

applicable law and governing Plan documents.

7. Each of the Investment Companies will comply with all provisions of the 1940 Act requiring voting by shareholders (which for these purposes shall be the persons having a voting interest in the shares of the respective Funds or portfolio of Future Investment Companies) and, in particular, will either provide for annual meetings (except insofar as the Commission interprets or may interpret section 16 of the 1940 Act not to require such meetings) or comply with section 16(c) of the 1940 Act (although the Investment Companies are not trusts of the type described in section 16(c)), as well as with section 16(a) of the 1940 Act and, if and when applicable, section 16(b) of the 1940 Act. In addition each of the Investment Companies will act in accordance with the Commission's interpretation of the requirements of section 16(a) with respect to periodic elections of directors and with such rules as the Commission may promulgate with respect thereto.

8. Each of the Investment Companies will notify all Participants that it may be appropriate to include in Separate Account or Plan prospectuses or other disclosure documents disclosure regarding potential risks of mixed and shared funding. Each of the Investment Companies will disclose in its prospectus that: (a) Shares of such investment company may be offered to insurance company separate accounts of both variable annuity and variable life insurance contracts and, if applicable, to Qualified Plans; (b) due to differences in tax treatment and other considerations, the interests of various contract owners participating in such investment company and the interests of Qualified Plans investing in such investment company, if applicable, may conflict; and (c) its Board will monitor events in order to identify the existence of any material irreconcilable conflicts and to determine what action, if any, should be taken in response to any conflict.

9. If and to the extent that Rules 6e-2 and 6e-3(T) under the 1940 Act are amended, or proposed Rule 6e-3 under the 1940 Act is adopted, to provide exemptive relief from any provision of the 1940 Act or the rules promulgated thereunder with respect to mixed or shared funding, on terms and conditions, materially different from any exemptions granted in the order requested in this Application, then the Investment Companies and/or Participating Insurance Companies and Participating Qualified Plans, as appropriate, shall take such steps as may be necessary to comply with Rules

6e-2 and 6e-3(T), or Rule 6e-3, as such rules are applicable.

10. The Participants, at least annually, will submit to each relevant Board such reports, materials, or data as such Board reasonably may request so that the directors may fully carry out the obligations imposed upon the Board by the conditions set forth in the Application, and said reports, materials, and data will be submitted more frequently if deemed appropriate by such Board. The obligations of Participating Insurance Companies and Participating Qualified Plans to provide these reports, materials, and data to a Board, when it so reasonably requests, will be a contractual obligation under the Participation Agreements.

11. All reports of potential or existing conflicts received by a Board, and all Board action with regard to determining the existence of a conflict, notifying Participants of a conflict, and determining whether any proposed action adequately remedies a conflict, will be properly recorded in the minutes of the Board or other appropriate records, and such minutes or other records shall be made available to the Commission upon request.

12. None of the Investment Companies will accept a purchase order from a Qualified Plan if such purchase would make such Plan an owner of 10 percent or more of the assets of one of the Funds or the portfolios of Future Investment Companies unless such Plan executes a Participation Agreement with the relevant Investment Company that includes the conditions set forth in the Application to the extent applicable. A Plan will execute an application containing an acknowledgment of this condition at the time of its initial purchase of shares of any such Fund or portfolio.

Conclusion

For the reasons summarized above, Applicants believe that the requested exemptions, in accordance with the standards of section 6(c), are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-27217 Filed 10-23-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24695; 812-11746]

Provident Institutional Funds, et al.; Notice of Application

October 18, 2000.

AGENCY: Securities and Exchange Commission ("SEC" or "Commission").

ACTION: Notice of application under sections 6(c) and 17(b) of the Investment Company Act of 1940 (the "Act") for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants seek an order that would permit a registered open-end management investment company to enter into repurchase agreements with an affiliated person.

Applicants: Provident Institutional Funds (the "Fund"), the PNC Financial Services Group, Inc. ("PNC"), and blackRock Advisors, Inc. ("BlackRock").

FILING DATES: The application was filed on August 12, 1999, and amended on October 18, 2000.

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 applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on November 8, 2000, and should be accompanied by proof of service on applicants, 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 notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, c/o BlackRock Financial Management, 345 Park Avenue, New York, New York 10154.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Special Counsel, at (202) 942-0572, or Christine Y. Greenlees, 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 at the SEC's Public Reference Branch, 450 5th Street, NW., Washington, DC 20549-0102 (tel. (202) 942-8090).

Applicants' Representations

1. The Fund is an open-end, diversified management investment company consisting of ten series (each, a "Series"). Each Series is a money market fund that complies with rule 2a-7 under the Act.

2. BlackRock, an investment adviser registered under the Investment Advisers Act of 1940 ("Advisers Act"), is the investment adviser for each Series. BlackRock is a direct wholly-owned subsidiary of BlackRock, Inc., which, in turn, is a majority-owned subsidiary of PNC Bank, N.A. ("PNC Bank"). PNC Bank is a wholly-owned subsidiary of PNC. PNC is a bank holding company that operates subsidiary banks and other subsidiaries engaged in financial businesses. PFPC Trust company, an indirect wholly-owned subsidiary of PNC, is the Fund's custodian.

3. Applicants request that relief be extended to (a) any other investment adviser registered under the Advisers Act that controls, is controlled by, or is under common control with BlackRock (collectively, the "Advisors"), and (b) any entity that controls, is controlled by, or is under common control with PNC (collectively, the "PNC Companies").¹ Applicants also request that the relief be extended to future Series of the Fund and to such other registered open-end management investment companies and their series that in the future: (a) are advised by the Advisors or the PNC Companies, (b) are taxable money market funds under rule 2a-7 under the Act, and (c) effect purchases and sales through PNC's "sweep" program (collectively, such future companies and the Fund are the "Funds").²

4. The Fund's shares are purchased by customers of the PNC Companies, including qualified deposit, custody, agency, and trust accounts, through their accounts with the PNC Companies. The Fund's shares may be purchased through automatic investment transactions. In these transactions, one of PNC's subsidiary banks, as agent, follows the standing instructions of the customer and automatically invests excess cash balances in the customer's accounts in shares of one or more Series ("sweep program").³ Each of the

participating Series currently declares dividends daily to shareholders of record as of 4 p.m. on that day and accepts orders at the next net asset value determined after the order is received. Net asset value is determined as of 12 noon and 5:30 p.m. Orders are executed when good funds are received, which is normally after the dividend is declared for the day on which the order is received. Accordingly, in the sweep program, customers do not earn a dividend in the Fund for the day on which the customers' banking transactions occurred. This would normally result in the customers losing a day's worth of income on such funds.

5. To permit BlackRock, as the Fund's investment adviser, to invest anticipated new assets attributable to the sweep program on the same day that they are available for investment (despite the fact that the exact amount will not be known until after the time for investment that day), applicants propose that the PNC Companies enter into overnight repurchase agreements with each Series. The assets would be invested in fund shares as of the time the relevant Series determined its net asset value on the same day the sweep occurs (the "Sweep Time"). The Fund proposes to enter into a master repurchase agreement with the PNC Companies, which is substantially the same as the industry standard master repurchase agreement promulgated by the Public Securities Association, covering all repurchase agreement transactions (the "Master Repurchase Agreement").

6. In order to enable each Series to handle sweep transactions that result in net redemptions as well as net investments, BlackRock would plan each day's portfolio transactions for each Series to include an overnight repurchase agreement transaction with the PNC Companies in a specified standing base amount ("Base Amount"). The Base Amount would represent the greatest amount of net redemptions likely to be experienced by a Series as a result of the sweep program on any given day and would be approximately 2% to 5% of the aggregate net asset value of each Series and would be the amount that a Series otherwise would have in uninvested cash to meet redemptions expected from the sweep program. The Base Amount as to any particular Series on any particular day will not exceed 5% of that Series' net assets prior to giving effect to the sweep for that day, or such lower amount as

program also provides for the automatic redemption of Fund shares held in an account as of the next determined net asset value if the cash balance in the account is less than the minimum balance specified by the customer.

the Fund's board of trustees ("Board"), including a majority of the trustees who are not "interested persons," as defined by section 2(a)(19) of the Act, of the PNC Companies, the Advisors, or the Fund ("Independent Trustees"), may determine. The purpose of a repurchase agreement in the Base Amount would be to enable a Series to adjust its earning assets downward after normal trading hours in response to a net redemption being required by the sweep program for that Series on a particular day. Thus, the Base Amount for each Series would be the amount of the purchase agreement that would be in effect overnight with the PNC Companies if the sweep program produces no net investment or net redemption, giving the Series an opportunity to reduce the repurchase agreement (and thus its assets) if there are net redemptions on that day. If the operation of the sweep program produces net investment into a Series on a given day, the Fund will invest the net amount swept into that Series by increasing the Base Amount of the overnight repurchase agreement transaction with the PNC Companies by the net amount being swept into the Series. If the operation of the sweep program produces net redemptions from a Series on a given day, the amount of the overnight repurchase agreement transaction for that Series will be reduced from the Base Amount by the net amount being redeemed.

7. Applicants intend to limit the amount of each Series' net assets that may be invested pursuant to the requested order with the PNC Companies to a percentage upon which applicants from time to time may agree (the "Maximum Purchase Amount"). The Maximum Purchase Amount may fluctuate but will not exceed 15% of the net assets of a Series after giving effect to the sweep for that day.

8. To facilitate the repurchase transaction where the exact amount of the overnight repurchase agreement and, consequently, the amount of the required collateral is not known until PNC's computer processing is completed during the night (the "Completion Time"), the PNC Companies, at no cost to the Fund, will maintain at all times in a segregated subcustodian account in the name of the Fund, for the benefit of the applicable Series, collateral having a value when added to the value of the collateral collateralizing any overnight repurchase agreements with the PNC Companies outstanding at the time, at least equal to the amount (the "Required Collateral Amount") necessary to collateralize fully (within the meaning of rule 2a-7 under Act) repurchase agreements with

¹ Applicants represent that every Advisor will be registered under the Advisers Act, and any PNC Company that serves as an investment adviser to any Series will be registered or exempt from registration under the Advisers Act.

² Any future entity that relies on the requested order will do so only in accordance with the terms and conditions of the application. Each entity that currently intends to rely on the requested order has been named as an applicant.

³ In accordance with the standing instructions of the customers of the PNC Companies, the computer

the Fund on behalf of each applicable Series in an amount equal to the Maximum Purchase Amount. BlackRock will notify the Fund's custodian and PNC of any change in the Maximum Purchase Amount, and the PNC Companies will adjust the amount of collateral maintained in the segregated account as often as necessary so that it at least equal the aggregate Required Collateral Amount for the applicable Series. The relevant Series will have a perfect security interest in the repurchase agreement collateral held in the account.

9. PNC Bank's Trust Department will act as the Fund's subcustodian pursuant to a subcustodian agreement approved by the Board, including a majority of the Independent Trustees.⁴ The Fund's assets held by PNC Bank's Trust Department would be maintained in a segregated custodian account established on behalf of the Fund in accordance with the rules and standards of the Comptroller of the Currency and the Act. PNC Bank's Trust Department would receive the eligible securities transferred to it in its capacity as subcustodian for the Fund and hold them in a manner complying with the requirements of section 17(f) of the Act. After the Completion Time that night, the records maintained by PNC Bank's Trust Department in its capacity as the Funds' subcustodian would show:

(a) For each customer account participating in the sweep program, a cash entry for the number of shares of the applicable Series' shares purchased or redeemed and a corresponding sub-entry for the number of shares purchased or redeemed as of the Sweep Time through operation of the computer sweep program; and

(b) For the Fund's subcustodian account, all purchase and sales transactions (which, where a PNC Company is a trustee, nominee, or the equivalent, may be a single net purchase or redemption transaction for a number of subaccounts maintained by that PNC Company) and the net cash proceeds, if any, received by the Fund for each applicable Series through the operation of the sweep (or, conversely, the net redemption proceeds paid or payable by the Fund for each applicable Series if there were net redemptions). In addition, the Fund's subcustodian account would reflect the specific amount in fact invested in an overnight repurchase agreement for each applicable Series (including the

ownership of the securities securing the repurchase agreement). If the sweep resulted in net redemptions for any Series, the subcustodian account would reflect this fact and show reduced or no ownership of securities held in the subcustodian account to secure repurchase transactions with the PNC Companies, since (contrary to expectations) none of the Fund's assets had been used to purchase such securities. To the extent that securities transferred to secure the repurchase agreements exceeded the amount of collateral actually required for that day's repurchase agreements (as shown by the results of the day's computer processing), the appropriate PNC Company would be shown to be the owner of the excess securities.

10. After the Completion Time, PNC would transmit to the Funds' transfer agent records relating to the automatic investment transaction. The transfer agent's records would then show an entry to each of the corresponding shareholder accounts for the number of each relevant Series' shares automatically purchased or redeemed as of the Sweep Time through operation of the sweep.

11. Each Series will purchase only securities in which it may invest as described in its prospectus and statement of additional information and as limited by rule 2a-7. The Master Repurchase Agreement will be collateralized only by securities that are, except as to maturity, "first-tier securities" as defined by rule 2a-7(a)(12) under the Act ("First-Tier Securities") and that are eligible collateral for the applicable Series under the Series' prospectuses and statement of additional information and rule 2a-7 under the Act. The transactions will comply with the guidelines set forth in Investment Company Act Release No. 13005 (February 2, 1983) and will be collateralized fully as that term is defined in rule 2a-7. Any repurchase agreement entered into by a Fund will satisfy the requirements of proposed rule 5b-3,⁵ if and when the rule is adopted and becomes effective. The Master Repurchase Agreement will be subject to annual approval with respect to each Series by the Board, including a majority of the Independent Trustees.

12. The transactions would be "repurchase agreements" for purposes of Chapter 11 of the United States Bankruptcy Code and the Financial Institutions Reform, Recovery and Enforcement Act of 1989. These statutes provide that, if the bankruptcy of the

counterparty occurs, the repurchase agreement can be liquidated without being subject to the potential delay associated with the automatic stay or similar provision of those statutes.

Applicants' Legal Analysis

1. Section 17(a) of the Act makes it unlawful for any affiliated person of a registered investment company, or any affiliated person of such affiliated person, acting as principal, to sell or purchase any security to or from such investment company. Section 2(a)(3) of the Act defines an affiliated person to include any investment adviser of a registered investment company and a person that controls, is controlled by, or is under common control with another person. Each Advisor, as the Funds' investment adviser, is affiliated with the Funds. In addition, since each Advisor will be controlled by PNC and will be under common control with each of the other PNC Companies, PNC and each of the other PNC Companies would be an affiliated person of an affiliated person (Advisor) of the Funds. Accordingly, the Advisors and the PNC Companies are subject to the prohibitions contained in section 17(a) with respect to the Funds.

2. Section 17(b) of the Act authorizes the SEC to exempt a transaction from section 17(a) if the terms of the proposed 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 proposed transaction is consistent with the policy of each registered investment company concerned, and the proposed transaction is consistent with the general policy of the Act.

3. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provision of the Act, or from any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants request relief under sections 17(b) and 6(c) of the Act from section 17(a) of the Act to permit the Funds to engage in overnight repurchase agreements with the PNC Companies. Applicants submit that the requested relief satisfies the standards for relief in sections 6(c) and 17(b) for the reasons discussed below.

4. Applicants submit that the requested relief is appropriate and in the public interest because it will permit the applicable States to invest at a favorable yield incremental net assets attributable to the "sweep" program on

⁴ The subcustodian account may be maintained with PNC Bank's Trust Department or a nominee qualified to act as a custodian pursuant to section 17(f) of the Act, and references in this notice to PNC Bank's Trust Department mean either entity.

⁵ Investment Company Act Release No. 24050 (Sept. 23, 1999) (proposing rule 5b-3).

the same day that such assets are available for investment. Applicants believe that a more attractive "sweep" program of this type would result in increased assets for the applicable Series and the Fund. Applicants submit that a larger asset base for a particular Series would benefit that Series' shareholders by spreading expenses over a larger asset base.

5. Applicants contend that the proposed exemption is necessary to enable the Fund to earn market rates of return on assets obtained on a particular day through the sweep program. Applicants state that they have been unable to locate any unaffiliated issuer willing to engage in the transactions on a basis as favorable to the Fund as the proposed amendments.

6. Applicants state that PNC and its affiliates are aware of the potential conflicts of interest inherent in the operation of the sweep program if the proposed relief is granted. Applicants state that, therefore, PNC and BlackRock have established procedures and conditions to be followed by their employees and agents to prevent any overreaching on the part of any person that could act to the detriment of the Fund and to ensure that each transaction is effected on a reasonable and fair basis.

7. Applicants submit that the proposed transactions will not reduce any of the applicable Series' yields. If the operation of the proposed sweep program shortens the Funds' average daily portfolio maturity, the effect of the reduction would be minimal because: (a) each Series currently maintains a relatively short average daily portfolio maturity; (b) upon receipt of assets, the Series historically have invested the assets in overnight or very short-term obligations with the investment occurring one day later; and (c) yields on overnight instruments are often very similar to or even higher than rates on comparable credit quality instruments with maturities of 30 to 40 days. Thus, applicants believe that any effect on yield as a result of the proposed sweep program would be negligible. In addition, operations pursuant to the independent pricing mechanism set forth in condition (9) below should provide yields from sweep investments that are no lower than similar non-sweep investments.

Applicants' Conditions

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

1. No sweep account customer of any of the PNC Companies will be permitted to effect a sweep transaction for any

participating Series of any Fund after the Sweep Time for the Series and the Series' net asset value has been computed for that day.

2. The Board of each Fund, including a majority of the Independent Trustees, will: (a) Adopt procedures that are reasonably designed to provide that the conditions set forth below and the requirements of Investment Company Act Release No. 13005 (Feb. 2, 1983) have been complied with; (b) make and approve changes to the procedures as deemed necessary; (c) determine no less frequently than quarterly that the transactions made pursuant to the order during the preceding quarter were effected in compliance with the procedures; and (d) approve the Master Repurchase Agreement annually. The Advisor of each Fund may implement these procedures, subject to the direction and control of the Board of each Fund.

3. The legal or compliance department of, and internal and outside auditors for, the PNC Companies ("Compliance Personnel") will prepare guidelines for the Advisors and the PNC Companies to ensure that the transactions described in the application comply with the conditions of the application and that the integrity of the program is maintained. The Funds' independent public accountants will verify assets held in each subcustodian account in accordance with rule 17f-2 under the Act. The Compliance Personnel will periodically monitor the activities of the Advisors and the PNC Companies in connection with the operation of the sweep program to ensure that the conditions set forth in the application are adhered to.

4. The terms of the relief will be disclosed fully in each Fund's prospectus and statement of additional information. A schedule of all transactions with the PNC Companies will be filed with each semi-annual report filed by the Funds with the Commission pursuant to sections 30(a) and 30(b)(1) of the Act. The relevant Advisor will provide each Fund's Board with a full report of the transactions under the sweep program, as described in the application, no less frequently than quarterly. The relevant Advisor also will provide each Fund's Board with a statement that, as the Fund's investment adviser, it determined the repurchase transactions to be necessary and appropriate under the circumstances.

5. The Funds, the PNC Companies, and the Advisors will maintain records with respect to those transactions conducted pursuant to the requested exemption as may be necessary to

confirm compliance with the conditions to the requested relief. In this regard, each Fund will maintain an itemized daily record of repurchase agreement transactions entered into pursuant to the exemption, showing for each transaction: That it has entered into the transaction; the entity with which it has entered into the transaction; the purchase and repurchase prices; the time and date of the transaction; the type and amount of collateral; and the date fixed for termination of the transaction, which will always be the next business day. For each transaction, the records also shall document the quotations received from other dealers in accordance with condition (9), including: The names of the dealers; the prices quoted; and the times and dates the quotations were received. The records required by this condition will be maintained and preserved in the same manner as records required under rule 31a-1(b)(1) under the Act.

6. The Maximum Purchase Amount will be the amount stipulated by the PNC Companies from time to time but will not exceed 15% of the sum of the net assets of the applicable Series after giving effect to the sweep for any particular day. The Base Amount as to any particular Series on any particular day will not exceed 5% of that Series' net assets prior to giving effect to the sweep for that day, or such lower amount as the Board of the Funds, including a majority of the Independent Trustees, may determine. With respect to a particular Series on a particular day, the amount invested pursuant to the requested exemption will not exceed the lesser of the sum of the Base Amount for that Series plus the amount swept into that Series on that day or 15% of the next assets of that Series after giving effect to the sweep for that day.

7. All records pertaining to the sweep program will be preserved for a period of not less than six years, the first two years in an easily accessible place, from the end of the fiscal year in which any sweep transaction occurred.

8. In connection with overnight repurchase agreement transactions pursuant to the Master Repurchase Agreement, the PNC Companies will maintain at all times during operation of the sweep program in a segregated subcustodian account in the name of the relevant Fund for the benefit of the applicable Series' collateral comprised only of securities that are, except for their maturity, First-Tier Securities valued at an amount equal to the Required Collateral Amount. In addition, the PNC Companies will transfer the collateral through the book

entry system of the Federal Reserve, the Depository Trust Company, or another book entry system approved by the Independent Trustees (each, an "approved book entry system") and, in connection with the transfer, each Fund's subcustodian account with PNC Bank's Trust Department will be designated through an approved book entry system as the recipient of the securities and the PNC Companies' internal records and written confirmation will indicate that the collateral is being held on behalf of and in the relevant Fund's name for the benefit of the applicable Series. Each Fund thereby will acquire a security interest in the collateral for the benefit of the applicable Series. Any repurchase agreements entered into by a Fund will satisfy the requirements of proposed rule 5b-3 under the Act, if and when the rule is adopted and becomes effective.

9. Before any transaction may be conducted pursuant to the requested exemption, the relevant Advisor must obtain the information as it deems necessary to determine that the price test below has been satisfied. Before any repurchase agreement is entered into pursuant to the requested exemption, the relevant Advisor must obtain and document competitive quotations from at least two other dealers with respect to repurchase agreements comparable to the type of repurchase agreement involved (including size, which would equal the Maximum Purchase Amount for the particular Series in question, maturity, and collateral), except that if quotations are unavailable from two dealers only one other competitive quotation is required. In addition, the repurchase transactions for which quotations are sought must be conventional overnight repurchase agreements in which the funds would be transferred by the relevant Fund on behalf of the participating Series as of the same day that the transaction is entered into, and then returned by the counterparty on the following business day. Before entering into a transaction pursuant to the requested exemption, a determination will be required in each instance, based upon the information available to the relevant Advisor, that the income to be earned from the repurchase agreement to be entered into with any PNC Company is at least equal to that available from the repurchase agreements with respect to which quotes were obtained.

10. No less frequently than quarterly, the Board of each Fund, including a majority of the Independent Trustees, on behalf of each Series of that Fund, will review the Base Amounts that have

been established for the Series during the preceding quarter to determine whether the Base Amounts appropriately reflected the amounts of the Series' net assets that would have remained uninvested at the Fund's custodian in order to meet potential redemptions from the sweep program if the Base Amounts were not available. To assist the Board in this review, the Advisors will provide the Board with all relevant information. The Board, including a majority of the Independent Trustees, will take such steps as it deems necessary to assure that the Base Amounts for each Series appropriately reflect the amounts of the Series' net assets that would remain uninvested at the Fund's custodian in order to meet potential redemptions from the sweep program if the Base Amounts are not available.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-27234 Filed 10-23-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43456; File No. SR-CBOE-00-14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to an Increase in the Position Limits for Nasdaq 100 Stock Index Options

October 17, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 10, 2000, the Chicago Board Options Exchange, Inc. ("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 Exchange. 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 amend Exchange Rule 24.4—*Position Limits for Broad Based Index Options*, to increase

the standard position and exercise limits for the NASDAQ 100 Index ("NDX") option class, expand the index hedge exemption, and eliminate the near term position limit restriction. The text of the proposed rule change is available at the CBOE and at the Commission's Public Reference Room.

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

1. Purpose

The CBOE proposes to amend Exchange Rule 24.4 by increasing the broad based index option position limit for the NDX, eliminating the restriction on near term NDX option positions, and increasing the NDX index hedge exemption. Specifically, the Exchange proposes to increase the overall position limit from 25,000 contracts to 75,000 contracts—a tripling of the current limit.³ The Exchange also proposes to eliminate the 15,000 contract near term limit. Lastly, the Exchange proposes to raise the index hedge exemption from 75,000 option contracts, which is in addition to the standard limit, to 150,000 option contracts.⁴

The CBOE believes that an increase in position and exercise limits for NDX options is appropriate for several reasons. The current limit of 25,000 contracts, with no more than 15,000 contracts in the near term series, has been in place since the inception of trading in the NDX option class on February 7, 1994. The CBOE notes that the Commission recently approved rule filings increasing position and exercise limits for standardized equity option

³ Exercise limits will continue to correspond to position limits, so that investors may exercise the number of contracts set forth as the position limit, during any five consecutive business day period.

⁴ The Exchange recently listed and traded options based on a value of $\frac{1}{40}$ the current value of the Nasdaq 100 Index and made related changes to position and exercise limits for that option class. See Securities Exchange Act Release No. 43000 (June 30, 2000), 65 FR 42409 (July 10, 2000).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.