

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

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁴ and pursuant to Rule 19b-4(e)(2)⁵ thereunder because the proposal establishes or changes a due, fee, or other charge imposed by OCC. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons 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. 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, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-98-12 and should be submitted by November 24, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40603; International Series Release No. 1165; File No. SR-PCX-98-29]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Pacific Exchange, Inc. Relating to the Listing and Trading of Investment Company Units, Including World Equity Benchmark Shares ("WEBS")

October 26, 1998.

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 18, 1998, the Pacific Exchange, Inc. ("Exchange" or "PCX") 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 Exchange. 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 seeks to adopt new rules to accommodate the trading, whether by listing or pursuant to unlisted trading privileges, of Investment Company Units ("Units"), including World Equity Benchmark Shares ("WEBS").

The text of the proposed rule change is available at the Office of the Secretary, the Exchange, and at 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 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

The Exchange seeks to adopt new rules to accommodate the trading, whether by listing or pursuant to unlisted trading privileges, of Units. WEBS are among the Units which the Exchange may seek to trade.³ WEBS are structured as shares of seventeen separate series ("Index Series"), each of which invests primarily in equity securities traded in a designated foreign market in an effort to track the performance of a specified foreign equity market index. The investment objective of each of the initial seventeen Index Series is to provide investment results that correspond generally to the price and yield performance of publicly traded securities in the aggregate in particular markets, as represented by a particular foreign equity securities index compiled by Morgan Stanley Capital International ("MSCI").

The Exchange notes that the Commission previously approved proposed rule changes submitted by the American Stock Exchange ("Amex") and the Chicago Stock Exchange ("CHX") to list and/or trade WEBS.⁴

a. Background & description. WEBS are issued by Foreign Fund, Inc., ("Fund") and are based on seventeen MSCI Indices (collectively "MSCI Indices," individually "MSCI Index"). The countries whose exchange markets are represented by the MSCI Indices are: Australia, Austria, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, Malaysia, Mexico, Netherlands, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The investment objective of each WEBS series is to seek to provide investment results that generally correspond to the price and yield performance of public securities traded in the aggregate in particular foreign markets, as represented by specific MSCI Indices. Each WEBS series will use a "passive" or indexing investment approach which attempts to

³ The Commission notes that the Exchange intends to clarify whether: (i) The Exchange seeks solely to establish rules to accommodate the trading of Units, or (ii) the Exchange, in addition to establishing such rules, seeks to trade WEBS pursuant to unlisted trading privileges upon approval of the filing. This information will be reflected in any final approval order.

⁴ See Securities Exchange Act Release Nos. 36947 (Mar. 8, 1996), 61 FR 10606 (Mar. 14, 1996) (approval of the Amex's request to list and trade Index Fund Shares, including WEBS); and 39117 (Sept. 22, 1997), 62 FR 50973 (Sept. 29, 1997) (approval of the CHX's request to trade WEBS pursuant to unlisted trading privileges).

⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

⁵ 17 CFR 240.19b-4(e)(2).

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

approximate the investment performance of its benchmark index through quantitative analytical procedures.

A WEBS series normally will invest at least 95% of its total assets in stocks that are represented in the relevant MSCI Index and will at all times invest at least 90% of its total assets in such stocks. A WEBS series will not hold all of the issues that comprise the subject MSCI Index, but will attempt to hold a representative sample of the securities in the MSCI Index in a technique known as "portfolio sampling."

The Fund will issue and redeem WEBS of each Index Series only in aggregations of shares specified for each Index Series (each aggregation is a "Creation Unit"). The number of shares per Creation Unit will range from 40,000 to 600,000.⁵

b. The MSCI Indices. MSCI generally seeks to have 60% of the capitalization of a country's stock market index reflected in the MSCI Index for such country. Thus, the MSCI Indices seek to balance the inclusiveness of an "all share" index against the replicability of a "blue chip" index. MSCI applies the same criteria and calculation methodology across all markets for all indices, developed and emerging.

All single-country MSCI Indices are market capitalization weighted. For countries that restrict foreign ownership, MSCI calculates two types of indices: the MSCI Indices and additional indices called "Free Indices." The Free Indices exclude companies and share classes that may not be purchased by foreigners. MSCI currently calculates Free Indices for Singapore and Mexico, and for those regional and international indices which include such markets. The Mexico and Singapore WEBS series will be based on the Free Indices for those countries.

All MSCI Indices are calculated daily. The calculation method weights stocks in an MSCI Index by their beginning-of-period market capitalization. Share prices are "swept clean" daily and adjusted for any rights issues, stock dividends or splits. The MSCI Indices presently are calculated in local currency and in U.S. dollars, without dividends and with gross dividends reinvested.

Prices used to calculate the MSCI Indices are official exchange closing

⁵ The Exchange notes that in the Amex's filing to list and trade WEBS, the Amex anticipated that the value at a Creation Unit at the start of trading would range from \$450,000 to \$10,000,000 and the net asset value of an individual WEBS security would range from \$10 to \$20. See Securities Exchange Act Release Nos. 36947 (Mar. 8, 1996), 61 FR 10606 (Mar. 14, 1996).

prices. All prices are taken from the predominant exchange in each market. To calculate the applicable foreign currency exchange rate, MSCI uses WM/Reuters Closing Spot Rates for all developed and emerging markets except those in Latin America. Because of the high volatility of currencies in some Latin American countries, MSCI continues to calculate its own rates for those countries. Under exceptional circumstances MSCI may elect to use an alternative exchange rate for any country if the WM/Reuters rate is believed not to be representative for a given currency on a particular day.

Each MSCI Index underlying a WEBS series is calculated by MSCI for each trading day in the applicable foreign exchange market based on official closing prices in such exchange market. For each trading day, MSCI publicly disseminates each MSCI Index value for the previous day's close. MSCI Indices are reported periodically in major financial publications and also are available through vendors of financial information.

The Fund will cause to be made available daily the names and required number of shares of each of the securities to be deposited in connection with the issuance of WEBS in Creation Unit size aggregations for each WEBS series, as well as information relating to the required cash payment representing, in part, the amount of accrued dividends applicable to such WEBS series. This information will be made available by the Fund Advisor to any National Securities Clearing Corporation ("NSCC") participant requesting such information. In addition, other investors can request such information directly from the Fund distributor. The net asset value ("NAV") for each WEBS series will be calculated directly by the Fund administrator, PFPC, Inc. The NAVs will be made available to the public from the Fund distributor by means of a toll-free number, and also will be available to NSCC participants through data made available from NSCC.⁶

⁶ The Exchange notes that in the Amex's WEBS filing, the Amex anticipated that it would provide current WEBS pricing information by disseminating through the facilities of the Consolidated Tape Association an indicative optimized portfolio value ("Value") for each WEBS series as calculated by Bloomberg, L.P. The Value was to be disseminated on a per WEBS basis every fifteen seconds during regular Amex trading hours of 9:30 A.M. to 4:00 P.M. Eastern Standard Time. *Id.*

The Exchange believes such Value is unlikely to reflect the value of all securities included in the applicable benchmark MSCI Index. In addition, the Exchange believes the Value would not necessarily reflect the precise composition of the current portfolio of securities held by the Fund for each WEBS series disseminated during Amex trading hours should not be viewed as a real-time update,

The Exchange will distribute an information circular to its members in connection with the trading of WEBS. The circular will discuss the special characteristics and risks of trading this type of security. The following are among the items to be discussed in the circular: what WEBS are, how WEBS are created and redeemed, the requirement that members and member firms deliver a WEBS prospectus to investors purchasing WEBS prior to or concurrently with the confirmation of a WEBS transaction, applicable Exchange rules, dissemination information, trading information, and the applicability of suitability rules. The Exchange also intends to utilize its existing surveillance procedures to surveillance trading in WEBS, including surveilling specialist compliance with Exchange Rule 5.33(a), which contemplates specialists engaging in transactions with the issuer of WEBS under certain circumstances.

c. Proposed rule. The Exchange seeks to adopt new rules to accommodate the trading, whether by listing or pursuant to unlisted trading privileges, of Units that meet certain criteria. A Unit is a security that represents an interest in a registered investment company ("Investment Company") which Investment Company could be organized as a unit investment trust, an open-end management investment company, or similar entity.

The Exchange proposes that the Investment Company must hold securities comprising, or otherwise based on or representing an interest in an index or portfolio or securities; or hold securities in another registered investment company that holds securities based on or representing an interest in an index or portfolio of securities. An index or portfolio may be revised as necessary or appropriate to maintain the quality and character of the index or portfolio.

Under the proposed rule change, the Investment Company must also issue Units in a specified aggregate number in return for a deposit ("Deposit") consisting of either a specified number of shares of securities that comprise the index or portfolio, or are otherwise based on or represent an investment in securities comprising such index or portfolio, and/or a cash amount; or shares of a registered investment company based on or representing an interest in, an index or portfolio or

of the NAV of the Fund, which is calculated only once a day. The Exchange recognizes, however, that during the trading day the Value will closely approximate the value, per WEBS share, of the portfolio of securities for each WEBS series, except under unusual circumstances.

securities, and/or a cash amount. Units must be redeemable, directly or indirectly, from the Investment Company for securities and/or cash then comprising the Deposit. Units must pay holders periodic cash payments corresponding to the regular cash dividends or distributions declared with respect to the securities held by the Investment Company, less applicable expenses and charges, and there must be at least 300,000 Units outstanding prior to the commencement of trading of a series of Units on the Exchange.

The proposed rule change would allow the Exchange to trade, whether by listing or pursuant to unlisted trading privileges, specified series of Units, with each series based on a specified index or portfolio of securities. The value of the index or portfolio must be calculated and disseminated to the public at least once per business day; provided that, if the securities representing at least half the value of the index or portfolio are securities of a single country other than the United States, then the value of the index or portfolio may be calculated and disseminated to the public at least once per day in that country. Units may be either certified or issued in the form of a single global certificate.

Under the proposal, the Exchange may consider suspending trading and delisting (if applicable) a series of Units if after the initial twelve-month period beginning upon the commencement of trading of a series of Units: (i) there are fewer than 50 record and/or beneficial holders of Units for 30 or more consecutive trading days; (ii) the value of the index or portfolio of securities on which the series is based is no longer calculated or available; or (iii) such other event occurs or condition exists that, in the opinion of the Exchange, makes further dealings on the Exchange inadvisable. In addition, the Exchange will remove Units from trading and listing (if applicable) upon termination of the issuing Investment Company or upon the termination of listing of the Units on their primary market, if the primary market is not the Exchange.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act,⁷ in general, and with Section 6(b)(5),⁸ in particular, in that it is designed to 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 protect investors and the public interest.

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

The Exchange does not believe the proposed rule change will impose 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

The Exchange did not solicit or receive 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 Exchange 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. Copies of the submissions, 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 persons, 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, 450 Fifth Street, N.W., Washington, D.C. 20549. 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-PCX-98-29

and should be submitted by November 24, 1998.

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

Jonathan G. Katz,

Secretary.

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3144]

State of Missouri

As a result of the President's major disaster declaration on October 19, 1998, I find that Jackson and St. Louis Counties, and the City of St. Louis in the State of Missouri constitute a disaster area due to damages caused by severe storms and flooding which occurred July 10 through July 31, 1998.

Applications for loans for physical damages may be filed until the close of business on December 18, 1998, and for loans for economic injury until the close of business on July 19, 1999 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 3 Office, 4400 Amon Carter Blvd., Suite 102, Fort Worth, TX 76155.

In addition, applications for economic injury loans from small businesses located in the contiguous counties of Cass, Clay, Franklin, Jefferson, Johnson, Lafayette, Ray, and St. Charles in the State of Missouri; Madison, Monroe, and St. Clair in the State of Illinois; and Johnson and Wyandotte in the State of Kansas may be filed until the specified date at the above location.

The interest rates are:

	Percent
Physical Damage:	
HOMEOWNERS WITH CREDIT AVAILABLE ELSEWHERE	6.875
HOMEOWNERS WITHOUT CREDIT AVAILABLE ELSEWHERE	3.437
BUSINESSES WITH CREDIT AVAILABLE ELSEWHERE	8.000
BUSINESSES AND NON-PROFIT ORGANIZATIONS WITHOUT CREDIT AVAILABLE ELSEWHERE	4.000
OTHERS (INCLUDING NON-PROFIT ORGANIZATIONS) WITH CREDIT AVAILABLE ELSEWHERE	7.125
For Economic Injury:	

⁹ 17 CFR 200.30-3(a)(12).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).