weightings for each of the indices are based on a bond's total outstanding capitalization (total face value currently outstanding times price plus accrued interest). Returns and weighted average characteristics are published daily.

Each of the above indices are calculated by the Merrill Lynch Research Portfolio Strategy Group based on the prices of the underlying bonds determined each business day. The vast majority of the prices of the underlying securities comprising the indices are determined by the Merrill Lynch Pricing Services Group. These prices are determined in accordance with all applicable statutory rules, self-regulatory organization rules and generally accepted accounting principles regarding valuation of security positions. When a security price is not available from the Pricing Services Group, the Portfolio Strategy Group will use a security price from a third party vendor that, in its best judgment, will provide the most accurate market price thereof. The resulting index values are then disseminated to, and published by, Bloomberg L.P. and Reuters at the end of each business day. MLPF&S, in its role as calculation agent for the Bond Index Notes, will use the index values as published on Bloomberg L.P. In conjunction with the issuance of the Bond Index Notes, the Exchange intends to publish the index value associated with the previous day's close.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to national securities exchange and, in particular, with the requirements of Section 6(b)(5) under the Act [15] that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to facilitate transactions in securities, and to protect investors and the public interest.[16]

The Commission notes that the proposed Bond Index Notes have a certain level of risk because they are derivatively priced and the final rate of return to investors is unleveraged with neither a cap nor a floor. Accordingly, the Commission has specific concerns regarding this type of product. For the reasons discussed below, the Commission believes that Amex's proposal adequately addresses these concerns.

First, the Commission notes that the protections of Section 107A of the Amex *Company Guide* were designed to address the concerns attendant to the trading of hybrid securities like the proposed Bond Index Notes.[17] In particular, by imposing the hybrid listing standards, heightened suitability for recommendations, and compliance requirements, noted above, the Commission believes that the Exchange has adequately addressed the potential problems that could arise from the hybrid nature of the proposed Bond Index Notes. In addition, Amex will distribute a circular to its membership calling attention to the specific risks associated with the Bond Index Notes. Distribution of the circular should help ensure that only customers with an understanding of the risk attendant to the trading of the Bond Index Notes will trade these securities on their broker's recommendations.

Second, the Commission notes that the final rate of return on the Bond Index Notes depends, in part, upon the individual credit of the issuer. To some extent this credit risk is minimized by the Exchange's listing standards in Section 107A of the *Company Guide,* which provides that only issuers satisfying substantial asset and equity requirements may issue these types of hybrid securities. In addition, the Exchange's hybrid listing standards further require that the proposed indexed term notes have at least $4 million in market value. Further information, including specific financial data, regarding the issuer and the underlying indices will be publicly available to investors through the prospectus.

Finally, the Commission believes that the listing and trading of the proposed Bond Index Notes should not unduly impact the market for the securities underlying the indices or raise manipulative concerns. The Commission notes that all of the indices are well-established and broad-based. Both the history and performance of these indices, as well as the objective calculation rules for the indices, should be readily available through a variety of public sources. Due to the indices' issue size, market value, and representative nature of different sectors of the fixed income securities market, the Commission believes that the indices are not readily susceptible to manipulation.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[18] that the proposed rule change (SR–AMEX–99–03) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[19]

Margaret H. McFarland,

Deputy Secretary.

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

[16] 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).

[17] *See* Securities Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8623 (March 8, 1990).

[18] 15 U.S.C. 78s(b)(2).

[19] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41335; File No. SR–CHX–99–01]

April 27, 1999.

Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Order Approving a Proposed Rule Change Amending the Net Capital Requirements for Specialists

I. Introduction

On February 26, 1999, the Chicago Stock Exchange, Incorporated (''CHX'' or ''Exchange'') submitted to the Securities and Exchange Commission (''Commission'' or ''SEC''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder [2] a proposed rule change to increase the minimum net capital requirements for specialists. Notice of the proposed rule change appeared in the **Federal Register** on March 23, 1999.[3] The Commission received no comment letters concerning the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to amend CHX Rule 3 of Article XI and add interpretation and policy .01. The proposal would increase the net capital requirements for non-clearing specialists, self-clearing specialists, and members and member organizations, that clear the accounts of other CHX specialists and establish a phase-in period for the increase.

The proposal would require non-clearing specialists to maintain, at a minimum, the greater of (i) $100,000, or (ii) the amount set forth in Rule 15c3–1 under the Act,[4] which now is $100,000. The proposal also would

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

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 41167 (March 12, 1999), 64 FR 14032.

[4] 17 CFR 240.15c3–1 (''Net Capital Rule'').

require self-clearing specialists in less than 200 securities to maintain, at a minimum, the greater of (i) $250,000, or (ii) the amount set forth in the Net Capital Rule. The proposal would require self-clearing specialists in 200 or more securities to maintain, at a minimum, the greater of (i) $350,000, or (ii) the amount set forth in the Net Capital Rule. Finally, the proposal would require members that clear the accounts of other CHX specialists to maintain, at a minimum, the greater of (i) $500,000, or (ii) the amount set forth in the Net Capital Rule. Under the proposal, specialists would continue to be required to comply with the Exchange requirement that subordinated cash borrowings and secured demand notes equal or exceed 50% of their total subordinated borrowings to the extent that the borrowings are part of their equity total.

The Exchange proposes to implement the increased net capital requirements over three phase-in dates during a twelve-month period. The phase-in dates would be issued in a Notice to Members within 30 days following approval of this proposal by the Commission. The $100,000 requirement for non-clearing specialists would apply on the first phase-in date. The applicable net capital requirements for self-clearing specialists registered in less than 200 securities would be $150,000, $200,000, and $250,000 for the first, second, and third phase-in dates respectively. The applicable net capital requirements for self-clearing specialists registered in 200 or more securities would be $200,000, $275,000, and $350,000 for the first, second, and third phase-in dates respectively. The net capital requirements for members and member organizations that clear for other specialists would be $350,000, $450,000, and $500,000 for the first, second, and third phase-in dates respectively.

III. Discussion

The Commission finds that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[5] The Commission believes that the proposal is consistent with the Section 6(b)(5) requirement that the rules of an exchange be designed, in general, to protect investors and the public interest.[6] Specifically, the Commission believes that raising the minimum level of liquidity that specialists and members that clear for specialists are required to maintain should serve to protect customers and other market participants from potential loses due to the financial failure of specialists, or members or member organizations that clear for specialists. Additionally, the Commission believes that by reducing the risk associated with the financial failure of specialists the proposal should help to ensure the integrity of the securities markets. The Commission also believes that the allocation of different net capital requirements, as set forth in the proposal, is appropriate due to the different levels of risk associated with the categories of net capital requirements.

For the above reasons, the Commission believes that the proposed rule change is consistent with the provisions of the Act, and in particular with Section 6(b)(5).[7]

It is therefore ordered, pursuant to Section 19(b)(2)[8] of the Act, that the proposed rule change (SR–CHX–99–01), is hereby approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[9]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–11142 Filed 5–3–99; 8:45 am]

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[5] The Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

[6] 15 U.S.C. 78f(b)(5).

[7] *Id.*

[8] 15 U.S.C. 78s(b)(2).

[9] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41338; File No. SR–MSRB–99–2]

Self Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval of Proposed Rule Change Relating to Rule G–11 on Sales of New Issue Municipal Securities During the Underwriting Period

April 28, 1999.

I. Introduction and Description of the Proposal

On March 11, 1999, the Municipal Securities Rulemaking Board (''Board'' or ''MSRB'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend Rule G–11, on sales of new issue municipal securities during the underwriting period. Notice of the proposed rule change appeared in the **Federal Register** on March 25, 1999.[3] No comments were received on the proposal. This order approves the proposed rule change.

The proposed rule change clarifies certain ambiguities in the Board's present syndicate practices rules. Rule G–11(g)(iii), as amended in November 1988,[4] requires a managing underwriter to disclose to syndicate members, in writing, all available designation information within 10 business days following the date of sale and all information with the sending of the designation checks pursuant to Rule G–12(k). Three general questions have been raised by dealers concerning this rule as currently worded.

First, dealers have asked whether the rule requires the managing underwriter to disclose to each syndicate member its own designation information or whether all members are to receive information about all the designations. The proposed rule change clarifies that all designation information must be disclosed to each syndicate member.

Second, dealers have asked whether the managing underwriter is required to disclose designations by total dollar amounts, bond amounts, or both total dollar amounts and bond amounts. The proposed rule change clarifies that the designation information must be expressed in total dollar amounts.

Third, dealers have asked whether the rule requires the managing underwriter to disclose to syndicate members designations made to anyone other than syndicate members, *e.g.,* selling group members. The proposed rule change clarifies that the manager must disclose to each syndicate member all designations, including both those paid to syndicate members and those paid to non-syndicate-members.

II. Discussion

The Commission believes the proposed rule change is consistent with the Act and the rules and regulations promulgated thereunder.[5] Specifically,

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Rel. No. 41192 (March 19, 1999), 64 FR 14479.

[4] *See* Securities Exchange Act Release No. 40717 (November 27, 1998), 63 FR 67157 (December 4, 1998).

[5] In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. The proposed rule change should make information dissemination more efficient because it clarifies ambiguities that may have impeded compliance with existing rules and because it requires disclosure to syndicate members to be made in a form most useful to them. Competition in the marketplace should also benefit because