confuse investors, or convey a false impression as to the safety of their investments. All liabilities created under the Plan would be offset by equal amounts of assets that would not otherwise exist if the fees were paid on a current basis.

3. Section 22(f) prohibits undisclosed restrictions on transferability or negotiability of redeemable securities issued by open-end investment companies. The Plan would set forth all such restrictions, which would be included primarily to benefit the Eligible Trustees and would not adversely affect the interests of the shareholders of the Open-End Funds.

4. Section 22(g) and 23(a) prohibit registered open-end and closed-end investment companies, respectively, from issuing any of their securities for services or for property other than cash or securities. This provision prevents the dilution of equity and voting power that may result when securities are issued for consideration that is not readily valued. Applicants believe that the Plan would merely provide for deferral of payment of such fees and thus should be viewed as being issued not in return for services but in return for a Fund not being required to pay such fees on a current basis.

5. Section 13(a)(3) provides that no registered investment company shall, unless authorized by the vote of a majority of its outstanding voting securities, deviate from any investment policy that is changeable only if authorized by shareholder vote. Each of the Funds named in the application adopted an investment policy regarding the purchase of shares of other investment companies, which policy could prohibit or restrict such Funds from purchasing shares of other investment companies. The relief requested from section 13(a)(3) would extend only to the named applicants. Applicants believe that relief from section 13(a)(3) is appropriate to enable the affected Funds to invest in Underlying Securities without a shareholder vote. Each Fund will disclose the existence of the Plan in its registration statement. The value of the Underlying Securities will be *de minimis* in relation to the total net assets of the respective Fund, and will at all times equal the value of the Fund's obligations to pay deferred fees (plus any increase in value thereof.)

6. Rule 2a–7 imposes certain restrictions on the investments of ''money market funds,'' as defined under the rule that would prohibit a Fund that is a money market Fund from investing in the shares of any other Fund. Applicants believe that the requested exemption would permit the Fund to achieve an exact matching of Underlying Securities with the deemed investments of the Deferred Fee Accounts, thereby ensuring that the deferred fees would not affect net asset value.

7. Section 6(c) provides, in relevant part, that the SEC may by order, exempt any person or class of persons from any provision of the Act or from any rule thereunder, if such exemption is necessary or appropriate in the public interest, consistent with the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. Applicants believe that the relief requested satisfies this standard.

8. Section 17(a)(1) generally prohibits an affiliated person of a registered investment company from selling any security to such registered investment company.[3] Applicants assert that section 17(a)(1) was designed to prevent, among other things, sponsors of investment companies from using investment company assets as capital for enterprises with which they were associated or to acquire controlling interest in such enterprises. Applicants believe that the sale of securities issued by the Funds pursuant to the Plan does not implicate the concerns of Congress in enacting this section, but merely would facilitate the matching of each Fund's liability for deferred trustees' fees.

9. Section 17(b) authorizes the SEC to exempt a proposed transaction from section 17(a) if evidence establishes that the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, the transaction is consistent with the policies of the registered investment company, and the general purposes of the Act. Applicants believe that the proposed transaction satisfies the criteria of section 17(b). The finding that the terms of the transaction are consistent with the policies of the registered investment company is predicated on the assumption that relief is granted from section 13(a)(3). Applicants also request relief from section 17(a)(1) under section 6(c) to the extent necessary to implement the Deferred Compensation under the Plan on an ongoing basis.[4]

10. Section 17(d) of the Act makes it unlawful for any affiliated person of a registered investment company, acting as principal, to effect any transaction in which the company is a joint or joint and several participant in contravention of such rules and regulations as the SEC may prescribe. Rule 17d–1 permits an affiliated person to engage in a joint transaction if the SEC issues an order approving the arrangements. Eligible Trustees will not receive a benefit, directly or indirectly, that would otherwise inure to a Fund or its shareholders. Eligible Trustees will receive tax deferral but the Plan otherwise will maintain the parties, viewed both separately and in their relationship to one another, in the same position as if the deferred fees were paid on a current basis. When all payments have been made to a Eligible Trustee, the Eligible Trustee will be no better off, relative to the Funds, than if he or she had received trustees fees on a current basis and invested them in Underlying Securities.

Applicants' Conditions

Applicants agree that the order granting the requested relief will be subject to the following conditions:

1. Any money market Fund that values its assets in accordance with a method prescribed by rule 2a–7 will buy and hold any Underlying Securities that determine performance of the Deferred Fee Accounts to achieve an exact match between such Funds' liability to pay deferred fees and the assets that offset that liability.

2. If a Fund purchases shares issued by an affiliated Fund, the Fund will vote such shares in the same proportion as the shares of all other shareholders of such affiliated Fund.

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

Margaret H. McFarland,

Deputy Secretary.

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[3] Section 2(a)(3)(C) of the Act defines the term ''affiliated person'' of another person to include any person directly or indirectly controlling, controlled by, or under common control with such other person. Thus, the Funds may be subject to the prohibitions of section 17(a)(1).

[4] Section 17(b) may permit only a single transaction, rather than a series of on-going transactions, to be exempted from section 17(a). *See Keystone Custodian Funds, Inc.*, 21 S.E.C. 295 (1945).

[Release No. 34–36880; File No. SR–CBOE–95–70]

Self-Regulatory Organizations, Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment Nos. 1 and 2 Thereto by the Chicago Board Options Exchange, Incorporated Relating to Procedures for the Enforcement of Rule 8.51 and Rule 6.43 in the OEX Trading Crowd

February 23, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), notice is hereby given that on December 11, 1995, the Chicago Board Options Exchange, Incorporated (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. On January 5, 1996, the CBOE filed Amendment No. 1 to its proposal.[1] The Exchange filed Amendment No. 2 to the proposal on February 16, 1996.[2] 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 CBOE proposes to set forth in a new regulatory circular its policy regarding the manner of bidding and offering for size in the OEX trading crowd pursuant to Rule 6.43 (''Manner of Bidding and Offering''). In addition, the Exchange is setting forth its policy regarding the procedures for enforcement in the OEX crowd of firm quotes pursuant to Exchange Rule 8.51 (''Trading Crowd Firm Disseminated Market Quotes''). Finally, the circular will notify the membership that they may be fined, or otherwise disciplined, for violations of the policies pursuant to authority under Rule 6.20 (''Admission to and Conduct on the Trading Floor''). The text of the regulatory circular and the proposed rule change is available at the Office of the Secretary, CBOE 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 CBOE 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 CBOE 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

The purpose of the proposed rule change is to set forth in a regulatory circular the Exchange's policy and interpretation with respect to the manner of bidding and offering for size in the OEX crowd pursuant to Rule 6.43, and regarding the administration and enforcement in the OEX trading crowd of firm quotes pursuant to Rules 8.51 and 6.20.

Rule 6.43 specifies that bids and offers by market-makers and floor brokers, to be effective, must be made at the post by public outcry. Rule 6.43 is silent regarding whether the bid or offer should specify the number of contracts for which the market-maker or floor broker is bidding or offering. The Exchange believes that it is appropriate and contributes to the operation of a fair and orderly market if a size is specified along with the bid and offer. It has become crowd convention at the OEX post among the market-makers to make bids and offers for twenty contracts unless a different size is specified. Failure to bid or offer for less than twenty contracts without specifying the size would be punishable by a fine, or other disciplinary action, pursuant to Rule 6.20 as described below.

Rule 8.51 requires the trading crowd collectively to be responsible for filling non-broker dealer customer orders, in series as determined by the Exchange's Market Performance Committee, at the displayed bid or offer for up to ten contracts. In OEX, the firm quote rule has been applied to all series. The rule provides that, with respect to the execution of non-broker dealer customer orders, at all times other than during rotation, the trading crowd is required to sell (buy) at least ten (10) contracts at the offer (bid) which is displayed when a buy (sell) order reaches the trading station where the particular option class is trading.

However, Rule 8.51 does not address specifically who in the trading crowd must fill the customer order or how this rule will be enforced against the members of the trading crowd. The Exchange has decided that one method to ensure compliance with Rule 8.51 at the OEX post is to make it clear that members are obligated to remove obsolete quotes. Thus, in order to ensure the operation of a fair and orderly market, the regulatory circular requires a member to remove a bid or offer that is no longer effective. Failure to do so will require that member to satisfy the firm disseminated quote commitment. Alternatively, a Floor Official may fine the offender,[3] or take other disciplinary action.

The regulatory circular also specifies that a member should not cause a bid or offer for OEX options for less than ten contracts to be displayed. However, pursuant to Interpretation .03 to Rule 8.51, public customer orders for less than ten contracts that are represented by a floor broker, unless immediately executed, would have to be displayed.[4] If a market-maker were to cause a quote for just one or two contracts to be displayed, the other market-makers in the crowd would then be forced to honor this individual's quote for up to ten contracts even if every other market-maker in the crowd were bidding and offering a much different market. These quotes for sizes of less than ten contracts tend to be disruptive to the operation of the OEX crowd and interfere with the fair and orderly conduct of business in the crowd.

To enforce the above policies of Rule 6.43 and Rule 8.51, the Exchange is relying upon its authority to fine, or otherwise discipline, members pursuant to Rule 6.20.[5] Paragraph (b) of Rule 6.20 gives Floor Officials authority to fine members and persons associated with members for conduct (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; (iii) inconsistent with the ordinary and efficient conduct of business; or (iv) detrimental to the safety or welfare of any other person. Interpretation .04 to Rule 6.20 makes it clear that violations of Rules 6.43 and

[1] In Amendment No. 1, the CBOE proposes a fine schedule for violations of the policies set forth in the regulatory circular discussed herein. *See Letter from Timothy Thompson, Senior Attorney, CBOE, to James T. McHale, Attorney, Office of Market Supervision (''OMS''), Division of Market Regulation (''Division''), Commission, dated January 3, 1996 (''Amendment No. 1'').*

[2] In Amendment No. 2, the CBOE clarifies that pursuant to Interpretation .03 to Rule 8.51, public customer orders for less than ten contracts that are represented by a floor broker, unless immediately executed, would have to be displayed. *See* Letter from Michael L. Meyer, Esq., Schiff, Hardin & Waite, to James T. McHale, Attorney, OMS, Division, Commission, dated February 16, 1996 (''Amendment No. 2'').

[3] *See infra,* note 5.

[4] *See* Amendment No. 2, *supra* note 2.

[5] For each violation of the policies set forth in the regulatory circular, in each calendar quarter, the Exchange will fine members or associated persons $100 for the first violation, $200 for the second violation, and $300 for the third and subsequent violations. *See* Amendment No. 1, *supra* note 1.

8.51 are activities that may violate the provisions of Rule 6.20(b).[6] Trading Floor Liaison staff will assist the OEX Floor Procedure Committee members in identifying offenders of this policy. Members of the Floor Procedure Committee[7] or other Floor Officials will issue the fines.[8] Members could also be charged with other appropriate rules violations and would be subject to further disciplinary action from the Exchange's Business Conduct Committee.

CBOE believes that its procedures for enforcement of Rule 8.51 and Rule 6.43 in the OEX trading crowd, as contained in a published regulatory circular, are consistent with Section 6 of the Act, in general, and further the objectives of Section 6(b)(5) of the Act in particular, in that they are designed to perfect the mechanisms of a free and open market and to protect investors and the public interest by holding market-makers responsible for honoring the displayed quote and for ensuring that accurate markets are displayed to the public.

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 with respect to the proposed rule change.

[6] In addition to fines, members who violate the policies set forth in the regulatory circular are potentially subject to other forms of discipline. First, pursuant to Interpretation .05 to Rule 6.20, two floor officials may nullify a transaction or adjust its terms if they determine the transaction to have been in violation of Rule 8.51. Second, depending upon the egregiousness of the conduct and the disciplinary history of the individual(s) involved, the Exchange could bring a formal disciplinary action under Chapter 17 of the Exchange's rules. Finally, as with any conduct that concerns an individual's performance standards as a member of a trading crowd, the Market Performance Committee, pursuant to Rules 8.3(a) and 8.60, may take remedial action including suspending or terminating a market-maker's appointment in a class of options. *See* Letter from Timothy Thompson, Senior Attorney, CBOE to James T. McHale, Attorney, Office of Market Supervision, Division of Market Regulation, Commission, dated December 21, 1995.

[7] Interpretation .08 to Rule 6.20 permits members of the OEX Floor Procedure Committee, as one of the two successor committees of the Index Floor Procedure Committee, to perform the functions of a Floor Official in the OEX trading crowd.

[8] Members would be entitled to appeal the fine under Chapter XIX of the Exchange's rules.

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

Because the foregoing rule change constitutes a stated policy with respect to the meaning, administration, or enforcement of an existing rule, it has become effective pursuant to Section 19(b)(3)(A) of the act and Rule 19b–4 thereunder. At any time within 60 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 are invited to submit written data, views, and arguments concerning the foregoing. 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 will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to the File No. SR–CBOE–95–70 and should be submitted by March 21, 1996.

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

Margaret H. McFarland,

Deputy Secretary.

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[9] 17 CFR 200.30–3(a)(12).

[Release No. 34–36869; File No. SR–CHX–96–06]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating to the Correction of Possible Ambiguities in the Exchange's GTX Rules

February 22, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), notice is hereby given that on February 5, 1995, the Chicago Stock Exchange, Incorporated (''CHX'' 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 self-regulatory organization. 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 proposes to modify Article XX, Rule 37(a) of the CHX's Rules and Interpretation and Policy .02 thereto, relating to the primary market protection of limit orders designated as good until canceled, executable in the afternoon session (''GTX orders'').[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 self-regulatory organization 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 self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

[1] The Exchange is open for business for two trading sessions during each business day. The CHX's regular auction market trading session is conducted on the floor of the Exchange from 8:30 a.m. to 3 p.m. (3:15 p.m. for trading in Chicago Basket), Central time, Monday through Friday. The second, or afternoon, session is conducted through the Portfolio Trading System from 3:30 p.m. to 5 p.m., Central time, Monday through Friday. The floor of the Exchange is closed during the afternoon session. *See* CHX Article IX, Rule 10.