

*Filing Date:* The application was filed on November 10, 1998.

*Applicant's Address:* 51 Madison Avenue, New York, NY 10010.

**Oppenheimer Adjustable Rate Preferred Fund [File No. 811-4045]  
Oppenheimer Global Securities Fund [File 811-6002]**

*Summary:* Each applicant seeks an order declaring that it has ceased to be an investment company. Neither applicant has ever made a public offering of its securities, nor does it propose to make a public offering or engage in business of any kind.

*Filing Date:* Each application was filed on January 21, 1999.

*Applicants' Addresses:* Oppenheimer Adjustable Rate Preferred Fund, 6801 South Tucson Way, Englewood, Colorado 80112; Oppenheimer Global Securities Fund, Two World Trade Center, New York, New York 10048-0203.

**The Analytic Series Fund [File No. 811-7366] and Analytic Optioned Equity Fund, Inc. [File No. 811-2807]**

*Summary:* Each applicant seeks an order declaring that it has ceased to be an investment company. On July 27, 1998, The Analytic Series Fund's three portfolios transferred their assets to corresponding portfolios of PBHG Advisor Funds, Inc. ("PBHG Funds") in exchange for shares of the corresponding PBHG Fund based on net asset value. On August 31, 1998, Analytic Optioned Equity Fund, Inc. transferred its assets to the PBHG Advisor Defensive Equity Fund series of PBHG Funds in exchange for shares of the PBHG Fund series based on net asset value. Expenses of approximately \$110,789 and \$89,848, respectively, were incurred in connection with each reorganization. These expenses were shared by Analytic-TSA Global Assets Management, Inc., investment adviser to each applicant, and Pilgrim Baxter & Associates, Ltd., investment adviser to the PBHG Funds.

*Filing Date:* Each application was filed on January 6, 1999.

*Applicants' Address:* 700 South Flower Street, Suite 2400, Los Angeles, California 90017.

**Bond Portfolio for Endowments, Inc. [File No. 811-2210]**

*Summary:* Applicant seeks an order declaring that it has ceased to be an investment company. On July 31, 1998, applicant transferred all of its assets and liabilities to the Bond Portfolio, a series of Endowments, in exchange for shares of the Bond Portfolio based on the relative net asset values per share.

Applicant incurred approximately \$35,000 in expenses in connection with the reorganization.

*Filing Date:* The application was filed on December 23, 1998.

*Applicant's Address:* P.O. Box 7650, One Market, Steuart Tower, San Francisco, California 94120.

**Warburg, Pincus Strategic Value Fund, Inc. [File No. 811-7929]**

*Summary:* Applicant seeks an order declaring that it has ceased to be an investment company. On October 14, 1998, applicant made a liquidating distribution to its shareholders at the net asset value per share. Expenses of approximately \$40,000 incurred in connection with the liquidation were paid by Warburg Pincus Asset Management, Inc., applicant's investment adviser.

*Filing Date:* The application was filed on December 11, 1998.

*Applicant's Address:* 300 East Lombard Street, Baltimore, Maryland 21202.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

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

[FR Doc. 99-2660 Filed 2-3-99; 8:45 am]

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-41003; File No. 600-31]

**Self-Regulatory Organizations; Thomson Financial Technology Services, Inc.; Notice of Filing of Application for Exemption From Registration as a Clearing Agency**

January 29, 1999.

**I. Introduction**

On January 11, 1999, Thomson Financial Technology Services, Inc. (TFTS)<sup>1</sup> filed with the Securities and Exchange Commission (Commission) an application on Form CA-1 for exemption from registration as a clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934 (Exchange Act)<sup>2</sup> and Rule 17Ab2-1 thereunder.<sup>3</sup> TFTS is requesting an exemption from clearing agency registration in connection with its proposal to offer two services: an

electronic trade confirmation (ETC) service and a central matching service. The Commission is publishing this notice to solicit comments on the exemption request.<sup>4</sup>

**II. Background**

**A. Confirmation and Affirmation of Institutional Securities Transactions**

The confirmation/affirmation process is used to communicate the terms and acknowledgment of trades among institutional customers, broker-dealers, and custodian banks. Securities trades for institutional customers generally involve greater sums of money, greater amounts of securities, and more participants than trades for retail customers. As a result, there are more steps between order entry and final settlement in an institutional transaction than in a retail transaction.

Typically, in an institutional trade, the institution's investment manager places an order with a broker-dealer. After the broker-dealer executes the trade, it advises the institution of the execution details. The institution then informs the broker-dealer how the trade should be allocated among its accounts. The broker-dealer then sends confirmations of the allocated trades back to the institution. The institution reviews the confirmations, and if they are accurate, the institution affirms the trade with the broker-dealer by sending an affirmed confirmation. Generally, the parties involved in an institutional trade use an ETC service to transmit the messages necessary to confirm and affirm the trade.<sup>5</sup> The trade is then ready

<sup>4</sup> Copies of TFTS's Form CA-1 are available for inspection and copying at the Commission's Public Reference Room in File No. 600-31. TFTS also submitted a document entitled "Application for Exemptive Order" which we do not consider part of the Form CA-1.

<sup>5</sup> Currently, the rules of certain self-regulatory organizations (SROs) require their broker-dealer members to use the facilities of a registered clearing agency for the electronic confirmation and affirmation of transactions where the broker-dealer provides delivery-versus-payment (DVP) or receive-versus-payment (RVP) privileges to its customer. See, e.g., Municipal Securities Rulemaking Board (MSRB) Rule G-15(d)(ii); National Association of Securities Dealers (NASD) Rule 11860(a)(5); and New York Stock Exchange (NYSE) Rule 387(a)(5). Broker-dealers generally extend DVP and RVP privileges only to their institutional customers. As a practical matter, the SROs' confirmation rules require broker-dealers to use The Depository Trust Company's (DTC) Institutional Delivery (ID) system because it is the only ETC service offered by a registered clearing agency.

The Commission has published notice of proposed rule changes by the MSRB, NASD, and NYSE under which broker-dealers would be able to use ETC services provided by an entity that has received an exemption from clearing agency registration to provide confirmation and affirmation services. See Securities Exchange Act Release Nos.

<sup>1</sup> TFTS is a wholly owned subsidiary of Thomson Information Services, Inc., which is indirectly owned by the Thomson Corporation. The Thomson Corporation is a public company incorporated under the laws of Ontario, Canada.

<sup>2</sup> 15 U.S.C. 78q-1.

<sup>3</sup> 17 CFR 240.17Ab2-1.

for the settlement process (*i.e.*, the transfer of securities and money for completion of the trade).

### B. The Commission's Interpretive Release on Matching

The development of "matching services" has been a recent step in the evolution of the confirmation/affirmation process. The term matching in this context describes a process in which an intermediary compares the broker-dealer's trade data submission with the institution's allocation instructions to determine whether the two descriptions agree. If the trade data and allocation instructions match, the intermediary produces an affirmed confirmation. Matching services eliminate the separate steps of producing a confirmation from the trade data, review of the confirmation by the institution, and issuance of an affirmed confirmation by the institution.<sup>6</sup>

On April 6, 1998, we issued an interpretive release regarding matching services (Matching Release).<sup>7</sup> In the Matching Release, we concluded that an entity that provides matching services as an intermediary between broker-dealers and institutional customers is a clearing agency within the meaning of Section 3(a)(23) of the Exchange Act<sup>8</sup> and is subject to the registration requirements of Section 17A of the Exchange Act.<sup>9</sup>

39830 (April 6, 1998), 63 FR 18060 [File No. SR-NYSE-98-07]; 39831 (April 6, 1998), 63 FR 18057 [File No. SR-NASD-98-20]; and 39833 (April 6, 1998), 63 FR 18055 [File No. SR-MSRB-98-06] The Commission expects to act on the proposed rule changes in the near future.

<sup>6</sup>The Commission has approved a proposed rule change filed by DTC that allows DTC to provide matching services. Securities Exchange Act Release No. 39832 (April 6, 1998), 63 FR 18062 [File No. SR-DTC-95-23]. Currently, only DTC offers a matching service where it acts as an intermediary between broker-dealers and institutional customers for U.S. trades.

<sup>7</sup>Securities Exchange Act Release No. 39829 (April 6, 1998), 63 FR 17943 [File No. S7-10-98]. The Matching Release contains a detailed description of the confirmation/affirmation process as it currently operates through DTC's ID system.

<sup>8</sup>15 U.S.C. 78c(a)(23). Section 3(a)(23) defines the term clearing agency as, among other things, [A] person who acts as an intermediary in making payments or deliveries or both in connection with transactions in securities or who provides facilities for comparison of data respecting the terms of settlement of securities transactions, to reduce the number of settlements of securities transactions, or for the allocation of securities settlement responsibilities.

<sup>9</sup>Specifically, the Commission concluded that matching constitutes "comparison of data respecting the terms of settlement of securities transactions." Exhibit S to TFTS's Form CA-1 contains a statement that it disagrees with the Matching Release's conclusion. In addition, on June 4, 1998, Thomson Information Services, Inc. (TIS), an affiliate of TFTS, filed a petition with the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) to review and set aside the

### III. TFTS's Request for Exemption

#### A. TFTS's Proposed Service

TFTS would offer two types of services under an exemption from clearing agency registration. First, TFTS would offer an ETC service that would transmit messages among broker-dealers, customers, and custodian banks regarding the terms of a trade executed for the customer. As noted above, ETC services are usually used to confirm and affirm securities trades for institutional investors. Second, TFTS would offer a central matching service under which it would act as an intermediary in the confirmation/affirmation process to compare a broker-dealer's trade data with a customer's allocation instructions to produce an affirmed confirmation.

All electronic messages that are sent through TFTS's systems will originate at the sender's (*i.e.*, the broker-dealer or the customer) computer terminal and will be routed through TFTS's data center. TFTS's data center will copy and store the data that passes through it. In its Form CA-1, TFTS represents that it will not perform other functions of a clearing agency such as net settlement, maintaining a balance of open positions between buyers and sellers, or marking securities to the market.<sup>10</sup>

TFTS has agreed to certain undertakings as a condition of obtaining an exemption from clearing agency registration:

(1) To make available to the Commission prior to the commercial operation of its central matching service an audit report that addresses all the areas discussed in the Commission's Automation Review Policies (ARPs);<sup>11</sup>

(2) To make available to the Commission on an annual basis (beginning in the central matching service's second year of operation) reports prepared by competent, independent audit personnel that are generated in accordance with the annual risk assessment of the areas set forth in the ARPs, and field work associated therewith;

part of the Matching Release that concludes that broker-to-customer matching is a clearing agency function under the Exchange Act.

In a settlement agreement with the Commission dated December 22, 1998, TIS stated that it would withdraw its petition before the D.C. Circuit if the Commission approved TFTS's application for exemption from clearing agency registration within 120 days of the filing of its application. Our consideration of TFTS's application is consistent with the statement in the Matching Release that matching is a clearing agency function and that we would consider granting matching services conditional exemptions from clearing agency registration. Our consideration of TFTS's application is independent of and will not be influenced by TIS's petition to the D.C. Circuit.

<sup>10</sup>Exhibit J to TFTS's Form CA-1.

<sup>11</sup>Securities Exchange Act Release Nos. 27445 (November 16, 1989), 54 FR 48703; and 29185 (May 9, 1991), 56 FR 22490.

(3) To provide the Commission with twenty business days' advance notice of any material changes that TFTS makes to its matching service, provided that such changes shall not be subject to regulatory approval;

(4) To provide the Commission with prompt notification of significant systems outages, to be defined as outages lasting more than thirty minutes;

(5) To respond to the Commission's requests for additional information relating to TFTS's matching service and to provide access to the Commission to conduct on-site inspections of all facilities (including automated systems and systems environment), records, and personnel related to the matching service, provided that such requests for information shall be made and such inspections shall be conducted solely for the purpose of reviewing the matching service's operations and compliance with the federal securities laws and the terms and conditions of TFTS's exemptive order;

(6) To supply the Commission or its designee with periodic reports regarding the affirmation rates for depository-eligible transactions that settle in the United States effected by institutional investors that utilize TFTS's matching service;

(7) To preserve a copy or record of all trade details, allocation instructions, central trade matching results, reports and notices sent to customers, reports regarding affirmation rates that are sent to the Commission or its designee, and any complaint received from a customer, all of which pertain to the operation of the matching service, for a period of not less than five years, the first two years in an easily accessible place; and

(8) To develop fair and reasonable linkages between the matching service and the Depository Trust Company and other central matching services regulated by the Commission.

#### B. Statutory Standards

Section 17A(b)(1) of the Exchange Act requires all clearing agencies to register with us before performing any of the functions of a clearing agency.<sup>12</sup> However, Section 17A(b)(1) also states that, upon our own motion or upon a clearing agency's application, we may conditionally or unconditionally exempt the clearing agency from any provisions of Section 17A or the rules or regulations thereunder if we find that such exemption is consistent with the public interest, the protection of investors, and the purposes of Section 17A. TFTS believes that the undertakings it has proposed as a condition of obtaining an exemption from clearing agency registration will allow it to protect the public interest and strike the appropriate balance between safety and soundness and the need to foster efficiency, competition, and capital formation.

We have exercised our authority to conditionally exempt an applicant from

<sup>12</sup>15 U.S.C. 78q-1(b)(1).

clearing agency registration on three prior occasions.<sup>13</sup> In those cases, the applicants requesting exemption from clearing agency registration were required to meet standards substantially similar to those required of registrants under Section 17A in order to assure that the fundamental goals of that section were furthered (*i.e.*, safety and soundness of the national clearance and settlement system).

In the Matching Release, we stated that an entity that limited its clearing agency functions to providing matching services might not have to be subject to the full range of clearing agency regulation. In addition, we stated that an entity seeking an exemption from clearing agency registration for matching would be required to: (1) provide us with information on its matching services and notice of material changes to its matching services; (2) establish an electronic link to a registered clearing agency that provides for the settlement of its matched trades; (3) allow us to inspect its facilities and records; and (4) make periodic disclosures to us regarding its operations.

TFTS's matching service would be the only clearing agency function that it would perform under an exemptive order. While we believe that TFTS's matching services could have a significant impact on the national clearance and settlement system, we do not believe that TFTS's matching services raise all of the concerns raised by an entity that performs a wider range of clearing agency functions. TFTS represents in its Form CA-1 that as a condition of its exemption it will comply with the conditions suggested by the Commission in the Matching Release. Therefore, we believe that it may not be necessary to require TFTS to satisfy all of the standards required of registrants under Section 17A.<sup>14</sup>

We anticipate that in addition to considering the public interest and the

protection of investors, the primary factor in our consideration of TFTS's Application will be whether TFTS is so organized and has the capacity to be able to facilitate prompt and accurate matching services subject to the specific conditions that it has proposed.<sup>15</sup> In particular, TFTS has represented that, among other things, it will provide us with (1) an independent audit report that addresses all the areas discussed in the Commission's ARPs prior to beginning commercial operations and annually thereafter, (2) on-site inspection rights, and (3) a current balance sheet and income statement prior to beginning operations.<sup>16</sup>

We expect that any exemption from clearing agency registration for TFTS would contain all of the conditions that TFTS has proposed in its Form CA-1. We request comment on whether these conditions are sufficient to promote the purposes of Section 17A and to allow us to adequately monitor the effects of TFTS's proposed activities on the national system for the clearance and settlement of securities transactions. In addition, we invite commenters to address whether granting TFTS an exemption from clearing agency registration would impose any burden on competition that is not necessary or appropriate in furtherance of the Exchange Act.

#### IV. Solicitation of Comments

Comments are due by March 8, 1999. These comments will be considered in deciding whether to grant TFTS's application for exemption from registration as a clearing agency. Six copies of the comments should be filed with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Comments also may be submitted electronically at the following E-mail address: rule-comments@sec.gov. All comment letters should refer to File No. 600-31; this file number should be used on the subject line if E-mail is used. Copies of the application and all written comments will be available for inspection and copying at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>17</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40995; File No. SR-CBOE-99-05]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Listing of Options on the Dow Jones E\*Commerce Index

January 28, 1999.

Pursuant to Section 19(b)(1) of the Securities Act of 1934,<sup>1</sup> notice is hereby given that on January 28, 1999, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") 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 CBOE. 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 Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") hereby proposes to amend certain of its rules to provide for the listing and trading on the Exchange of options on the Dow Jones E\*Commerce Index ("E\*Commerce Index" or "Index"), a narrow-based Index designed by Dow Jones & Company, Inc. ("Dow Jones™").<sup>2</sup> The E\*Commerce Index is a modified capitalization-weighted, cash-settled index with European-style exercise.

The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

<sup>17</sup> 17 CFR 200.30-3(a)(16).

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

<sup>2</sup> Dow Jones & Company, Inc. ("Dow Jones") has licensed "Dow Jones™," and "Dow Jones E\*Commerce Index" for use for certain purposes to the Chicago Board Options Exchange, Incorporated. CBOE's options based on the Dow Jones E\*Commerce Index are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such products.

<sup>13</sup> Securities Exchange Act Release Nos. 36573 (December 12, 1995 60 FR 65076 (order approving application for exemption from clearing agency registration for the Clearing Corporation for Options and Securities); 38328 (February 24, 1997), 62 FR 9225 (order approving application for exemption from clearing agency registration for Cedel Bank); and 39643 (February 11, 1998), 63 FR 8232 (order approving application for exemption from clearing agency registration by Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System).

<sup>14</sup> For example, TFTS's Form CA-1 (1) represents that TFTS will not handle funds or securities and (2) states that TFTS will not impose prohibitions or limit access to its service by potential customers but that it might terminate a subscription for failure to pay fees. In addition, TFTS will provide us with a current balance sheet and income statement before beginning operations which will enable us to assess TFTS's financial capability.

<sup>15</sup> See Section 17A(b)(3)(A) of the Exchange Act, 15 U.S.C. 78q-1(b)(3)(A).

<sup>16</sup> See Section III.A, *supra*.