only in the Class Y shares of the Underlying Funds, which are not subject to a sales load. Similarly, both the Parent Funds and the Underlying Funds have adopted rule 12b–1 fees for Class A and Class C shares. Again, however, layering of distribution fees will be avoided because the Parent Funds will invest only in Class Y shares of the Underlying Funds, which do not bear any distribution expenses under the 12b–1 plans.

6. QCM will charge an annual advisory fee of 0.05% of each Parent Fund's average daily net assets. Applicants state that this advisory fee is based entirely on services that are provided in addition to, rather than duplicative of, the services provided pursuant to an Underlying Fund's advisory contract. Moreover, before approving any advisory contract under section 15 of the Act, the board of trustees of each Parent Fund, including a majority of the trustees who are not ''interested persons,'' as defined in section 2(a)(19) (''Independent Trustees''), will have found that advisory fees charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract. Applicants assert that layering of advisory fees will therefore be avoided.

7. Applicants state that shareholder servicing costs, such as costs for transfer agency functions as well as printing and mailing prospectuses, shareholders reports, and proxies, will be borne by investors at the Parent Fund level. Layering will be avoided, however, because the shareholder servicing costs at the Underlying Fund level associated with the single account of a Parent Fund will be minimal. Certain non-shareholder servicing administrative expenses (e.g., custodial, accounting, auditing, legal, and trustee fees) will necessarily be incurred by both the Parent Funds and the Underlying Funds. BISYS, as administrator of each of the Parent Funds, will be responsible for providing these services, or arranging for these services to be provided, to the Parent Funds. These duplicative expenses are expected to be minimal, are expected to be substantially offset by the reduction in shareholder servicing costs for the Underlying Funds, and do not raise the same concerns as the fund or funds structures Congress sought to limit in enacting section 12(d)(1). Further, applicants have agreed that any sales charges or service fees charged with respect to the Parent Funds, including those paid by the Parent Fund with respect to securities of the Underlying Funds, will not exceed the limits set forth in the Rules of Fair Practice of the National Association of Securities Dealers, Inc. (''NASD'').

B. Section 17(a)

1. Section 17(a) makes it unlawful for an affiliated person of a registered investment company, or any affiliated person of such person, to sell securities to, or purchase securities from, the company. The Parent Funds and the Underlying Funds may be considered affiliated persons because they are each advised by QCM. An Underlying Fund's issuance of its shares to a Parent Fund may be considered a sale prohibited by section 17(a).

2. Section 17(b) provides that the SEC shall exempt a proposed transaction from section 17(a) if evidence establishes that: (a) the terms of the proposed transaction are reasonable and fair and do not involve overreaching; (b) the proposed transaction is consistent with the policies of the registered investment company involved; and (c) the proposed transaction is consistent with the general provisions of the Act. Applicants request an exemption under sections 6(c) and 17(b) to permit the Underlying Funds to sell their shares to the Parent Funds.[1] Applicants believe that the proposed transactions meet the standards of sections 6(c) and 17(b).

Applicants' Conditions

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

1. The Parent Funds and each Underlying Fund will be part of the same ''group of investment companies'' as defined in rule 11a–3 under the Act.

2. No Underlying Fund shall acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

3. A majority of the trustees of each Parent Fund will be Independent Trustees.

4. Before approving any advisory contract under section 15 of the Act, the board of trustees of each Parent Fund, including the Independent Trustees, shall find advisory fees charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract. Such finding, and the basis upon which the finding was made, will be recorded fully in the minute books of the Parent Fund.

5. Any sales charges or service fees charged with respect to securities of any Parent Fund, when aggregated with any sales charges or service fees paid by the Parent Fund with respect to shares of the Underlying Funds, shall not exceed the limits set forth in Article III, section 26, of the Rules of Fair Practice of the NASD.

6. The applicants agree to provide the following information, in electronic format, to the Chief Financial Analyst of the SEC's Division of Investment Management: monthly average total assets of each Parent Fund and each of its Underlying Funds; monthly purchases and redemptions (other than by exchange) for each Parent Fund and each of its Underlying Funds; monthly exchanges into and out of each Parent Fund and each of its Underlying Funds; month-end allocations of each Parent Fund's assets among its Underlying Funds; annual expense ratios for each Parent Fund and each of its Underlying Funds; and a description of any vote taken by the shareholders of any Underlying Fund, including a statement of the percentage of votes cast for and against the proposal by the Parent Funds and by the other shareholders of the Underlying Funds. Such information will be provided as soon as reasonably practicable following each fiscal year-end of the Parent Funds (unless the Chief Financial Analyst shall notify applicants in writing that such information need no longer be submitted).

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–9020 Filed 4–10–96; 8:45 am]

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[1] Section 17(b) applies to specific proposed transactions, rather than an ongoing series of future transactions. *See* Keystone Custodian Funds, 21 S.E.C. 295, 298–99 (1945). Section 6(c) frequently is used to grant relief from section 17(a) to permit an ongoing series of future transactions.

Submission for OMB Review; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Filings and Information Services, Washington, D.C. 20549

Revision:

Rule 10f–3

SEC File No. 270–237

OMB Control No. 3235–0226

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (''Commission'') has submitted to the Office of Management and Budget

proposed amendments to rule 10f–3 under the Investment Company Act of 1940 (the ''Act'').

Rule 10f–3 permits, under certain conditions, purchases of securities from underwriting syndicates whose members include affiliated persons of the purchasing investment company. The proposed amendments to rule 10f–3 would increase the flexibility of funds relying on the rule to purchase greater quantities of securities, foreign securities not registered under the Securities Act of 1933, and municipal securities in group sales. The average additional burden imposed by the proposed amendments to rule 10f–3 would be 0.12 hours per respondent. The Commission estimates that approximately 600 funds rely upon rule 10f–3 each year. The total average annual burden for rule 10f–3 per respondent would be 1.12 burden hours and the total for all respondents would be 670 hours.

General comments regarding the estimated burden hours should be directed to the Desk Officer for the Securities and Exchange Commission at the address below. Any comments concerning the accuracy of the estimated average burden hours for compliance with Commission rules and forms should be directed to Michael E. Bartell, Associate Executive Director, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549–6004, and the Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, D.C. 20503.

Dated: April 2, 1996.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–9004 Filed 4–10–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37068; File No. SR–Amex–96–04]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 Relating to Changes to Its Membership Admission Procedures

April 4, 1996.

I. Introduction

On January 30, 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 make several clarifying and ''housekeeping'' changes to the Admission of Members and Member Organizations section of the Amex rules, including changes with respect to the designation of nominees, and revisions to the requirements applicable to pension plans seeking to own memberships.

The proposed rule change was published for comment in Securities Exchange Act Release No. 36834 (February 13, 1996), 61 FR 6665 (February 21, 1996). One comment letter was received on the proposal.[3] On April 2, 1996, the Amex submitted to the Commission Amendment No. 1 to the proposed rule change.[4]

II. Description

The proposed rule change makes a number of changes to the Admission of Members and Member Organizations section of the Exchange rules and Rule 342. These include changing outdated references to the Exchange's Membership Admission Department to Membership Services, removing an inaccurate reference to a provision in the Amex Constitution from Rule 342, and amending the language of the Designation of Nominee subsection of Para. 9176 to conform it to current Exchange practice and a corresponding provision in the Amex Constitution.[5] Additionally, this subsection is being amended to clarify that all of a nominee's obligations to the Exchange and to other Exchange members or member organizations resulting from Exchange transactions or transactions in other securities made in the name of the nominee as member, are the obligations of the owner of the regular or options principal membership[6] and such owner is responsible for all such obligations.

Furthermore, the proposed rule change revises Para. 9179 as it relates to the provisions relative to membership ownership by pension plans to more accurately and completely represent the procedures to be followed in this regard. In particular, the proposed rule change clarifies that: (i) Sponsors and trustees of such pension plans are responsible for evaluating the inherent risks of owning a membership and must determine the advisability of such without relying on advice from the Amex or any of its officers or employees; (ii) the Amex will have no liability to either the participants in such pension plans or their beneficiaries in the event the purchase, operation or disposition of the membership results in loss to the pension plan and related trust; and, (iii) the plan sponsor and trustee must agree that they shall indemnify and hold the Exchange harmless from all claims, losses, expenses (including all attorney's fees) and taxes arising out of the purchase, operating and disposition of the membership. Additionally, the proposed rule change makes corrections to certain terminology currently used to describe the components of such pension plans.[7]

Finally, the proposed rule change, as originally proposed, mistakenly removed language from Para. 9174 that provided an exception from the Exchange's physical examination requirement for prospective members who desire only to own a regular or options principal membership and who choose not to become Participants in the Exchange's Gratuity Fund.[8] The removal

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

[2] 17 CFR 240.19b–4.

[3] *See* Letter from Jonathan E. Feins, to Jonathan G. Katz, Secretary, SEC, dated March 13, 1996 (''Comment Letter'').

[4] *See* Letter from Linda Tarr, Senior Counsel, Amex, to Glen Barrentine, SEC, dated April 2, 1996 (''Amendment No. 1''). *See* note 10 and accompanying text for a description of Amendment No. 1.

[5] Specifically, the proposal changes references to the party who is eligible to appoint nominees in this section from ''member or member organization'' to ''owner of a regular or options principal membership.'' Under the Amex Constitution, only such owners are eligible to designate nominees. *See* Amex Const., Art. IV, Sec. 4(b)(2).

[6] Under the Amex Constitution and rules, individuals or organizations may own one or more Exchange memberships (*i.e.*, seats on the Exchange), and instead of ''operating'' the seats, can either lease their seats or designate nominees to operate the seats as their employees.

[7] For example, Para. 9179 of the Amex rules, inaccurately refers to participants belonging to pension plans eligible to own Exchange memberships as ''beneficiaries'' of such plans.

[8] An Exchange member is not required to pass any physical examination in order to become a Participant in the Amex's Gratuity Fund. In Securities Exchange Act Release No. 34968 (November 10, 1994), 59 FR 59804 (November 18, 1994) (File No. SR–Amex–94–23), the Commission published for comment a proposed rule change by the Amex which included amendments to the provisions applicable to the Exchange's Gratuity Fund. Among other things, the Amex proposed to amend the Amex Constitution to require prospective Participants in the Gratuity Fund to pass a physical examination and add a reference to this requirement to Para. 9176. The filing was subsequently withdrawn. In Securities Exchange Act Release No. 35723 (May 16, 1995), 60 FR 37523 (May 23, 1995) (File No. SR–Amex–95–08), the Commission approved changes to the Amex's membership structure and requirements, including revisions to the requirements for participation in the Gratuity Fund, while these requirements did not include a physical examination requirement, Para. 9176, as amended by Amex 95–08, mistakenly included language from Amex 94–23 that