change will have an impact or impose a burden on competition.

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

Written comments relating to the proposed rule change have not yet been solicited or received.⁴ GSCC will notify the Commission of any written comments received by GSCC.

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

Within thirty-five 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 ninety 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 GSCC 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 in Washington, DC. Copies of such filing will also be available for inspection and copying at GSCC's principal office. All submissions should refer to File No. SR-GSCC-00-03 and should be submitted by July 28, 2000.

¹⁴ 17 CFR 200.30-3(a)(12).

¹⁵ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by GSCC.

³ 15 U.S.C. 78q-1(b)(3)(F).

⁴ Members will be notified of the rule change filing and comments will be solicited by an Important Notice.