

relevant registration statements are reported on the separate PRA submissions for those statements (see the separate PRA submissions for Form N-3 [17 CFR 274.11b] and Form N-4 [17 CFR 274.11c]). With regard to Rule 11a-2, the Commission includes the estimate of burden hours in the total number of burden hours estimated for completing the relevant registration statements and reported on the separate PRA submissions for those statements (see the separate PRA submissions for Form N-3 and Form N-4).

Complying with the collection of information requirements of the rules is necessary to obtain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments regarding the above information should be directed to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, D.C. 20503; and (ii) Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Comments must be submitted to OMB within 30 days of this notice.

Dated: September 25, 2000.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-25423 Filed 10-3-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43380; File No. 265-22]

### Advisory Commission on Market Information

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Supplemental notice.

**SUMMARY:** This notice supplements the Securities and Exchange Commission's notice of intent to establish the Securities and Exchange Commission Advisory Committee on Market Information ("Committee"), and intent to hold the first Committee meeting on October 10, 2000 (65 FR 58135).

**ADDRESSES:** Written comments should be submitted in triplicate and should refer to File No. 265-22. Comments should be submitted to Jonathan G.

Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609.

**FOR FURTHER INFORMATION CONTACT:** Anitra Cassas, Attorney, Division of Market Regulation, at 202-942-0089; Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-1001.

**SUPPLEMENTARY INFORMATION:** On September 20, 2000, the Commission issued a notice that the first meeting of the Securities and Exchange Commission Advisory Committee on Market Information is to be held on October 10, 2000, in the William O. Douglas Room at the Commission's main offices, 450 Fifth Street, N.W., Washington, DC, beginning at 1 p.m. (Securities Exchange Act Release No. 43313, September 20, 2000). The meeting will be open to the public, and the public is invited to submit written comments to the Committee. The notice was published in the **Federal Register** on September 27, 2000, less than 15 days prior to the first meeting as required by 41 CFR 101-61015. To accommodate all of the committee members' schedules and travel arrangements, however, the Commission finds good cause to continue to hold the meeting on October 10, 2000.

Dated: September 28, 2000.

**Jonathan G. Katz,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-4338; File No. SR-Amex-00-53]

### Self Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change by the American Stock Exchange LLC Relating to the streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund

September 25, 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 September 13, 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 and II below, which Items have been prepared by the Exchange.

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

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

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.

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

The Amex proposes to list and trade under Amex Rules 1000A *et seq.* ("Index Fund Shares"), shares of the streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund. The text of the proposed rule change is available upon request from the Office of the Secretary, the Amex or 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 these statements may be examined at the places specified in Item III 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

On March 8, 1996, the Commission approved Amex's listing and trading of Index Fund Shares under Rules 1000A *et seq.*<sup>3</sup> Index Fund Shares 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 equity market index. The Exchange currently trades the following Index Fund Shares under Amex Rules 1000A *et seq.*: Select Sector SPDRs based on industry sectors in the S&P 500 Index;<sup>4</sup> iShares MSCI Index Funds (formerly "WEBS") based on Morgan Stanley Capital International foreign indexes;<sup>5</sup> series of the iShares Trust based on domestic stock indexes;<sup>6</sup> and

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

<sup>4</sup> See Securities Exchange Act Release No. 40749 (December 4, 1998), 63 FR 68483 (December 11, 1998).

<sup>5</sup> See Securities Exchange Act Release Nos. 42748 (May 2, 2000), 65 FR 30155 (May 10, 2000); and 36947 (March 8, 1996), 61 FR 10606 (March 14, 1996).

<sup>6</sup> See Securities Exchange Act Release No. 42787 (May 15, 2000), 65 FR 33598 (May 24, 2000).

series of the iShares Trust based on the S&P Europe 350 Index and the S&P/TSE 60 Index.<sup>7</sup>

The Exchange proposes to list and trade under Amex Rules 1000A *et seq.* shares ("Shares") of the streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund ("Fund").<sup>8</sup> The Fund is a series of the streetTracks<sup>sm</sup> Series Trust ("Trust"), an open-end management investment company.<sup>9</sup> State Street Bank and Trust Company ("State Street"), through its State Street Global Advisors (SSgA) division, acts as investment adviser to the Trust and, subject to the supervision of the Trust's Board of Trustees, is responsible for the management of the Fund. State Street also is the administrator and transfer agent for the Fund and is custodian for the Fund's assets. State Street Capital Markets LLC is the distributor for the Fund's shares.

#### a. The Global Titans Index<sup>10</sup>

The Global Titans index is composed of 50 common stocks, which are chosen by Dow. The stock must, in the opinion of Dow, meet all four of the following criteria to qualify as a candidate for the Index: (1) it must be a well established company with a solid financial situation and a broad client base; (2) it must be well known to global investors for either its long history of success or its widely used products or services; (3) it must be a market leader in its industry with either a dominant position or a competitive advantage; and (4) it must be among the largest of blue-chip companies in the global arena. In constructing the Global Titans Index, a multi-factor methodology is adopted. First, the 3,000 stocks of the Dow Jones Global Indexes are used as the Initial Pool with a view towards ensuring that all candidates are investable, liquid and representative of the global markets. Market capitalization is then used as the first screen to create the Final Pool by selecting the top 100 companies. Dow's rationale for this step is that market value is a universal measurement across industries, and also that its use is most appropriate for an index built for

investment purposes. Every company in the Final Pool of 100 must derive some revenue from outside its home country. This screen is instituted to ensure that all stocks in the Index are truly global companies. The next step in Index construction is to combine the Final Pool components' market capitalization rankings with their rankings according to four other indicators of size and leadership. These four indicators, two from the balance sheet and two from the income statement, are assets, book value, sales/revenue, and net profit. The combined rankings of these four factors determine the fundamental rank of each company. The fundamental rank and the market capitalization rank are used equally as the basis for selecting the Index components.

The Index methodology described in the preceding paragraph is subject to an annual review. A three-month window—March through June—is used for stock evaluation. The steps described above are repeated to build the Final Pool and to calculate the final ranking with respect to the four fundamental measures and weighted average market value. Any non-components that fall into the top 25 of the new final ranking are added to the Index, automatically replacing the lowest ranked components. A 20% buffer zone rule is applied, meaning that any component stocks ranked higher than 20% above the Index's target number of stocks are retained, while those ranked lower than 20% above the target number are replaced by the top ranked non-component stocks.

For purposes of calculation of the Index Value, securities for which the primary market is outside of the U.S. are valued based on the last sale price on the primary market. During periods when the primary market is closed, these securities are valued based on the last sale price of the corresponding American Depositary Receipts ("ADR"), if any.

The Fund will invest in foreign securities, including non-U.S. dollar-denominated securities traded outside the United States and dollar-denominated securities of foreign issuers traded in the United States. Foreign securities also include investments such as ADRs which are U.S. dollar-denominated receipts representing shares of foreign-based corporations. ADRs are issued by the U.S. banks or trust companies and entitle the holder to all dividends and capital gains that are paid out on the underlying foreign shares.

As of August 31, 2000, the Index included 27 U.S. companies, 20 Western European companies and 3 Japanese

companies, representing 68.17%, 27.45% and 4.38% of the Index weight, respectively. Forty-four Index components, representing 94.36% of the Index weight, are listed on the New York Stock Exchange ("NYSE") or on the National Association of Securities Dealers Automated Quotations System ("Nasdaq"). Seventeen of the 23 non-U.S. companies in the Index have ADRs listed and traded on the NYSE. The following five non-U.S. companies in the Index, with a combined Index weight of 5.07%, have ADRs traded in the U.S. in the over-the counter "Pink Sheet" market: Credit Suisse Group, Lloyds/TSB Group PLC, Nestle S.A., Roche Holding AG, and Siemens AG. ADRs for one non-U.S. company in the Index, Allianz AG Holding, are not currently available.

The Fund's investment objective is to replicate, using an "indexing" investment approach, as closely as possible, before expenses, the performance of the Global Titans Index. The Fund uses a passive management strategy designed to track the performance of the Global Titans Index. The adviser seeks a correlation of 0.95 or better between the Fund's performance and the performance of the Index; a figure of 1.00 would represent perfect correlation. The Fund generally will invest in all of the stocks comprising the Index in proportion to their weightings in the Index. However, under various circumstances, it may not be possible or practicable to purchase all of those stocks in those weightings. In those circumstances, the Fund may purchase a sample of the stocks in the Index in proportions expected by the Adviser to replicate generally the performance of the Index as a whole. There may also be instances in which the Adviser may choose to overweight another stock in the Index, purchase securities not in the Index which the Adviser believes are appropriate to substitute for the Index Securities, or utilize various combinations of other available investment techniques, in seeking to track accurately the Index. In addition, from time to time stocks are added to or removed from the Index. The Fund may sell stocks that are represented in the Index, or purchase stocks that are not yet represented in the Index, in anticipation of their removal from or addition to the Index. The Fund will normally invest at least 95% of its total assets in common stocks that comprise the Index.

<sup>7</sup> See Securities Exchange Act Release No. 42786 (May 15, 2000), 65 FR 33586 (May 24, 2000).

<sup>8</sup> "streetTracks"<sup>sm</sup> is a service mark of State Street Corporation.

<sup>9</sup> The Fund 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 Fund, together with other funds specified in the Application, from various provisions of the 1940 Act and rules thereunder. (File No. 812-11882) (Investment Company Act Release No. 24631 (September 1, 2000), 65 FR 54327 (September 7, 2000)).

<sup>10</sup> Information relating to the Global Titans Index methodology is based on materials prepared by Dow Jones and Company ("Dow").

b. Purchase or Creation of Creation Unit Aggregations

The Fund will issue and redeem Shares only in Creation Unit size aggregations (50,000 shares per Creation Unit). The Fund will issue and sell Shares through the distributor on a continuous basis at the net asset value per share next determined after an order to purchase Shares in Creation Unit size aggregations is received in proper form. Following issuance, Shares are traded on the Exchange like other equity securities by professionals, as well as retail and institutional investors.

To create (*i.e.*, purchase) Creation Units of the Fund, an investor must generally deposit a designated portfolio of equity securities constituting a substantial replication, or a representation, of the stocks included in the Index (the "Deposit Securities") and generally makes a small cash payment referred to as the "Cash Component." The list of the names and the number of shares of the Deposit Securities is made available by the custodian through the facilities of the National Securities Clearing Corporation ("NSCC") immediately prior to the opening of business on the Exchange. The Cash Component represents the difference between the net asset value of a Creation Unit and the market value of the Deposit Securities.

Orders must be placed in proper form by or through either (1) a "Participating Party," *i.e.*, a broker-dealer or other participant in the clearing process of the Continuous Net Settlement System of the NSCC (the "Clearing Process"); or (2) a Depository Trust Company ("DTC") Participant, that, in either case, has entered into an agreement with the Trust, the distributor and the transfer agent with respect to creations and redemptions of Creation Units ("Participant Agreement"). All orders must be placed for one or more whole Creation Units of Shares of the Fund and must be received by the distributor in proper form no later than the close of regular trading on the NYSE (ordinarily 4:00 p.m., New York time) to receive that day's closing net asset value per Share.

c. Redemption of Creation Unit Aggregations

Shares may be redeemed only in Creation Units at their net asset value and only on a day the NYSE is open for business. The custodian makes available immediately prior to the opening of business on the Exchange, through the facilities of the NSCC, the list of the names and the number of Shares of the Fund's portfolio securities that will be

applicable that day to redemption requests in proper form ("Fund Securities"). Fund Securities received on redemption may not be identical to Deposit Securities which are applicable to creations of Creation Units. Unless cash redemptions are available or specified for the Fund, the redemption proceeds consist of the Fund Securities, plus cash in an amount equal to the difference between the net asset value of the Shares being redeemed as next determined after receipt by the transfer agent of a redemption request in proper form, and the value of the Fund Securities (the "Cash Redemption Amount"), less the applicable redemption fee. Shares cannot be redeemed individually but must be redeemed in Creation Unit size aggregations.

d. Other Information

Income dividend distributions, if any, are distributed to shareholders quarterly. Net capital gains are distributed at least annually. Dividends may be declared and paid more frequently to improve Index tracking or to comply with the distribution requirements of the Internal Revenue Code. Distributions in cash may be reinvested automatically in additional whole Shares if the broker through which the investor purchased Shares makes such option available. Broker-dealers may make available the DTC book-entry Dividend Reinvestment Service for use by beneficial owners of Shares through DTC Participants for reinvestment of their dividend distributions. If this service is available and used, dividend distributions of both income and realized gains will be automatically reinvested in additional whole Shares issued by the Fund based on a payable date net asset value.

The net asset value for the Fund is calculated by the Fund's custodian. After calculation, such net asset value is available to the public from the Fund's distributor, and is also available to NSCC participants through data made available from NSCC.

Shares are registered in book entry form through the DTC. Trading in shares of Shares on the Exchange is effected until 4:00 p.m. (New York Time) each business day. The minimum trading increment for Shares will be  $\frac{1}{64}$  of \$1.00, pursuant to Amex Rule 127, Commentary .03 (pending implementation of decimal pricing for all Amex equity securities).

To provide updated information relating to the Fund for use by investors, professionals and persons wishing to create or redeem shares of Shares based on Index with non-U.S. components, the

Amex intends to disseminate a variety of data with respect to the Fund on a daily basis by means of CTA Tape B and Consolidated Quotation High Speed Lines, including Shares outstanding and Cash Component per Creation Unit size aggregation, which will be made available prior to the opening of the Amex. The closing prices of the Fund's Deposit Securities are readily available from, as applicable, the relevant exchanges, automated quotation systems, or on-line information services such as Bloomberg or Reuters. The Amex will also disseminate over Tape B an updated portfolio value ("Value") for Shares on a per Share basis every 15 seconds during regular Amex trading hours of 9:30 a.m. to 4:00 New York time. This value will be based on last sale prices disseminated by U.S. and applicable foreign exchange markets, the price of foreign issues being converted into U.S. dollars based on current currency exchange rates, and/or reported ADR prices in the U.S. (in U.S. dollars).

e. Criteria for Initial and Continued Listing

Shares are subject to the criteria for initial and continued listing of Index Fund Shares in Amex Rule 1002A. It is anticipated that a minimum of two Creation Units (100,000 Shares) will be required to be outstanding at the start of trading. This minimum number of Shares required to be outstanding at the start of trading will be comparable to requirements that have been applied to previously listed series of Portfolio Depository Receipts and Index Fund Shares. It is anticipated that the net asset value of an individual Share will be approximately  $\frac{1}{3}$  of the Index value. For example, if the Index value is 270 (the Index value as of September 8, 2000), the initial Share price would be approximately \$90.

The Exchange believes that the proposed minimum number of Shares outstanding at the start of trading is sufficient to provide market liquidity and to further the Fund's objective to seek to provide investment results that correspond generally to the price and yield performance of the Index.

f. Original and Annual Listing Fees

The Amex original listing fee applicable to the listing of Shares is \$5,000. In addition, the annual listing fee applicable to the Fund under Section 141 of the *Amex Company Guide* will be based upon the year-end aggregate number of outstanding Shares in all funds of the Trust listed on the

Exchange.<sup>11</sup> As noted above, the 1940 Act Application for Orders with respect to the Fund encompasses a number of funds in addition to the Fund, as specified in the Application.

g. 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 another 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 Index Fund Shares, including Shares, as eligible for this treatment.<sup>12</sup>

h. Rule 190

Amex Rule 190, Commentary .04 applies to Index Fund Shares listed on the Exchange, including Shares. Commentary .04 states that nothing in Amex Rule 190(a) should be construed to restrict a specialist registered in a security issued by an investment company from purchasing and redeeming the listed security, or securities that can be subdivided or converted into the listed security, from the issuer as appropriate to facilitate the maintenance of a fair and orderly market.

i. Prospectus Delivery

The Exchange, in an Information Circular to Exchange members and member organizations, will inform members and member organizations, prior to commencement of trading, that investors purchasing Shares shall be required to receive a Fund prospectus prior to or concurrently with the confirmation of a transaction therein.

j. 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 Index Fund Shares, including Shares. These factors would include, but are not limited to, (1) the extent to which trading is not occurring in stocks underlying the index; or (2) whether other unusual conditions or circumstances detrimental

to the maintenance of a fair and orderly market are present.<sup>13</sup> In addition, trading in Shares will be halted if the circuit breaker parameters under Amex Rule 117 have been reached.

k. Suitability

Prior to commencement of trading, the Exchange will issue an Information Circular informing members and member organizations of the characteristics of the Fund and of applicable Exchange rules, as well as of the requirements of Amex Rule 411 (Duty to Know and Approve Customers).

l. Purchases and Redemptions in Creation Unit Size

In the Information Circular referenced above, members and member organizations will be informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Fund prospectus and Statement of Additional Information, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

m. Surveillance

Exchange surveillance procedures applicable to trading in the proposed Shares are comparable to those applicable to other Index Fund Shares currently trading on the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act<sup>14</sup> in general and furthers the objectives of Section 6(b)(5)<sup>15</sup> 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 transaction in securities and, in general, 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 burden on competition.

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

The Exchange did not receive any written comments on the proposed rule change.

**III. 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 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-Amex-00-53 and should be submitted by October 25, 2000.

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

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b)(5) of the Act.<sup>16</sup> The Commission believes that the Exchange's proposal to list and trade under Amex Rules 1000A *et seq.*, Shares of the streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund will provide investors with a convenient and efficient way of participating in the securities markets, including involvement with equities issued by foreign investors. The Exchange's proposal should provide investors with increased flexibility in satisfying their investment needs by allowing them to purchase and sell a single security, at negotiated prices throughout the business day, that replicates the performance of a portfolio of stocks.

<sup>11</sup> As noted above, the 1940 Act Application for Orders with respect to the Fund encompasses a number of funds in addition to the Fund, as specified in the Application. See *supra* note 9.

<sup>12</sup> See Securities Exchange Act Release No. 29063 (April 10, 1991), 56 FR 15652 (April 17, 1991), note 9, regarding Exchange designation of equity derivative securities as eligible for such treatment under Amex Rule 154, Commentary .04(c).

<sup>13</sup> See Amex Rule 918C.

<sup>14</sup> 15 U.S.C. 78f(b).

<sup>15</sup> 15 U.S.C. 78f(b)(5).

<sup>16</sup> 15 U.S.C. 78f(b)(5).

Accordingly, as discussed below, the Commission finds that the Exchange's proposal will promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, protect investors and the public interest consistent with Section 6(b)(5) of the Act.<sup>17</sup>

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. The Exchange currently lists under Amex Rules 1000 *et seq.*: Select Sector SPDRs based on industry sectors in the S&P 500 Index;<sup>18</sup> Shares MSCI Index Funds (formerly "WEBS") based on Morgan Stanley Capital International foreign indexes;<sup>19</sup> series of the iShares Trust based on domestic stock indexes;<sup>20</sup> and series of the iShares Trust based on the S&P Europe 350 Index and the S&P/TSE 60 Index.<sup>21</sup> Similar to these other types of Index Fund Shares, the Commission believes that the streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund will provide investors with an alternative to trading a broad range of securities on an individual basis, and will give investors the ability to trade a product representing an interest in a portfolio of securities designed to reflect substantially the applicable underlying index. The streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund should allow investors to: (1) respond quickly to market changes through intra-day trading opportunities; (2) engage in hedging strategies similar to those used by institutional investors; and (3) reduce transaction costs for trading a portfolio of securities.

Although the fund is not a leveraged instrument, and, therefore, does not possess any of the attributes of stock index options, its prices will be derived and based upon the securities and the cash held in the Fund. Accordingly, the level of risk involved in the purchase or sale of this Fund is similar to the risk involved in the purchase or sale of traditional common stock, with the

exception that the pricing mechanism for the Fund is based on a portfolio of securities. Based on these factors, the Commission believes that it is appropriate to regulate the Fund in a manner similar to other equity securities. Nevertheless, the Commission believes that the nature of the Fund raises certain product design, disclosure, trading, market impact and other issues that must be addressed adequately. As discussed in more detail below, the Commission believes Amex has adequately addressed these concerns.

#### A. The Global Titans Index Fund Generally

The Commission believes that the proposed Fund is reasonably designed to provide investors with an investment vehicle that substantially reflects in value the index it is based upon. In this regard, the Commission notes that the Fund will use an "indexing" investment approach that attempts to replicate, before expenses, the performance of the Index. The Fund generally will invest in all of the stocks comprising the Index in proportion to their weightings in the Index. The Fund Adviser may, however, choose stock equivalent positions that the Advisor deems appropriate as an alternative to such stocks. The Commission also notes that the Fund will normally invest at least 95% of its total assets in stocks that comprise the Index. The Commission believes that the component selection and replacement procedures for the Fund should help to ensure that the component securities generally remain highly capitalized and actively traded.

#### B. Disclosure

The Commission believes that the Exchange's proposal should ensure that investors are adequately apprised of the terms, characteristics, and risks of trading the Fund. As noted above, all investors will receive a prospectus regarding the product, prior to or concurrently with the confirmation of a transaction therein. Alternatively, as previously noted, the Fund will be subject to the Exchange's rules and procedures for Index Fund Shares. This includes the provisions in Commentary .03 to Amex Rule 1000A, which provides for delivery requirements of a product description for series that have been granted relief from the prospectus delivery requirements of the Act.<sup>22</sup> Because the Fund will be in continuous distribution, the prospectus delivery requirements of the Securities Act of

1933 will apply both to initial investors and to all investors purchasing such securities in secondary market transactions on the Amex. The prospectus or product description will address the special characteristics of Shares of the streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund, including a statement regarding redeemability and method of creation.

The Commission notes that the Exchange will issue an information circular to its members explaining the unique characteristics of this type of security prior to the commencement of trading in shares of the Fund. The Commission also notes that the circular will inform members of responsibilities under Amex Rule 411 in connection with customer transactions in this security.<sup>23</sup> The circular also will address members' responsibility to deliver a prospectus or product description to all investors and highlight the characteristics of purchases in the Fund, including the procedures for purchases and redemptions and that such purchases and redemptions must be in Creation Unit size aggregations.

#### C. Listing and Trading of the Index Fund Shares

The Commission finds that adequate rules and procedures exist to govern the listing and trading of the Fund. The Fund will be subject to the full panoply of Amex listing and delisting/suspension rules and procedures governing the trading of Index Fund Shares on the Amex. The Fund will be deemed an equity security subject to all Amex rules governing the trading of equity securities, including, among others, rules governing trading halts, notices to members, responsibilities of the specialist, customer suitability requirements and the election of a stop and stop limit order. Amex surveillance procedures for Index Fund Shares will be applicable to the streetTracks<sup>sm</sup> Dow Jones Global Titans Index Fund. The Commission believes that the surveillance procedures developed by the Amex for Index Fund Shares are adequate to address the concerns associated with the listing and trading of this Fund, including any concerns associated with purchasing and redeeming Creation Units.

In addition, the Exchange has designated that a minimum of two

<sup>17</sup> 15 U.S.C. 78f(b)(5). In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>18</sup> See *supra* note 4.

<sup>19</sup> See *supra* note 5.

<sup>20</sup> See *supra* note 6.

<sup>21</sup> See *supra* note 7.

<sup>22</sup> See *supra* note 6 (approving delivery of product description in lieu of prospectus).

<sup>23</sup> Amex Rule 411 generally requires that members use due diligence to learn the essential facts relative to every customer, every order or account accepted. As per telephone conversation between Florence E. Harmon, Senior Special Counsel, Division of Market Regulation, SEC, and Mike Cavalier, Associate General Counsel, Amex, on September 25, 2000.

Creation Units, approximately 100,000 shares, will be required to be outstanding at the start of trading. The Commission believes this minimum number is sufficient to help to ensure that a minimum level of liquidity will exist at the start of trading. Furthermore, the Commission finds that registering the Fund shares in book-entry form through DTC, managing the distribution of dividends from net investment income, if any, and permitting beneficial owners of the Funds to offer the DTC book-entry Dividend Reinvestment Service are characteristics of the Fund that are consistent with the Act and should allow for the maintenance of fair and orderly markets and perfect the mechanism of a free and open market.

Further, the Commission believes that the Exchange's proposal to trade the Fund in minimum fractional increments of  $\frac{1}{64}$  of \$1.00 is consistent with the Act. The Commission believes that such trading should enhance market liquidity, and should promote more accurate pricing, tighter quotations, and reduced price fluctuations. The Commission also believes that such trading should allow customers to receive the best possible execution of their transactions in the Fund. Additionally, the Commission believes that the proposed original listing fee of \$5,000 is reasonable as is the proposed method for calculating the annual fee.

#### *D. Dissemination of Information and Regarding the Fund*

The Commission believes that the Values and figures that the Exchange proposes to have disseminated for the Fund will provide investors with timely and useful information concerning the value of the Fund. The Exchange represents that the Value information will be disseminated, every 15 seconds during regular Amex trading hours, through the facilities of the CTA and will reflect currently-available information concerning the value for Shares of the Fund. On a daily basis, the Exchange represents that it will disseminate the Shares outstanding, the cash amount per Creation Unit Aggregation, and the net asset value. The Exchange represents that the closing prices of the Fund's Deposit Securities are readily available from, as applicable, the relevant exchanges, automated quotation systems, or on-line information services such as Bloomberg or Reuters. The intra-day value of the Underlying Index will be available from Dow.

#### *E. Accelerated Approval*

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register** pursuant to Section 19(b)(2) of the Act. The Commission notes that the proposed rule change is based on the listing and trading standards in Amex Rule 1000A *et seq.* (Index Fund Shares), which the Commission previously approved after soliciting public comment on the proposal pursuant to Section 19(b)(1) of the Act.<sup>24</sup> The Commission does not believe that the proposed rule change raises novel regulatory issues that were not addressed in the Amex filing. Accordingly, the Commission believes it is appropriate to permit investors to benefit from the flexibility afforded by this new instrument by trading them as soon as possible. Accordingly, the Commission finds that there is good cause, consistent with Section 6(b)(5) of the Act,<sup>25</sup> to approve the proposal on an accelerated basis.

#### **V. Conclusion**

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>26</sup> that the proposed rule change (SR-Amex-00-53), is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>27</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

[FR Doc. 00-25438 Filed 10-3-00; 8:45 am]

**BILLING CODE 8010-01-M**

### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-43370; File No. SR-NASD-00-38]**

#### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to the Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Application of NASD Rules and Interpretive Materials to Certain Exempted Securities**

September 27, 2000.

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

<sup>24</sup> See *supra* note 6 (approving SR-Amex-00-14); Securities Exchange Act Release No. 42542 (March 17, 2000), 65 FR 16437 (March 28, 2000) (noticing SR-Amex-00-14).

<sup>25</sup> 15 U.S.C. 78s(b)(5).

<sup>26</sup> 15 U.S.C. 78s(b)(2).

<sup>27</sup> 17 U.S.C. 200.30-3(a)(12).

("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 16, 2000, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, NASD Regulation, filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.<sup>4</sup>

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

The NASD proposes to amend its rules to: (1) Codify an NASD staff interpretation that the non-cash compensation provisions set forth in paragraph (g) of NASD Rule 2820, "Variable Contracts of an Insurance Company," apply to group variable contracts that are exempted securities; and (2) adopt new NASD Rule 0116, "Application of Rules of the Association to Exempted Securities," to enumerate the NASD rules and interpretive materials that apply to exempted securities, including government securities, other than municipal securities. The text of the proposed rule

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

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

<sup>3</sup> On September 11, 2000, NASD Regulation filed Amendment No. 1 to the proposal. See letter from Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated September 11, 2000 ("Amendment No. 1"). In Amendment No. 1, NASD Regulation amended proposed NASD Rule 0116 to: (1) delete a reference to NASD Rule 2300; (2) replace a reference in proposed NASD Rule 0116 to IM-2520 with a reference to IM-2522; and (3) add references to NASD Rules 8110, 8120, 8210, 8221, 8222, 8223, 8224, 8225, 8226, 8227, 8310, IM-8310-1, IM-8310-2, 8230. In addition, Amendment No. 1 clarifies that the non-cash compensation provisions in NASD Rule 2820 will appear in NASD Rule 2820(g) rather than NASD Rule 2820(h) as a result of a rule change approved in October 1999 that deleted paragraph (c) of NASD Rule 2820. See Securities Exchange Act Release No. 4204 (October 20, 1999), 64 FR 58112 (October 28, 1999) (order approving File No. SR-NASD-98-14).

<sup>4</sup> In its proposal, NASD Regulation asked the Commission to approve the proposal on an accelerated basis. The Commission received two comment letters asking the Commission not to approve the proposal on an accelerated basis. See letter from Carl B. Wilkerson, Chief Counsel, Securities, American Council of Life Insurers, to Jonathan G. Katz, Secretary, Commission, dated August 4, 2000; and letter from David A. Winston, Vice President, Government Affairs, National Association of Insurance and Financial Advisors, dated August 30, 2000. The Commission is publishing the proposal for comment with a 15-day comment period.