

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41605; File No. SR-CHX-99-06]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendments No. 1 by the Chicago Stock Exchange, Inc. Relating to the Minimum for Nasdaq-100 Shares and Disclaimer of Liability With Respect to the Nasdaq-100 Index

July 7, 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 June 21, 1999, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission" or the "SEC") the proposed rule change, as described in Items I, and II below, which Items have been prepared by the self-regulatory organization. The filing was subsequently amended on July 1, 1999.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons, and simultaneously approving the filing.

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

The Exchange proposes to amend CHX Rule 22 of Article XX, to amend interpretation and policy .05 thereunder, to permit dealings in Nasdaq-100 Shares of the Nasdaq 100 Trust ("Nasdaq-100 Shares") in increments smaller than the minimum variation, and to amend CHX Rule 25 of Article XXVIII relating to disclaimer of liability with respect to the Nasdaq-100 Index.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 self-regulatory organization 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 self-regulatory organization 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 is proposing to amend CHX Rule 22 of Article XX, to amend interpretation and policy .05 thereunder, to permit dealings in Nasdaq-100 Shares in increments of $\frac{1}{64}$ of \$1.00. The Nasdaq 100 Trust is a unit investment trust sponsored by Nasdaq-Amex Investment Product Services, Inc. with a portfolio based on the component stocks of the Nasdaq-100 Index. The Exchange intends to trade the Nasdaq-100 Shares pursuant to unlisted trading privileges ("UTP") under the Exchange's Investment Company Unit rules.⁵ These securities are currently traded on the American Stock Exchange ("Amex") in increments of $\frac{1}{64}$ of \$1.00 and, thus, the Exchange believes it is appropriate to trade these securities on the Exchange with the same minimum increment of $\frac{1}{64}$ of \$1.00 as well.⁶

In connection with the Exchange's license agreement with the Nasdaq Stock Market ("Nasdaq") relating to, among other things, the use of the name "Nasdaq-100 Shares," and the disclaimers of liability relating to the Nasdaq-100 Index, the Exchange is proposing to amend CHX Rule 25 of Article XXVIII to add a new subsection (h) to codify a rule governing disclaimers of liability relating to the Nasdaq-100 Index.⁷ The proposed CHX Rule 25 of Article XXVIII will reflect the disclaimers of liability language adopted by the Amex in its Rule 1006.⁸

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act⁹ in general and furthers the objectives of Section 6(b)(5)¹⁰ in particular in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons

regulating securities transactions, to remove impediments and to 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 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

No written comments were either solicited or received.

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 CHX. All submissions should refer to File No. SR-CHX-99-06 and should be submitted by August 4, 1999.

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

The Commission finds that the CHX's proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹¹ Specifically, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act¹² because it will facilitate transactions in securities by permitting

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange moved a new section proposed under CHX Rule 24 of Article XXVIII, Investment Company Units, to CHX Rule 25 of Article XXVIII, Portfolio Depository Receipts; as well as made a typographic correction to the proposed rule change. See Letter from Kirsten M. Carlson, Foley & Lardner, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated June 30, 1999 ("Amendment No. 1").

⁴ See Amendment No. 1, *supra* note 3.

⁵ See CHX Rule 24 of Article XXVIII.

⁶ See Securities Exchange Act Release No. 41119 (February 26, 1999), 64 FR 11510 (March 9, 1999) (SR-Amex-98-34).

⁷ See Amendment No. 1, *supra* note 3.

⁸ *Id.*

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ In reviewing the proposed rule change, the Commission considered its potential impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹² 15 U.S.C. 78f(b)(5).

the CHX: (1) To trade Nasdaq-100 Shares, on a UTP basis, in increments of $\frac{1}{64}$ th of \$1.00, and (2) to adopt a disclaimer of liability rule relating to the Nasdaq-100 Index, consistent with the license agreement between Nasdaq and the Exchange.

The Exchange has requested that the Commission find good cause pursuant to Section 19(b)(2) of the Act for approving the proposed rule change prior to the thirtieth day after the publication of the proposal in the **Federal Register**. The Commission believes that such action is appropriate, in that the proposed rule change establishes the same minimum trading variation as the Amex has adopted for Nasdaq-100 Shares. Further, the proposed rule relating to the disclaimer of liability with respect to the Nasdaq-100 Index is also identical to the disclaimer of liability adopted by the Amex.¹³ For the reasons set forth above, the Commission does not believe that this proposal raises any new regulatory issues. Accordingly, the Commission finds that there is good cause for approving the proposed rule change prior to the thirtieth day after the publication of the proposal in the **Federal Register**.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41604; File No. SR-MSRB-99-6]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board To Revise the Test Specifications and Study Outline for the Board's Municipal Securities Representative Qualification Examination (Test Series 52)

July 7, 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 June 23, 1999,³ the Municipal Securities Rulemaking Board ("Board" or "MSRB") 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 prepared by the Board. 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 Board is filing the proposed rule change to revise the test specifications and study outline for the Board's Municipal Securities Representative Qualification Examination (Test Series 52). The Board requests that the Commission delay the effectiveness of the revised study outline until August 1, 1999, in order to provide time to modify the examination to reflect the changes to the test specifications in the study outline and to circulate to the industry information concerning the revisions.

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

In its filing with the Commission, the Board 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 texts of these statements may be examined at the places specified in Item IV below. The Board 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 Series 52 examination qualifies a candidate as a municipal securities representative.⁴ A candidate may also qualify as a municipal securities representative by taking the General Securities Representative Examination (Test Series 7), which borrows questions from the Series 52 examination. Specific subjects and questions have been updated from time to time in the Series 52 examination to reflect changes in Board rules or applicable federal regulations. An ad hoc committee from the Board's Professional Qualifications Advisory Committee ("PQAC")⁵ determined that coverage of certain subject areas in the study outline should either be expanded to provide greater detail to candidates studying for the Series 52 examination or de-emphasized to reflect changed practices and products within the municipal securities industry. Topics that are no longer relevant were deleted and other topics were added or revised to reflect additions to or changes in practices,

⁴ MSRB Rule G-3(a)(i) defines the term "municipal securities representative" as: a natural person associated with a broker, dealer or municipal securities dealer, other than a person whose functions are solely clerical or ministerial, whose activities include one or more of the following: (A) Underwriting, trading or sales of municipal securities; (B) financial advisory or consultant services for issuers in connection with the issuance of municipal securities; (C) research or investment advice with respect to municipal securities; or (D) any other activities which involve communication, directly or indirectly, with public investors in municipal securities; provided, however, that the activities enumerated in subparagraphs (C) and (D) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (A) and (B) above.

⁵ PQAC is composed of the Representative Examination Subcommittee and the Principal Examination Subcommittee. The subcommittees are composed of individuals with extensive experience in the securities industry. The committee members are employed by securities firms and bank dealers and come from diverse geographic locations.

¹³ The Amex Disclaimer of liability provision was approved in Securities Exchange Act Release Nos. 41119 (February 26, 1999), and 41562 (June 25, 1999). It was subject to the full notice and comment process in Securities Exchange Act Release No. 41119 and no comments were received with respect to the disclaimer.

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Board filed the proposed rule change to replace the File No. SR-MSRB-99-05, which it withdrew on June 23, 1999. The proposed rule change has been filed by the Board as a non-controversial rule change under Rule 19b-4(f)(6) under the Act. On May 20, 1999, the Board provided the Commission with written notice of its intent to file the proposed rule change, which was at least five days prior to the filing date, as required by Rule 19b-4(f)(6).