have been approved in compliance with said section 15; and where any vote of the stockholders of the SBA Subsidiaries would be required by said section 15, unless the stockholders of Medallion also shall have approved the same by a vote of a majority (as defined in the Act) of the outstanding voting securities of Medallion; or where any action of the directors of the SBA Subsidiaries would be required by said section 15, unless the board of directors of Medallion, including a majority of those directors who are not parties to any such contract or agreement or interested persons of any such party, also shall have approved the same.

4. Medallion will not, and will not cause or permit any SBA Subsidiary to, issue any senior security or sell any senior security of which Medallion or any SBA Subsidiary is the issuer except as hereinafter set forth:

(a) each of the SBA Subsidiaries may continue to have outstanding and may issue additional shares of its preferred stock to the SBA in accordance with applicable SBA regulations; and

(b) Medallion and each SBA Subsidiary may issue and sell to banks, insurance companies, and other financial institutions its secured or unsecured promissory notes or other evidences of indebtedness in consideration of any loan, or any extension or renewal thereof made by private arrangement, and each SBA Subsidiary may issue debt securities held or guaranteed by the SBA, provided the following conditions are met:

(i) such notes or evidences of indebtedness are not intended to be publicly distributed,

(ii) such notes or evidences of indebtedness are not convertible into, exchangeable for, or accompanied by any options to acquire, any equity security, and

(iii) immediately after the issuance or sale of any such notes or evidences of indebtedness, Medallion and its Subsidiaries on a consolidated basis, and Medallion, individually, shall have the asset coverage required by section 18(a) of the Act, (as modified by section 61(a) for Medallion), except that, in determining whether Medallion and its Subsidiaries on a consolidated basis have the asset coverage required by section 18(a) of the Act (as modified by section 61(a)), any SBA preferred stock interest in the SBA Subsidiaries and any borrowings by the SBA Subsidiaries shall not be considered senior securities and, for purposes of the definition of ''asset coverage'' in section 18(h), shall be treated as indebtedness not represented by senior securities.

5. No person shall serve as a director of any SBA Subsidiary who shall not have been elected as a director of Medallion at its most recent annual meeting, as contemplated by section 16(a) of the Act and subject to the provisions thereof relating to the filling of vacancies. Notwithstanding the foregoing, the board of directors of each SBA Subsidiary will be elected by Medallion as sole stockholder.

6. Any small business or other concern to which loans may be made by Medallion or any of the SBA Subsidiaries, which may become an affiliated person of Medallion and/or the SBA Subsidiaries, may borrow from, or sell securities issued by it to, Medallion and the SBA Subsidiaries, provided that such transaction meets the requirements for an exemption pursuant to rule 17a–6 promulgated pursuant to the Act, except to the extent that it fails to meet the requirements of such rule solely because another member of the group of Medallion and its SBA Subsidiaries is also a party to the transaction or has, or within 6 months prior to the transaction had, or pursuant to an arrangement will acquire, a direct or indirect financial interest in the small business or other concern. In addition, Medallion and the SBA Subsidiaries may effect purchases and sales of securities and other property or the borrowing of money or other property, provided that Medallion and its SBA Subsidiaries are the sole participants in such transactions.

7. Medallion and its SBA Subsidiaries, as a group or individually, may participate in any join enterprise or joint arrangement involving other participants, provided that such transaction meets the requirements for an exemption pursuant to rule 17d–1 except to the extent it fails to meet the requirements of such rule solely because any of Medallion and its SBA Subsidiaries as a group are, or propose to be, participants in the joint enterprise or joint arrangement.

8. Medallion will acquire securities of its SBA Subsidiaries representing indebtedness only if, in each case, the prior approval of the SBA has been obtained. Medallion and its SBA Subsidiaries will purchase and sell portfolio securities between themselves only if, in each case, the prior approval of the SBA has been obtained.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–10644 Filed 4–29–96; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Rel. No. 21913; International Series Rel. No. 973; 812–9846]

The Mexico Equity and Income Fund, Inc.; Notice of Application

April 24, 1996.

AGENCY: Securities and Exchange Commission (''SEC'').

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (''Act'').

APPLICANT: The Mexico Equity and Income Fund, Inc. (''Fund'').

RELEVANT ACT SECTIONS: Order requested under section 10(f) granting an exemption from that section.

SUMMARY OF APPLICATION: Applicant seeks an order that would permit it to purchase securities in underwritten public offerings in Mexico in which an affiliated person of its Mexican investment adviser or U.S. co-adviser participates as a principal underwriter.

FILING DATES: The application was filed on November 8, 1995, and amended on March 29, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on May 20, 1996, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 200 Liberty Street, New York, New York 10281.

FOR FURTHER INFORMATION CONTACT: Courtney S. Thornton, Senior Counsel, at (202) 942–0583, or Robert A. Robertson, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. The Fund, a Maryland corporation, is a closed-end management investment company registered under the Act. The

Fund's investment objective is to seek high total return through capital appreciation and current income through investment in equity and debt securities of Mexican issuers, including, to the extent available, convertible debt securities issued by Mexican companies. The Fund's fundamental policy requires it to invest at least 50% of its assets in equity and convertible debt securities issued by Mexican companies. The remainder of the Fund's assets must be invested in Mexican issuer debt securities (other than convertible debt securities) and, for cash management or temporary defensive purposes, in certain high quality short-term debt instruments.

2. The Fund's Mexican investment adviser is Acci Worldwide, S.A. de C.V. (''Acci''), a limited liability company organized under the laws of Mexico. The Fund's U.S. co-adviser is Advantage Advisers, Inc. (''Advantage''), a Delaware corporation that is a wholly-owned subsidiary of Oppenheimer & Co., Inc. Both Acci and Advantage are registered as investment advisers under the Investment Advisers Act of 1940. Acci is responsible for the management of the Fund's portfolio, subject to direct participation by Advantage in all investment decisions with respect to the Fund's portfolio of convertible debt securities. In the case of other securities transactions, Acci receives advice from, and consults with, Advantage regarding the Fund's overall investment strategy and decisions to buy, sell, or hold particular securities.

3. Acci is a wholly-owned subsidiary of Acciones y Valores de Mexico, S.A. de C.V. (''AVM''), one of the leading brokerage firms in Mexico. AVM is a controlled subsidiary of Grupo Financiero Banamex/Accival, a holding company formed for the purpose of owning over 99% of the voting stock of AVM and Banco Nacional de Mexico, S.A. (''Banamex''), Mexico's largest commercial bank. During the period 1991 through August 1995, AVM was lead manager or co-manager for 21 of the 74 initial public offerings of equity securities in Mexico (approximately 28.4% of total offerings). AVM-managed transactions raised approximately 58.5% of the U.S. $16.8 billion raised in such offerings.

4. Because AVM-managed transactions constitute such a significant portion of new publicly offered Mexican securities, the Fund believes that its inability to purchase and hold such securities may be disadvantageous to its shareholders. Accordingly, the Fund seeks an exemption from the prohibition contained in section 10(f) to permit it to purchase securities in underwritten public offerings in Mexico in which an affiliated person of Acci or Advantage participates as a principal underwriter (as defined in section 2(a)(29) of the Act).

Applicant's Legal Analysis

1. Section 10(f) of the Act prohibits a registered investment company from purchasing securities during the existence of any underwriting syndicate if a principal underwriter of those securities is either (a) an officer, director, member of an advisory board, investment adviser, or employee of the investment company, or (b) a person of which any such officer, director, member of an advisory board, investment adviser, or employee is an affiliated person. By virtue of having investment advisers whose affiliated persons often act as a principal underwriter in underwritten Mexican public offerings, the Fund is prohibited by section 10(f) from purchasing securities from any member of any underwriting syndicate in such offerings. Accordingly, applicant believes that compliance with section 10(f) undermines the Fund's investment objectives.

2. Rule 10f–3 under the Act permits a registered investment company to make a purchase of securities otherwise prohibited by section 10(f) provided certain conditions are met. Paragraph (a)(1) of the rule requires the securities purchased to be part of an issue registered under the Securities Act of 1933 (''Securities Act''). The Fund is unable to comply with the provisions of paragraph (a)(1) because the Mexican securities in which it invests are not required to be registered under the Securities Act, and the Fund lacks the ability to cause Mexican issuers to register these securities under the Securities Act. Applicant therefore proposes that the public offering rules of the Mexican authorities be substituted for the U.S. public offering requirement of rule 10f–3(a)(1), and represents that all purchases of Mexican securities otherwise prohibited by section 10(f) will comply with all other provisions of rule 10f–3. Applicant also represents that audited financial statements for at least the last two years will be available with respect to the issuers of all securities covered by the requested order.

3. Before an issuer can make a public offering of its securities in Mexico, it must file a registration statement with the Comision Nacional Bancaria y de Valores (''CNBV''). The registration statement requests approval of the offering and registration of the securities in the securities section of the Registro Nacional de Valores e Intermediarios, the National Registry of Securities and Securities Brokers, which is a record maintained by the CNBV. The registration statement must contain all the information the CNBV considers material to an evaluation of the securities to be offered, and requires an issuer to submit the prospectus to be delivered to all prospective investors for CNBV approval. In addition, the issuer seeking approval must represent that (a) the characteristics of the securities and the terms of the offering are such that the securities will have significant circulation and will cause no dislocation of the market; (b) the securities possess, or have the potential for, broad circulation in relation to the size of the market or the issuer; and (c) the issuer is solvent and has liquidity. Although the Ley del Mercado de Valores, the Mexican securities law, does not set any specific quantitative standards regarding the size of an offering, it does require that every public offering be large enough, in the opinion of the CNBV, to assure investors of the liquidity of the securities. As a result, securities in a public offering must be issued in sufficient quantity to be available to a wide group of offerees, thereby assuring investors and the CNBV that a market for the securities will develop.

4. Where underwriters make a ''firm commitment'' in a Mexican public offering, their commitment to purchase the securities being offered is firm, and the obligations of the various underwriters are several and not joint. In the underwriting agreement, each underwriter is obligated to purchase securities from the issuer at a fixed price, and the issuer receives proceeds based on this net price regardless of the marketing results of the underwriting group. The price of the issue is determined by negotiation between the issuer and the underwriters.

5. Once the offering price for a security is set, underwriters offer the securities to the public at the offering price disclosed in the prospectus. Pursuant to the policies of the CNBV, the securities thereafter may be publicly offered only at the disclosed price, which may not vary during the offering period. This helps guarantee that publicly offered securities are offered to and purchased by affiliated and unaffiliated persons on the same terms. Although Mexican law does permit securities to be publicly offered at a premium to market price under certain circumstances, this situation rarely occurs. The Fund will not purchase Mexican securities at such a premium.

6. Applicant believes that the terms of the requested order are consistent with the protection of investors and the intention of the SEC in exempting transactions from section 10(f) pursuant to rule 10f–3. The requested order departs from rule 10f–3 only in that the offerings will not be subject to registration under section 5 of the Securities Act as required by subsection (a)(1) of rule 10f–3.

7. Applicant states that adherence to the conditions contained in the application will provide an adequate substitute for the registration requirement of rule 10f–3. In addition, the nature of a public offering and a firm commitment underwriting in Mexico make it highly likely that a wide group of offerees will take part in the offering, and that the securities will be offered to and purchased by affiliated and unaffiliated persons on the same terms. Furthermore, where an issuer's financial statements are available for the last two years, applicant believes that it will be assured of having the basic financial information needed to evaluate the security. Together with the public offering requirement, such statements also provide assurance that the securities were issued in the ''ordinary course'' of business. Applicant therefore believes that exemption from the provisions of section 10(f) in accordance with the conditions set forth in the application is consistent with the protection of investors and the purposes intended by the passage of section 10(f) of the Act and rule 10f–3 thereunder.

Applicant's Conditions

Applicant agrees that any order of the SEC granting the requested relief will be subject to the following conditions:

1. All securities purchased in Mexico under circumstances subject to section 10(f) of the Act will be purchased in public offerings conducted in accordance with the laws of Mexico.

2. All subject foreign issuers of securities in which the Fund invests pursuant to the requested order will have available to prospective purchasers, including the Fund, financial statements, audited in accordance with Mexican accounting standards, for at least the two years prior to purchase.

3. All purchases made by the Fund pursuant to the requested order will comply with all provisions of rule 10f–3 except for the registration requirement set forth in rule 10f–3(a)(1).

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–10583 Filed 4–29–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37139; File No. SR–Amex–96–08]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to the Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Trading of Options on the Amex Gold BUGS SM Index

April 23, 1996.

I. Introduction

On February 9, 1996, the American Stock Exchange, Inc. (''Amex'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to provide for the listing and trading of standardized options on the Amex Gold BUGS SM Index (''Index'').

Notice of the proposed rule change appeared in the Federal Register on March 20, 1996.[3] On April 15, 1996, the Amex amended its proposal.[4] No comment letters were received on the proposed rule change. This order approves the Exchange's proposal, as amended.

II. Description of Proposal

A. General

The Amex proposes to trade options on the Index, a modified equal-dollar weighted index developed by the Amex and comprised of 14 gold mining company stocks (or ADRs thereon) which are traded on the Amex or the New York Stock Exchange, Inc. (''NYSE''). In addition, the Amex proposes to amend Commentary .01 to Amex Rule 901C, ''Designation of Stock Index Options,'' to indicate that 90% of the Index's numerical index value must be accounted for by stocks which meet the then current criteria and guidelines provided in Amex Rule 915, ''Criteria for Underlying Securities'' and to indicate that these criteria must also be satisfied immediately following each quarterly rebalancing.

The Exchange believes that an index of gold mining stocks whose values are affected strongly by the price of gold will be attractive to many investors. According to the Amex, gold companies generally manage the risks associated with fluctuating prices by hedging their future production. The Amex notes that companies that hedge their gold production for longer periods are less affected by the fluctuating price of gold. In an effort to give investors an index with a significant exposure to the near term movements in gold prices, the Exchange has included in the Index those gold mining companies that do not hedge their gold production for extensive periods into the future. Specifically, the Amex states that only companies that have a hedging ratio of less than 1½ years production will be considered for inclusion in the Index.

B. Eligibility Standards for Index Components

The Amex states that the Index conforms with Exchange Rule 901C, which specifies criteria for the inclusion of stocks in an index on which standardized options will be traded. According to the Amex, the Index also conforms to most of the criteria set forth in Amex Rule 901C, Commentary .02 (which provides for the commencement of trading of options on an index 30 days after the date of filing), except that the Index is calculated using a modified version of the equal-dollar weighting method and four of the components of the Index do not meet the six month minimum trading volume criteria.[5]

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1995).

[3] *See* Securities and Exchange Act Release No. 36953 (March 11, 1996), 61 FR 11448.

[4] *See* Letter from Claire P. McGrath, Managing Director and Special Counsel, Derivative Securities, Amex, to Michael Walinskas, Branch Chief, Derivatives Regulation, Office of Self-Regulatory Oversight, Division of Market Regulation, Commission, dated April 15, 1996 (''Amendment No. 1''). In Amendment No. 1, the Amex replaced one of the Index's component stocks, Hemlo Gold Mines, with Cambior Inc., because Hemlo Gold Mines is expected to merge with Battle Mountain Gold Company in June 1996. The Amex also removed Santa Fe Pacific Gold Corp. from the Index because it no longer meets the Amex's requirement for the hedging of gold production. In addition, the Amex represented that (1) the Exchange will promptly notify the Commission if the Index fails to meet the maintenance criteria provided in the proposal; and (2) the Index will be maintained so that foreign country securities or American Depositary Receipts (''ADRs'') thereon that are not subject to comprehensive surveillance sharing agreements will not represent more than 20% of the weight of the Index.

[5] Under Amex Rule 901C, Commentary .02, the Amex may list options on a stock industry index pursuant to Section 19b(3)(A) under the Act provided that the index satisfies certain criteria. Commentary .02 requires, among other things, that the index be calculated based on either the capitalization weighting, price weighting, or equal-dollar weighting methodology, and that the trading volume for each component stock of the index in each of the last six months be not less than 1,000,000 shares, except that for each of the lowest weighted component securities in the index that in