

the CTA and will reflect currently available information concerning the value of the assets comprising the Deposit Securities. This information will be disseminated every 15 seconds during regular AMEX trading hours of 9:30 a.m. to 4:00 p.m., New York time. In addition, since it is expected that the Value will closely track the applicable Fund, The Commission believes that the Values will provide investors with adequate information to determine the intra-day value of the given Select Sector SPDR. As noted in the AMEX Select Sector SPDRs Approval Order, the Commission expects that the AMEX will monitor the disseminated Value, and if the AMEX were to determine that the Value does not closely track the applicable Fund, it would arrange to disseminate an adequate alternative value.²²

(d) Surveillance

The Commission notes that CHX has submitted surveillance procedures for Select Sector SPDRs intended to address concerns associated with listing and trading such securities, including any concerns associated with specialists purchasing and redeeming Creation Units. The Exchange has represented that its surveillance procedures should allow it to identify situations where specialists purchase or redeem Creation Units to ensure compliance with CHX Article XXX, Rule 23(a), which requires that such purchases or redemptions facilitate the maintenance of a fair and orderly market in the subject security.²³

CHX has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing in the **Federal Register**. The Commission believes that the Exchange's proposal to trade Select Sector SPDRs pursuant to unlisted trading privileges will provide investors with a convenient way of trading a basket of stocks, based upon a specific Select Sector Index as designated by Merrill Lynch, representing a particular sector of the marketplace. The Commission believes

that the proposed rule change could produce added benefits to investors through the increased competition between other market centers trading the product. Specifically, the Commission believes that by increasing the availability of Select Sector SPDRs as an investment tool the CHX's proposal should help provide investors with increased flexibility in satisfying their investment needs, by allowing them to purchase and sell at negotiated prices throughout the trading day securities that replicate the performance of several portfolios of stock.²⁴

As noted above, the Commission has approved the listing and trading of Select Sector SPDRs at the AMEX,²⁵ under rules that are substantially similar to CHX Article XXVIII, Rule 24. The trading requirements of Select Sector SPDRs at the CHX will be substantially similar to the trading requirements of Select Sector SPDRs at the AMEX. Additionally, the proposed rule change is analogous to the Commission's approval of the CHX's trading of WEBS pursuant to UTP and CHX Article XXVIII, Rule 24.²⁶ As a result, the Commission does not believe that trading of this product raises novel regulatory issues that were not addressed in the previous filings. Accordingly, the Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing in the **Federal Register**.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁷ that the proposed rule change (SR-CHX-98-31) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-1530 Filed 1-22-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40953; File No. SR-Phlx-99-01]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. to Modify Existing Rules Relating to Trading of the New European Currency, the Euro

January 15, 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 January 6, 1999, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Phlx. 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 Phlx proposes to change the references to the European Currency Unit ("ECU") to the New European currency ("Euro") in the Phlx rules in response to the European Council's decision to convert the ECU to the Euro on a one-to-one basis as of January 1, 1999.

The text of the proposed rule change is available at the Office of the Secretary, the Phlx, 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 Phlx 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 Phlx has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

²² See *supra*, note 7.

²³ In the AMEX Select Sector SPDRs Approval Order, the Commission discussed the concerns raised when a broker-dealer is involved in the development and maintenance of a stock index upon which a product such as Select Sector SPDRs is based. The Commission noted the importance of the Exchange adopting adequate procedures to prevent the misuse of material, non-public information regarding changes to component stocks in a Select Sector SPDR Index. The CHX surveillance procedures should help to address concerns raised by Merrill Lynch's involvement in the management of the Indices.

²⁴ Unlike typical open-end investment companies, where investors have the right to redeem their fund shares on a daily basis, investors in Select Sector SPDRs can redeem them in creation unit size aggregations only.

²⁵ AMEX Select Sector SPDRs Approval Order, *supra* note 7.

²⁶ See *supra*, note 5.

²⁷ 15 U.S.C. 78s(b)(2).

²⁸ 17 CFR 200.30-3(a)(12).

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

1. Purpose

On May 11, 1998, the Exchange re-introduced the ECU for trading in the non-customized environment anticipating the advent of the Euro.³ Subsequently, the European Council agreed in the Maastricht Treaty to have a single European currency, the Euro. On January 1, 1999, the ECU converted to the Euro on a one-to-one basis.

Accordingly, Phlx foreign currency options ("FCO") contracts on the ECU converted to the Euro pursuant to Phlx Rule 1009(c).⁴ Phlx Rule 1009(c) states, in the event that any of the sovereign governments of the European Economic Community's European Monetary System issuing any of the above mentioned currencies should issue a new currency intended to replace the one of the above mentioned currencies as a standard unit of the official medium of exchange of such government. Such new currency also may be approved as an underlying currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate for the protection of investors.

Pursuant to Phlx Rule 1009(c), the Exchange believes that it is necessary and appropriate for investors that the Exchange recognize the conversion of the ECU to the Euro on a one-to-one basis and implement such changes to its FCO contracts, including options trading pursuant to Phlx Rule 1069. Because the ECU/Euro conversion was on a one-to-one basis, the Euro FCO contract size would be 62,500 Euros. The premium will be \$.0044, per unit or \$275 for an option contract having a unit of trading of 62,500, pursuant to Phlx Rule 1033. Pursuant to Rule 1014, the bid-ask differential for the Euro options will be \$.0005 between the bid and the offer for each option contract for which the bid is \$.0050 or less; no more than \$.0010 where the bid is more than \$.0050 but does not exceed \$.0200; and no more than \$.0015 where the bid is

³ See Securities Exchange Act Release No. 39940 (April 30, 1998) 63 FR 25258 (May 7, 1998) (File No. SR-Phlx-98-17).

⁴ The Commission notes that it was consulted by the Phlx prior to the conversion of the ECU to the Euro. On these facts, the Commission believes that the Euro replaces the previously approved ECU as the standard unit of the official medium of exchange of the European Council as required by Phlx Rule 1009(c). On different facts, however, the Exchange may need to submit a filing to the Commission, pursuant to Section 19(b)(2) of the Act, prior to trading an option on a new foreign currency intended to replace an existing foreign currency option.

more than \$.0200. The initial margin for the Euro would be 3%, the same margin as the ECU.⁵ According to Phlx Rule 1034, the minimum trading increments for the Euro will be the same as the ECU, \$.0001.

As a result of the conversion, the Exchange proposes to replace all references to the ECU with the Euro in the text of the various Phlx rules. Therefore, the Phlx is proposing to amend the text of Phlx Rules 1000(b)(15), 1009, 1014, 1033, 1034 and Options Floor Procedure Advice F-6 to reflect the proposed change.

2. Statutory Basis

The Phlx believes the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act⁶ that an exchange have rules that are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. Specifically, the Phlx notes that the conversion of the ECU to the Euro was a major event in world financial markets. This conversion was adopted by the Exchange in order to provide investors with a continuous, uninterrupted market to hedge their currency risk using options on the Euro.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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 solicited or received at the time of this filing.

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

The foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange and therefore, has become effective pursuant to Section

⁵ The Exchange submitted to the Commission a correlation analysis between the ECU and the Euro, which demonstrated nearly a one-to-one correlation. Thus, the Exchange proposes not to change the customer margin level for the Euro at this time. Subject to Phlx Rule 722, Commentary .15, the Exchange will re-examine the margin levels for the Euro on January 15, 1999.

⁶ 15 U.S.C. 78f(b)(5).

19(b)(3)(A)(i) of the Act,⁷ and subparagraph (e) of Rule 19b-4 thereunder.⁸

At any time within 60 days of the filing of such 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 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. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-99-01 and should be submitted by February 16, 1999.

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

Margaret H. McFarland,
Deputy Secretary.

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DEPARTMENT OF STATE

[Public Notice 2960]

**Office of the Legal Adviser;
Application of Certain United States
Extradition Treaties to Parental
Kidnapping**

AGENCY: Department of State.

ACTION: Notice.

SUMMARY: On October 31, 1998, President Clinton signed into law the

⁷ 15 U.S.C. 78s(b)(3)(A)(i).

⁸ 17 CFR 240.19b-4.

⁹ 17 CFR 200.30-3(a)(12).