The Company's shares of Common Stock, $.001 par value (''Common Stock''); Redeemable Class A Warrants (''Warrants''); and Units are currently listed for trading on the PCX. In addition, the Company's Common Stock and Warrants are listed for trading on the American Stock Exchange LLC. The Units were originally issued in the Company's initial public offering. Immediately upon the effectiveness of the initial public offering, the components of the Units, *i.e.*, the Common Stock and Warrants, began trading separately. Currently, the Units may be assembled or disassembled without restriction. An investor may create a Unit by combining one share of Common Stock and one Warrant; conversely, a Unit may be split into one share of Common Stock and one Warrant. The Company believes that the Units do not now serve a significant market function, but instead lead to additional compliance costs, investor confusion, and create arbitrage opportunities that negatively impact the value of the Common Stock.

The Company has complied with the rules of the PCX by filing with the Exchange a certified copy of resolutions adopted by the Company's Board of Directors authorizing withdrawal of its Units from listing on the Exchange and by setting forth in detail to the Exchange the reasons for such proposed withdrawal, and the facts in support thereof.

The Exchange has informed the Company that is has no objection to the withdrawal of the Company's Units from listing on the Exchange.

Any interested person may, on or before April 5, 1999, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors.

The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–6789 Filed 3–18–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41168; File No. SR–NYSE–99–03]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to NYSE Rule 431, ''Margin Requirements''

March 12, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on January 27, 1999, the New York Stock Exchange, Inc. (''NYSE'' 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 NYSE. 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 NYSE proposes to amend NYSE Rule 431, ''Margin Requirements,'' to: (1) expand the types of short options positions that will be considered ''covered'' and eligible for the cash account to include short positions that are components of certain limited risk spread strategies (box spreads, butterfly spreads, and debt and credit spreads); (2) allow an escrow agreement that conforms with NYSE standards to be utilized in lieu of the cash or cash equivalents required to carry short butterfly, box, and debit and credit spreads in the cash account; (3) reduce the required margin for butterfly and box spreads by recognizing butterfly and box spreads as strategies (rather than separate transactions) for purposes of margin treatment; (4) recognize various strategies involving stocks (or other underlying instruments) paired with long options, and reduce the required margin on such hedged stock positions; (5) permit the extension of credit on listed and over-the-counter (''OTC'') options with over nine months until expiration; and (6) permit the extension of credit on certain long box spreads.

Copies of the proposed rule change are available at the NYSE and at the Commission.

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

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 NYSE 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 NYSE 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 amendments to NYSE Rule 431 relating to margin treatment of options.

(2) Background

In April 1996, the Exchange established an NYSE Rule 431 Committee (the ''Committee'') to review the Exchange's margin requirements. The Committee consists of individuals representing different types of member organizations with divergent areas of expertise. The Committee has been reviewing all aspects of NYSE Rule 431 and making recommendations to the Exchange in view of the recent changes in federal margin regulations and changing industry conditions. The Committee created various subcommittees, including an Options Subcommittee (''Options Subcommittee''), to review specific areas of NYSE Rule 431, utilizing additional industry representatives that are knowledgeable in each area. The Options Subcommittee has reviewed and recommended changes to NYSE Rule 431 relating to margin treatment of options.

Some of the changes recommended by the Options Subcommittee reflect changes to Regulation T [2] of the Board of Governors of the Federal Reserve System (''FRB''). Regulation T governs the extension of credit by and to broker-dealers. Recent amendments to Regulation T that became effective on June 1, 1997, modified or deleted certain margin requirements regarding options transactions in favor of rules to be adopted by the options self-

[2] 12 CFR 220 *et seq.* The Board of Governors of the Federal Reserve System issued Regulation T pursuant to the Act.

regulatory organizations (''SROs''), subject to approval by the Commission.[3]

(3) Proposed Amendments to NYSE Rule 431

As described more fully below, the proposal amends NYSE Rule 431 to: (1) expand the types of positions that would be considered ''covered'' in a cash account, specifically, certain short positions that are components of limited risk spread strategies; (2) permit butterfly and box spreads to be recognized as strategies for purposes of margin treatment; (3) recognize various strategies involving stocks (or other underlying instruments) paired with long options and provide for lower maintenance margin requirements on such hedged stock positions; and (4) permit the extension of credit on certain long-term options and certain long box spreads.

(a) Cash Account Transactions. The NYSE notes that, pursuant to the recent amendments to Regulation T, certain limited risk spread strategies are eligible for the cash account. Accordingly, the NYSE proposes to amend NYSE Rule 431 to expand the types of limited risk options strategies that may be transacted in cash accounts, provided the risk is paid for in full. As described more fully below, NYSE Rule 431, as amended, will permit the following limited risk spread strategies in the cash account: (1) long and short box spreads; (2) long and short butterfly spreads; and (3) debit and credit spreads.

Under the proposal, only butterfly and box spreads comprised of cash-settled, European-style options will be eligible for the cash account. In addition, the butterfly and box spreads must meet the specifications contained in the definition section of the proposal (proposed NYSE Rule 431(f)(2)(C)).[4] For long butterfly spreads and long box spreads, the proposal will require full cash payment of any debt incurred when the long butterfly spread or long box spread strategy is established. According to the NYSE, full payment of the debt incurred to establish a long butterfly spread or a long box spread will cover any potential risk to the carrying broker-dealer.

The NYSE notes that short butterfly spreads generate a credit balance when established. However, if all of the options were exercised, a debit (loss) greater than the initial credit balance would accrue to the account. According to the NYSE, this debit or loss is quantifiable. Specifically, the NYSE states that the total risk potential in a short butterfly spread comprised of call options is the aggregate difference between the two lowest exercise prices. For a short butterfly spread comprised of put options, the total risk potential is the aggregate difference between the two highest exercise prices. Accordingly, to cover the risk to the carrying broker-dealer, the NYSE proposes to require a deposit in cash or cash equivalents equal to (1) the amount of the aggregate difference between the two lowest exercise prices for a short butterfly spread comprised of call options; and (2) the amount of the aggregate difference between the two highest exercise prices for a short butterfly spread comprised of put options. The net proceeds from the sale of the short option components may be applied to the required deposit. According to the NYSE, when the initial credit balance plus an amount equal to the difference between the initial credit and the total risk is held in the account in the form of cash or cash equivalents, the risk to the broker-dealer is covered.

The NYSE states that short box spreads [5] also generate a credit balance when they are established, but, unlike the butterfly spread, the credit is sufficient to cover the total debit (loss) that, in the case of the box spread, will accrue to the account if held to expiration. The credit must be retained in the account; therefore, the proposal would require that cash or cash equivalents covering the maximum risk, which is equal to the aggregate difference in the two exercise prices involved, be held or deposited.

The proposal also will replace the current provisions of NYSE Rule 431(f)(2)(M) that permit debit put spreads in a cash account with a provision allowing short European-style cash-settled stock index options or warrants in the cash account when the account holds a long position in an option or warrant with the same underlying index or component that is based on the same aggregate current underlying value, and provided that the long and short position expire concurrently,the long position is paid in full, and the account holds cash or cash equivalents of not less than the amount by which the aggregate exercise price of the long call or call warrant (or the short put or put warrant) exceeds the aggregate exercise price of the short call or call warrant (or the long put or put warrant). The next proceeds from the sale of the short position may be applied to this requirement.

Under the proposal, an escrow agreement that conforms with Exchange standards may be utilized in lieu of the cash or cash equivalents required to carry butterfly, box, and debit and credit spreads in the cash account.

(b) Margin Accounts. (i) Butterfly and Box Spreads. The Exchange's current rules do not provide consideration for the components of butterfly and box spreads in prescribing margin requirements.[6] The proposal will permit combination spread transactions in margin accounts where the risk associated with the transactions is identifiable. The NYSE states that under its current rules, a butterfly spread—a pairing of two standard spreads, one bullish and one bearish—requires the separate margining of each transaction. According to the NYSE, the current margin requirement does not recognize that the spreads offset each other with respect to risk. Under the proposal, the NYSE believes that investors will receive the benefit of lower margin requirements on bullish and bearish spreads because the individual spreads will be treated as a combined position with lower risk. The proposed initial and maintenance margin requirements for butterfly spreads are the same as the cash account requirements for butterfly spreads described above.[7]

[3] *See* FRB Docket No. R–0772 (April 26, 1996), 61 FR 20386 (May 6, 1996).

[4] Proposed NYSE Rule 431(f)(2)(C) defines a *butterfly spread* as an aggregation of positions in three series of either puts or calls all having the same underlying component or index, and time of expiration, and based on the same aggregate current underlying value, where the interval between the exercise price of each series is equal, which positions are structured as either: (A) a ''long butterfly spread'' in which two short options in the same series are offset by one long option with a higher exercise price and one long option with a lower exercise price, or (B) a ''short butterfly spread'' in which two long options in the same series offset one short option with a higher exercise price and one short option with a lower exercise price.

[5] Proposed NYSE Rule 431(f)(2)(C) defines a ''box spread'' as an aggregation of positions in a long call and short put with the same exercise price (''buy side'') coupled with a long put and short call with the same exercise price (''sell side''), all of which have the same underlying component or index and time of expiration, and are based on the same aggregate current underlying value, and are structured as: (A) a ''long box spread,'' in which the sell side exercise price exceeds the buy side exercise price or, (B) a ''short box spread,'' in which the buy side exercise price exceeds the sell side exercise price.

[6] The proposed margin requirements for box spreads and butterfly spreads apply to options positions issued by a registered clearing agency or guaranteed by the carrying broker-dealer.

[7] Specifically, for a long butterfly spread, proposed NYSE Rule 431(f)(2)(G)(v) will require payment in full of the net debit. For a short butterfly spread, the proposal will require the deposit and maintenance of margin equal to at least the aggregate difference between the two lowest exercise prices for a short butterfly spread comprised of calls, or the aggregate difference between the two highest exercise prices for a short butterfly spread comprised of puts. The net

Continued

For a long box spread, the proposal requires margin equal to full payment of the net debit. For a short box spread, the proposed minimum initial and maintenance margin requirement is the aggregate difference between the exercise prices. The net proceeds from the sale of short option components may be applied to the margin requirement.

(ii) Hedged Strategies. Currently, the maintenance margin requirement for all securities ''long'' in a customer's account is 25% of the current market value of the securities.[8] For stocks trading at $5.00 per share or more, the current maintenance margin requirement for each stock ''short'' in a customer's account is 30% of the current market value of the stock.[9] The NYSE proposes to reduce the maintenance margin requirement for the components underlying options and stock index warrants when the components are held in conjunction with certain positions in the overlying option or warrant. Specifically, the proposal will reduce the maintenance margin requirement for component securities held in conjunction with the following hedged strategies: (1) Hedged puts (long stock/long put); (2) hedged calls (long call/short stock); (3) conversions; (4) reverse conversions; and (5) collars. The proposed maintenance margin requirements for these five hedged strategies are as follows:

(1) Long Stock/Long Put (Hedged Put)

Proposed margin requirement: 10% of the exercise price plus 100% of any amount by which the put is out-of-the-money, but no more than 25% of the long stock market value.

(2) Long Call/Short Stock (Hedged Call)

Proposed margin requirement: 10% of the call exercise price, plus 100% of any amount by which the call is out-of-the-money, but no more than 30% of the current market value of the short stock.

(3) Conversion (Long Stock/Long Put/Short Call)

Proposed margin requirement: 10% of the exercise price.

A conversion is a long stock position held in conjunction with a long put and a short call. The put and call must have the same expiration and exercise price. According to the NYSE, the long put/short call is essentially a synthetic short stock position which offsets the long stock, and the exercise price of the options acts as a predetermined sale price. The short call is covered by the long stock and the long put is a right to sell the stock at a predetermined price—the put exercise price. The NYSE states that, regardless of any decline in market value, the stock is, in effect, worth no less than the exercise price of the put.

(4) Reverse Conversion (Short Stock/Short Put/Long Call)

Proposed margin requirement: 10% of the exercise price plus any in the-money-amount for the put option.

The put and the call must have the same expiration and exercise price. According to the NYSE, the long call/short put is essentially a synthetic long stock position which offsets the short stock position. The exercise price of the options acts as a predetermined purchase (buy-in) price. The short put is covered by the short stock and the long call is a right to buy the stock (in this case closing the short position) at a predetermined price—the call exercise price. The NYSE states that, regardless of any rise in market value, the stock can be acquired for the call exercise price; in effect, the short position is valued at no more than the call exercise price.

(5) Collar (Long Stock/Long Put/Short Call)

Proposed margin requirement: The lesser of (1) 10% of the put exercise price plus 100% of any amount by which the put is out-of-the-money, or (2) 25% of the call exercise price.

A collar is a long stock position held in conjunction with a long put and short call. The put and the call must have the same expiration date. According to the NYSE, the difference between a collar and a conversion is that the exercise price of the put is lower than the exercise price of the call in the collar strategy. Therefore, the options do not constitute a pure synthetic short stock position.

(c) Loan Value for Long Term Options. According to NYSE, recent amendments to Regulation T permit loan value on options. However, the NYSE notes that the FRB deferred to the SROs to determine whether such loan value is appropriate as well as to identify specific options, prescribe criteria and actual requirements.

The Committee and the Options Subcommittee recommended that loan value be allowed only on long term options and warrants with time remaining to expiration exceeding nine months. Where the time remaining to expiration is nine months or less, there would be no loan value. The proposal applies different criteria to credit extensions for long term listed and OTC options and warrants.[10]

Specifically, for long listed equity options, stock index options, and stock index warrants with time remaining to expiration exceeding nine months, the proposed margin requirement will be 75% of the current market value of the option or warrant. Because the proposal requires initial and maintenance margin of not less than 75% of the current market value of a listed option or warrant, a broker-dealer would be able to lend up to 25% of the current market value of a listed option or warrant.

For long OTC equity options, index options, and stock index warrants with time remaining to expiration exceeding nine months, the proposed initial and maintenance margin requirement will be 75% of the in-the-money amount (or intrinsic value) plus 100% of the amount, if any, by which the current market value exceeds the in-the-money amount. In addition to having more than nine months to expiration, the OTC option or stock index warrant must be (1) in-the-money; (2) guaranteed by the carrying broker-dealer; and (3) American-style (*i.e.,* the option or stock index warrant may be exercised at any time up to the day before expiration).

(d) Extensions of Credit for Long Box Spreads Comprised of European-Style Options. The proposal also provides for the extension of credit on a long box spread comprised entirely of European-style options that are issued by a registered clearing agency or guaranteed by the carrying broker-dealer. For a long box spread comprised of options that satisfy these requirements, the proposed initial and maintenance margin requirement is 50% of the aggregate difference in the two exercise prices (buy and sell). According to the NYSE, this will produce a requirement slightly higher than 50% of the debit typically incurred. The proceeds from the sale of the short option components may be applied to this requirement. For margin equity purposes, the long box spread may be valued at an amount not to exceed 100% for the aggregate difference in the exercise prices.

(4) Statutory Basis

The NYSE believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act, which provides that the rules of the Exchange must be designed to promote just and equitable principles of trade

proceeds from the sale of the short option components may be applied to the margin requirement.

[8] *See* NYSE Rule 431(c)(2).

[9] *See* NYSE Rule 431(c)(3).

[10] Listed options are issued by the Options Clearing Corporation (''OCC''). OTC options are not issued by OCC. OTC options and warrants are not listed or traded on a registered national securities exchange or through the automated quotation system of a registered securities association.

and to protect the investing public. The NYSE believes that the proposed rule change also is consistent with the rules and regulations of the FRB because it is designed to prevent the excessive use of credit for the purchase or carrying of securities, pursuant to Section 7(a) of the Act.

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

The Exchange believes that the proposed rule change will not 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

No written comments were solicited or received.

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 self-regulatory organization consents, the Commission will by order approve such proposed rule change, or 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, 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 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 NYSE. All submissions should refer to file number SR–NYSE–99–03 and should be submitted by April 9, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

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[11] 17 CFR 200.30–3(a)(12).

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

United States-Israel Free Trade Area Implementation Act; Designation of Qualifying Industrial Zones

AGENCY: Office of the United States Trade Representative.

ACTION: Notice.

SUMMARY: Under the United States-Israel Free Trade Area Implementation Act (the ''FTA Act''), products of qualifying industrial zones encompassing portions of Israel and Jordan or Israel and Egypt are eligible to receive duty-free treatment. Effective upon publication of this notice, the United States Trade Representative, pursuant to authority delegated by the President, is designating the Israeli-Jordanian Gateway Projects Industrial Zone and an expanded Israeli-Jordanian Irbid Qualifying Industrial Zone as qualifying industrial zones under the FTA Act.

FOR FURTHER INFORMATION CONTACT: Madelyn Spirnak, Director for the Middle East and Mediterranean, (202) 395–3320, Office of USTR, 600 17th St., NW, Washington, DC 20508.

SUPPLEMENTARY INFORMATION: Pursuant to authority granted under Section 9 of the United States-Israel Free Trade Area Implementation Act of 1985, as amended (19 U.S.C. 2112 note), the President proclaimed certain tariff treatment for the West Bank, the Gaza Strip, and qualifying industrial zones (Proclamation 6955 of November 13, 1996 (61 FR 58761)). In particular, the President proclaimed modifications to general notes 3 and 8 of the Harmonized Tariff Schedule of the United States: (a) to provide duty-free treatment to qualifying articles that are the product of the West Bank or Gaza Strip or a qualifying industrial zone and are entered in accordance with the provisions of section 9 of the FTA Act; (b) to provide that articles of Israel may be treated as though they were articles directly shipped from Israel for the purposes of the United States-Israel Free Trade Area Agreement (the ''Agreement'') even if shipped to the United States from the West Bank, the Gaza Strip, or a qualifying industrial zone, if the articles otherwise meet the requirements of the Agreement; and (c) to provide that the cost or value of materials produced in the West Bank, the Gaza Strip, or a qualifying industrial zone may be included in the cost or value of materials produced in Israel under section 1(c)(i) of Annex 3 of the Agreement, and that the direct costs of processing operations performed in the West Bank, the Gaza Strip, or a qualifying industrial zone may be included in the direct costs of processing operations performed in Israel under section 1(c)(ii) of Annex 3 of the Agreement.

Section 9(e) of the FTA Act defines a ''qualifying industrial zone'' as an area that ''(1) encompasses portions of the territory of Israel and Jordan or Israel and Egypt; (2) has been designated by local authorities as an enclave where merchandise may enter without payment of duty or excise taxes; and (3) has been specified by the President as a qualifying industrial zone.'' In Proclamation 6955, the President delegated to the United States Trade Representative the authority to designate qualifying industrial zones.

In an agreement dated November 23, 1998, the Government of Israel and the Government of Jordan agreed to the creation of the Gateway Projects Industrial Zone, encompassing areas under the customs control of the respective Governments. The Government of Israel and the Government of Jordan further agreed that merchandise may enter the Gateway Industrial Zone without payment of duty or excise taxes. The Gateway Projects Industrial Zone accordingly meets the criteria under paragraphs 9(e) (1) and (2) of the FTA Act.

In an agreement dated November 16, 1997, the Government of Israel and the Government of Jordan agreed to the creation of the Irbid Qualifying Industrial Zone, encompassing areas under the customs control of the respective Governments. The Government of Israel and the Government of Jordan further agreed that merchandise may enter the Irbid Qualifying Industrial Zone without payment of duty or excise taxes. In a notice published on March 13, 1998 (63 FR 12572), the United States Trade Representative designated the Irbid Qualifying Industrial Zone as a qualifying industrial zone under section 9 of the FTA Act.

In an agreement dated November 23, 1998, the Government of Israel and the Government of Jordan agreed to an