equivalent yield produced by the Federated Fund historically has exceeded the tax-equivalent yield produced by applicant, (c) applicant and the Federated Fund have investment objectives that are similar in many respects, (d) applicant's maximum front end sales charge is the same as that of the Federated Fund, (e) expenses of the reorganization will be borne by ARM and/or Federated, and (f) the anticipated tax free nature of the reorganization. The directors concluded that the reorganization presents no significant risks or costs that would outweigh the benefits discussed above. Applicant's board of directors unanimously approved the reorganization at a meeting of the board on August 26, 1996.

3. On October 15, 1996, Federated Fund filed a registration statement and proxy materials on Form N–14 soliciting approval of the reorganization by applicant's shareholders. The registration statement was declared effective on October 25, 1996. Shareholders approved the reorganization at a special meeting held on December 9, 1996.

4. On December 13, 1996, the date of the reorganization, applicant had 1,733,290.919 shares of common stock outstanding. Applicant's net asset value was $10.59 per share and its aggregate net asset value was $18,351,963.27. Applicant transferred assets valued at $18,351.963.27, and received in exchange 1,756,180.300 Class A shares of the Federated Fund, representing an aggregate net asset value equal to the aggregate net asset value of applicant's transferred shares. Such shares were then distributed to the shareholders of applicant, on that date, in proportion to each shareholder's interest in applicant based on net asset value.

5. All costs involved in the reorganization will be paid by ARM and/or Federated.

6. Applicant has no securityholders and no remaining assets, debts, or liabilities as of the date of the application.

7. Applicant is not a party to any litigation or administrative proceeding. Applicant is not now engaged, and does not propose to engage, in any business activities other than those necessary for the winding up of its affairs.

8. Applicant intends to file articles of dissolution with the Maryland State Department of Assessments and Taxation following deregistration.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–16633 Filed 6–24–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38743; File No. SR–CBOE–97–23]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Option Series Open for Trading

June 17, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 15, 1997, the Chicago Board Options Exchange, Incorporated (''CBOE'' and ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. On June 16, 1997, CBOE amended the filing.[2] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval of the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE proposes to amend CBOE Rules 5.4, 5.5, 5.6 and 5.7 governing opening of trading in series of equity options, delisting of option series, terms of option contracts and adjustments.[3]

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, 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 III 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: (1) To amend the procedures for opening trading in series of equity options under Rules 5.5 and 5.6 in order to allow the Exchange the same flexibility in adding series as is permitted under other exchanges' rules; (2) to amend Rules 5.5 and 5.6 to provide specifically for near-term options expiration and relieve the Product Development Committee (''PDC'') of its responsibility with respect to opening series of options; and (3) to clarify and reorganize Rules 5.4, 5.5, 5.6 and 5.7.

(1) Conform Rules to Those of Other Exchanges

The Exchange is proposing to combine Rules 5.5 and 5.6 into one rule and to delete certain provisions thereunder. The proposal will provide the Exchange the same flexibility afforded other exchanges by eliminating certain specific provisions which do not appear in other options exchanges' rules. Specifically, the Exchange proposes to delete Interpretations .02 and .03 to Rule 5.5 Currently, Interpretation .02 prevents the Exchange from initially opening for trading series with three strike prices unless the price of the underlying stock is within two percent of a strike price. The proposal would permit the Exchange initially to open three strike prices regardless of how close the underlying stock price is to the initial strike prices. Interpretation .03 restricts the Exchange from adding any new strikes until the underlying stock reaches the existing strike price. The proposal would allow the Exchange to add new series when the Exchange believes that doing so is necessary to maintain an orderly market, to meet customer demand, or to adapt to market movement if the exercise price moves substantially from the initial exercise prices, which would allow the Exchange to add series before the underlying stock reaches an existing strike price.

The Exchange believes the proposal gives the Exchange a more flexible standard than the current CBOE rule and conforms the CBOE rules to those of other exchanges, specifically the

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] Letter from Stephanie Mullins, Attorney, to Peggy Blake, Division of Market Regulation, Commission (June 16, 1997). In File No. SR–CBOE–97–23, CBOE proposed deleting language in Rule 5.4 that provides the Exchange ''may make application to the SEC'' to delist an options class having no open interest, where the underlying security no longer complies with CBOE maintenance standards. The amendment cancels this proposed deletion.

[3] The text of the proposed rule change is attached as Exhibit A to File No. SR–CBOE–97–23 and is available at the Office of the Secretary, CBOE and at Public Reference Room of the Commission.

Pacific Stock Exchange (''PSE'') Rule 6.4 (a) to (c) and policies thereunder.[4] The Exchange believes the proposal would therefore allow it to compete effectively with other exchanges in multiply-listed options.

The Exchange believes that the current rule, combined with a sustained bull market, has led to the inability to list certain equity option series that are more than nominally out-of-the-money, since even under unusual market conditions under the current rule, a call option can be only a little more than 5% above a security's underlying price when first opened for trading. Although willing to make markets in such options, the Exchange has had to deny retail and institutional customer requests for opening additional option series in certain instances.

The Exchange believes the number of additional series that will result from the proposed rule change, affecting equity options, will not be significant. For this reason, CBOE does not believe that the proposed change raises any systems capacity issues. CBOE indicates it has the ability, subject to prior notice to its membership and customers, to cease trading series that become inactive and have no open interest.[5] Additionally, the Exchange has received a letter from the Options Price Reporting Authority (''OPRA'') indicating that the anticipated additional traffic generated by this proposal is within OPRA's capacity.

(2) Adoption of Near-Term Options Expiration in the Rules

The Exchange proposes to adopt a specific rule providing for near-term expiration of equity option series to make CBOE Rules consistent with the industry standard.[6] The practice of the Exchange regarding near-term options expiration has been consistent with the industry standard since 1989, pursuant to Commission approval; however, current Exchange Rules do not reflect this.[7] By comparison, the NYSE has adopted a rule specifically describing near-term expiration. The CBOE has modeled the near-term expiration portion of the proposed rule after the NYSE's rule.[8] The Exchange also proposes to relieve the PDC of its responsibilities under Rules 5.5 and 5.6 relating to opening option series, as the PDC currently delegates these duties to CBOE staff.

(3) Clarification and Reorganization of the Rules

Current Rules 5.4, 5.5, 5.6 and 5.7, which now contain redundant wording and inconsistencies, are being reorganized so that Exchange staff, members and customers are clear as to which option series are permitted to be opened for trading and under which rules to look for guidance. The Exchange is proposing to organize the rules in a clearer way so that Rule 5.4 only refers to Option Classes, proposed Rule 5.5 only refers to Series of Option Contracts Open for Trading, encompassing current Rules 5.5 and parts of Rules 5.4 and 5.6. Rule 5.6 will be deleted and proposed Rule 5.7 will encompass the remaining portion of current Rule 5.6.

The Exchange believes that by conforming CBOE Rules to those of other Exchanges and to approved industry practices, and by clarifying certain of its rules the proposed rule is consistent with the provisions of Section 6(b)(5) of the Act,[9] in that it will promote just and equitable principles of trade, will protect investors and the public interest, and will remove impediments to and perfect the mechanisms of a free and open market.

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

CBOE does not believe that the proposed rule change will impose any 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.

III. 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 at 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 File No. SR–CBOE–97–23 and should be submitted by July 16, 1997.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds CBOE's proposed rule change consistent with the requirements of Section 6 of the Act[10] and the rules and regulations thereunder applicable to a national securities exchange. Specifically, the Commission believes the proposal is consistent with Section 6(b)(5) of the Act[11] because it will promote just and equitable principles of trade, will protect investors and the public interest, and will remove impediments to and

[4] *See* PSE Rule 6.4, Series of Options Open for Trading, addressed in Securities Exchange Act Release No. 21985 (April 25, 1985), 50 FR 18595 (1985) (order approving File No. SR–PSE–85–9).

[5] CBOE's delisting procedures include the Monthly Series Delisting Program and the Requested Strike Price Delisting Program. The Monthly Delisting Program, performed on the Thursday prior to the week of expiration, selects those option series which are outside of the three strike prices surrounding the underlying value, have no open interest and do not create a break in contiguous series. This process delists approximately 500 option series per month. The Requested Strike Price Delisting Program allows a member firm to request the listing for trading of an option series which is currently unavailable. If in the three business days following listing there is not activity in the requested series, it is delisted. In addition, on an informal basis, CBOE Market Operations staff works with trading crowds to eliminate inactive series that are not captured by the regular delisting parameters. Letter from Patrick J. Fay, Assistant Vice President, Market Operations, CBOE, to Michael Walinskas, Senior Special Counsel, Division of Market Regulation, Commission (May 28, 1997).

[6] Near-term expiration means that the Exchange initially will open series in the two nearest months, regardless of the quarterly cycle on which that class trades, and in the next two expiration months of the quarterly cycle previously designated by the Exchange for that specific class. (For example, if the Exchange listed, in late April, a new stock option on a January-April-July-October quarterly cycle, the Exchange would list the two nearest term months (May and June) and the next two expiration months of the cycle (July and October). When the May series expires, the Exchange would add January series. When the June series expires, the Exchange would add August series as the next nearest month, and would not add April).

[7] *See* Securities Exchange Act Release No. 26934 (June 14, 1989), 54 FR 26283 (June 22, 1989) (order granting permanent approval to the options exchanges regarding the near-term options expiration pilot program).

[8] *See* NYSE Rule 703.

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78f.

[11] 15 U.S.C. 78f(b)(5).

perfect the mechanisms of a free and open market.[12]

CBOE is proposing to eliminate certain Interpretations from Rule 5.5 that restrict circumstances under which the Exchange may establish strike prices and add new strikes in equity options series open for trading. CBOE proposes to amend its rules so that it may initially open three strike prices regardless of how close the underlying stock price is to the initial strike prices, and to add new series within the Exchange believes that doing so is necessary. The Commission believes that CBOE's proposals to amend to procedures for opening trading in series of equity options will provide additional flexibility in listing new series and strikes and will bring CBOE's policies and procedures in line with those of the other exchanges. The Commission believes that such consistency with the policies and procedures of the other exchanges should enhance CBOE's ability to compete in multiply-listed options.

The Commission believes that CBOE has adequately addressed the affect of the proposal on its existing systems capacity. CBOE and OPRA have carefully reviewed the likely effects of additional listings generated by the proposed rule change. Based on their representations, the Commission understands that the anticipated additional options series listings are within OPRA's capacity. Similarly, under CBOE's current delisting procedures, which include the Monthly Series Delisting Program and the Requested Strike Price Delisting Program, [13] CBOE regularly delists inactive option series. CBOE also works with the trading crowds to eliminate inactive series that are not captured by the regular delisting parameters. The Commission believes that CBOE's current delisting standards will aid in keeping the number of option series to a minimum while providing an optimal range of available strike prices.

The Commission believes that CBOE's proposal to adopt a near-term options expiration rule is appropriate and consistent with the industry standard. CBOE has been following such standards since 1989, and has received no complaints regarding the practice. [14] By adopting a rule modeled after NYSE Rule 703, CBOE is merely clarifying its current method of sequential expiration and ensuring consistency with existing industry standards.

Finally, the Commission believes that the reorganization of Rules 5.4, 5.5, 5.6, and 5.7 is appropriate because such changes will result in clarification to the Exchange, members and customers as to which option series are permitted to be opened for trading and under which rules to refer for guidance.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. The Commission believes it is appropriate to approve the proposed rule change on an accelerated basis to allow the Exchange to implement more flexible standards for the listing of strikes and series. Recent significant price movements of certain stocks underlying CBOE-listed options has presented the CBOE with instances where there existed demonstrated customer interest to list additional option strike prices that currently are violative of existing CBOE rules. In a number of these instances, listing of the new strikes has been permitted on competing options exchanges. The Commission believes it is appropriate to address this regulatory disparity without further delay. Good cause for accelerated approval is further supported by the Commission's conclusion that CBOE's proposal mirrors the rules and procedures of other options exchanges governing the opening of trading in series of equity options, and the adoption of a near-term options expiration rule. Accordingly, the proposal does not raise any novel or unique regulatory issues. For these reasons, the Commission believes the proposed rule change is appropriate and consistent with Sections 19(b)(2)(and 6(b)(5) of the Act, and therefore, is approving the proposed rule change on an accelerated basis.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[15] that the proposed rule change (File No. SR–CBOE–97–23) be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. [16]

Margaret H. McFarland,

Deputy Secretary.

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[12] In approving the proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[13] *See* supra footnote 5.

[14] On June 14, 1989, the Commission approved, on a permanent basis, a new-term options expiration pilot program proposed by all of the options exchanges. *See* supra note 7.

[15] 15 U.S.C. 78s(b)(2).

[16] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38744; File No. SR–NYSE–97–20]

Self-Regulatory Organizations; Notice of Filing and Order Granting Temporary Accelerated Approval of a Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Trading Differentials for Equity Securities

June 18, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on June 16, 1997, 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 and II below, which Items have been prepared by the self-regulatory organization (''SRO''). The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to grant accelerated approval on a temporary basis to the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to Exchange Rules 62, 95.30, 118, 127, and 440B to provide flexibility in determining minimum trading variations. The Exchange is proposing to implement these rule changes on a temporary accelerated basis.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, 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 III 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] 15 U.S.C. 78s(b)(1).