

of each registered investment company concerned; and (c) the transaction is consistent with the general purposes of the Act. Because section 17(b) may apply only to a specific proposed transaction, applicants also request an order under section 6(c) so that the relief will apply to a series of transactions. Applicants believe that the proposed transactions satisfy the criteria of sections 6(c) and 17(b). The findings required by section 17(b)(2) are premised on the assumption that the relief requested from section 13(a)(3) is granted.

10. Section 17(d) of the Act prohibits affiliated persons from participating in joint transactions with a registered investment company in contravention of rules and regulations prescribed in the SEC. Rule 17s-1 under the Act prohibits affiliated persons of a registered investment company from entering into joint transactions with the investment company unless the SEC has granted an order permitting the transaction after considering whether the participation of such investment company is consistent with the provisions, policies, and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants. Applicants request relief under section 17(d) and rule 17d-1 for transactions with Eligible Funds that are affiliated with Van Eck Associates. As an affiliated person, the participating independent trustee would neither directly nor indirectly receive a benefit which would otherwise inure to the Funds or any of their shareholders. Deferral of an independent trustee's fees in accordance with the Plan would essentially maintain the parties, viewed both separately and in their relationship to one another, in the same position (apart from tax effects) as if the fees were paid on a current basis. The effect of the Plan would merely be to defer the payment of fees that the applicants would otherwise be obligated to pay on a current basis.

Applicants' Conditions

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

1. With respect to the requested relief from rule 2a-7, any money market Fund that values its assets by the amortized cost method or the penny-rounding method will buy and hold Underlying Securities that determine the performance of Deferred Fee Accounts to achieve an exact match between such Fund's liability to pay deferred fees and the assets that offset that liability.

2. If a Fund purchases Underlying Securities issued by an affiliated Fund,

the purchasing Fund will vote such shares in proportion to the votes of all other holders of shares of such affiliated Fund.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-37478; File No. SR-BSE-96-8]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange, Inc. Relating to Resumption of the Pilot Program Regarding Certain Procedures for the Handling of Market-On-Close Orders

July 25, 1996.

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 July 8, 1996, the Boston Stock Exchange, Inc. ("BSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change, and on July 22, 1996, filed Amendment No. 1 to the proposed rule change,³ as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The BSE has requested accelerated approval of the proposal. 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 seeks to resume the pilot program for handling market-on-close orders and amend the procedures for the handling of such orders. These procedures mirror the procedures in place on the primary markets in order to ensure equal treatment of orders in both markets.

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 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.

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

1. Purpose

The purpose of the proposed rule is to resume the pilot program for procedures relating to handling market-on-close ("MOC") orders on expiration days, non-expiration days and in market conditions where New York Stock Exchange, Inc. ("NYSE") Rule 80A is in effect. The proposal also amends certain procedures to mirror those of the primary markets, for the handling of MOC orders on expiration days⁴ so that the BSE does not become a haven for MOC orders that are prohibited on the primary markets.⁵ In this way, all orders sent to the Exchange will receive equal treatment to orders sent to the primary markets.

The procedures for handling MOC orders on expiration days under the pilot program, include: (a) providing a 3:40 p.m. deadline for the entry of all MOC orders in all stocks, (b) prohibiting the cancellation or reduction of any MOC order in any stock after 3:40 p.m., (c) prohibiting order imbalances of 50,000 shares or more as soon as practicable after 3:40 p.m. in the pilot stocks and (d) limiting the entry of MOC orders after 3:40 p.m. to offsetting published imbalances. With respect to item (b) above, the Exchange will permit cancellations of MOC orders after 3:40 p.m. in those instances where a legitimate error has been made. The term "pilot stocks" refers to the list of stocks designated by the NYSE as pilot stocks for purposes of its auxiliary closing procedures.⁶ Pursuant to

⁴ The term "expiration days" refers to both (1) the trading day, usually the third Friday of the month, when some stock index options, stock index futures and options on stock index futures expire or settle concurrently ("Expiration Fridays") and (2) the trading day on which end of calendar quarter index options expire ("QIX Expiration Days").

⁵ The BSE's auxiliary closing procedures for expiration days had been approved on a pilot basis until October 31, 1995. See Securities Exchange Act Release No. 34918 (October 31, 1994), 59 FR 55504 ("1994 Pilot Approval Order"). The BSE did not request an extension of the pilot program after that date.

⁶ The Expiration Friday pilot stocks consists of the 50 most highly capitalized Standard & Poors ("S&P") 500 stocks and any component stocks of the Major Market Index ("MMI") not included therein. The QIX Expiration Day pilot stocks consist

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Karen A. Aluise, Assistant Vice President, BSE To Elisa Metzger, Special Counsel, SEC, dated July 17, 1996.

Amendment No. 1, the BSE has proposed an amendment of the above procedures to allow for imbalance publications of 50,000 shares or more to be made not only in the pilot stocks, but also in stocks added to or dropped from an index, and in any other stock if requested by a specialist and approved by a Floor Official.

The procedures for handling MOC orders on nonexpiration days would remain unchanged. These procedures include: (a) providing a 3:50 p.m. deadline for the entry of all MOC orders in all stocks, (b) prohibiting the cancellation or reduction of any MOC order in any stock after 3:50 p.m., (c) publishing order imbalances of 50,000 shares or more as soon as practicable after 3:50 p.m. in the pilot stocks, stocks being added to or dropped from an index, and in any other stock with the approval of a Floor Official and (d) limiting the entry of MOC orders after 3:50 p.m. to offset published imbalances. With respect to item (b) above, the Exchange will permit cancellations of MOC orders after 3:50 p.m. in those instances where a legitimate error has been made.

The pilot program also includes procedures for the handling of MOC orders in market conditions where the NYSE's Rule 80A is in effect. Under the pilot program, on expiration days, if an MOC index arbitrage order to buy (sell), to establish or increase a position is entered, and Rule 80A subsequently goes into effect because of significant upward (downward) market movement, the MOC order must be cancelled, regardless of the time Rule 80A goes into effect. If Rule 80A went into effect prior to 3:40 p.m., the MOC order may be re-entered with the instruction "buy minus" ("sell plus"). If Rule 80A goes into effect after 3:40 p.m. and there is a published imbalance in the subject stock, the MOC order may be re-entered with the instruction "buy minus" ("sell plus") to offset the imbalance.

Similarly, on nonexpiration days, if an MOC index arbitrage order to buy (sell), to establish or increase a position is entered, and Rule 80A subsequently goes into effect because of significant upward (downward) market movement, the MOC order must be cancelled, regardless of the time Rule 80A goes into effect. If Rule 80A goes into effect prior to 3:50 p.m., the MOC order may be re-entered with the instruction "buy minus" ("sell plus"). If Rule 80A goes into effect after 3:50 p.m. and there is a

published imbalance in the subject stock the MOC order may be re-entered with the instruction "buy minus" ("sell plus") to offset the imbalance.

2. Statutory Basis

The statutory basis for the proposed rule is Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The Exchange has neither solicited nor received written comments on 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, NW., Washington, DC 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, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the BSE. All submissions should refer to File No. SR-BSE-96-8 and should be submitted by August 22, 1996.

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

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular with the requirements of Section 6⁷ of the Act. In particular, the proposal is consistent with the Section 6(b)(5)⁸ requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and in general, to protect investors and the public interest.

In recent years, the self-regulatory organizations have instituted certain safeguards to minimize excess market volatility that may arise from the liquidation of stock positions related to trading strategies involving index derivative products. For instance, since 1986, the NYSE has utilized auxiliary closing procedures on expiration days. These procedures allow NYSE specialists to obtain an indication of the buying and selling interest in MOC orders at expiration and, if there is a substantial imbalance on one side of the market, to provide the investing public with timely and reliable notice thereof and with an opportunity to make appropriate investment decisions in response. Based on the NYSE's experience,⁹ the Commission believes that the MOC order handling requirements work relatively well and may result in more orderly markets at the close on expiration days.

In today's highly competitive market environment, however, it is possible that a regional exchange, which trades NYSE-listed stocks but does not have comparable closing procedures, could be utilized by market participants to enter MOC orders prohibited on the NYSE. Although the Commission has no reason to believe that the BSE market has become a significant alternative market to enter otherwise prohibited MOC orders, the Commission agrees with the BSE that, if this possibility were realized, it could have a negative impact on the fairness and orderliness of the national market system.¹⁰

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(5).

⁹ The NYSE has submitted to the Commission several monitoring reports describing its experience with the auxiliary closing procedures. The most recent report was submitted to the SEC by the NYSE on July 28, 1995. See Securities Exchange Act Release No. 36404 (October 20, 1995), 60 FR 55071.

¹⁰ For example, if MOC orders prohibited on the NYSE were entered instead on the BSE, unusually

of the 50 most highly capitalized S&P 500 stocks, any component stocks of the MMI not included therein and the 10 highest weighted S&P Midcap 400 stocks.

Accordingly, the Commission believes that it is reasonable for the BSE to adopt procedures for the handling of MOC orders that mirror the NYSE's, thereby ensuring the equal treatment of orders in both markets and, in the event of unusual market conditions, offering the BSE the same benefits in terms of potentially reducing volatility.

In this regard, the Commission notes that the proposed rule change will standardize the BSE's closing procedures on expiration days with those on the NYSE.¹¹ On expiration days, the BSE proposal will impose a 3:40 p.m. deadline for entry of all MOC orders. In conjunction with the prohibition on cancellation or reduction of any MOC order after 3:40 p.m., this requirement should allow the specialist to make a timely and reliable assessment, for every stock, of MOC order flow and its potential impact on the closing price. While the Commission recognizes that 3:40 p.m. is relatively near the close, the Commission previously has determined that such a deadline strikes a reasonable balance between the need to effectuate an orderly closing and the need to avoid unduly infringing upon legitimate trading strategies.¹²

The amended procedures for expiration days will require that, as soon as practicable after 3:40 p.m., BSE specialists disseminate substantial imbalances in the pilot stocks, in stocks being added to or dropped from an index, and in any other stock if approved by a Floor Official. In this regard, the BSE pilot program combines early submission of MOC orders with prompt dissemination of imbalances that reflect actual investor interest. As noted in prior Commission orders approving these procedures for pilot stocks,¹³ the BSE should have sufficient opportunity to attract any contra-side interest necessary to alleviate substantial MOC order imbalances in any stock and to dampen their effect on the closing price.

In addition, the BSE will require order handling procedures for non-expiration days that are substantially similar to those in place for expiration days. This will allow members and member organizations to follow comparable procedures at the close on all trading days. Although there is less likelihood of an influx of MOC orders at the close on non-expiration days, certain trading

and asset allocation strategies could employ MOC orders. The 3:50 p.m. deadline for MOC order entry and cancellation, as well as the requirement to disseminate MOC orders consisting of 50,000 shares or more as soon as practicable after 3:50 p.m., on non-expiration days should help the specialist make a timely and reliable assessment of MOC order flow and its potential impact on the closing price and also should ensure that any imbalance publications reflect actual investor interest. In the Commission's opinion, a 3:50 p.m. deadline strikes a more appropriate balance for non-expiration days (as opposed to the 3:40 p.m. deadline for expiration days) given the reduced likelihood of substantial MOC order imbalances due to derivatives-related trading strategies.

The Commission finds it appropriate for the BSE to provide for procedures for the handling of MOC orders in market conditions when the NYSE's Rule 80A is in effect.¹⁴ The Commission believes that the procedures clearly inform market participants of the manner in which MOC order can be placed on the BSE when the NYSE's Rule 80A is in effect.

For the reasons discussed above, the Commission is approving the resumption of the pilot program, and Amendment No. 1, through October 31, 1997. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. This will permit the proposed amendments to be effective simultaneously with the NYSE's amendments to the procedures for handling MOC orders.¹⁵ In addition, the procedures the BSE proposes to use are identical to NYSE procedures that were published in the Federal Register for the full comment period and were approved by the Commission.¹⁶

It is therefore ordered, pursuant to Section 19(b)(2) ¹⁷ that the proposed rule change is hereby approved on a pilot basis through October 31, 1997.

For the Commission, by the Division of Market Regulations, pursuant to delegated authority.¹⁸

¹⁴ The Commission continues to believe that the provisions of NYSE Rule 80A provides a useful means of addressing market volatility. See Securities Exchange Act Release No. 29854 (October 24, 1991), 56 FR 55963.

¹⁵ See Release No. 34-36404, *supra* note 9.

¹⁶ No comments were received in connection with the most recent proposed rule change which modified the NYSE procedures. See Release No. 34-36404, *supra* note 9.

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-19530 Filed 7-31-96; 8:45 am]

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[Release No. 34-37481; File No. SR-CHX-95-26]

**Self-Regulatory Organizations;
Chicago Stock Exchange,
Incorporated; Order Granting Approval
to Proposed Rule Change and Notice
of Filing and Order Granting
Accelerated Approval to Amendments
Nos. 1, 2, and 3 to Proposed Rule
Change Relating to Listing Standards**

July 25, 1996.

I. Introduction

On November 8, 1995, the Chicago Stock Exchange, Incorporated ("CHX" 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 establish new quantitative and qualitative listing standards with respect to common stock, preferred stock, bonds and debentures, warrants, contingent value rights, and other securities.

The proposed rule change was published for comment in Securities Exchange Act Release No. 36531 (Nov. 30, 1995), 60 FR 62918 (Dec. 7, 1995). No comments were received regarding the proposal.

On December 5, 1995, June 18, 1996, and June 23, 1996, respectively, the Exchange submitted to the Commission Amendment Nos. 1, 2, and 3 to the proposed rule change to make grammatical changes to the text of the rule and to clarify certain listing and maintenance requirements and corporate governance standards.³ This order approves the proposed rule change, including Amendment Nos. 1, 2, 3 on an accelerated basis.

II. Description of Proposal

This rule change includes original listing and maintenance criteria and

¹ 15 U.S.C. § 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from Craig Long, Foley & Lardner, to Glen Barentine, Team Leader, Division of Market Regulation, SEC, dated December 4, 1995 ("Amendment No. 1"); Letter from Craig Long, Foley & Lardner, to Sharon Lawson, Senior Special Counsel, Division of Market Regulation, SEC, dated June 17, 1996 ("Amendment No. 2"); Letter from Craig Long, Foley & Lardner, to Jennifer S. Choi, Division of Market Regulation, SEC, dated July 23, 1996 ("Amendment No. 3"). Amendment Nos. 1, 2, and 3 are described in more detail *infra* in the description of the proposal.

large MOC order imbalances on the regional exchange could contribute to overall market volatility.

¹¹ See Release No. 34-36404, *supra* note 9.

¹² See, e.g., Securities Exchange Act Release No. 33639 (February 17, 1994), 59 FR 9295.

¹³ See 1994 Pilot Approval Order, *supra*, note 5.