

nonutility businesses through its wholly owned subsidiary, Boston Energy Technology Group ("BETG") and indirectly through nine BETG subsidiaries.<sup>2</sup>

The Applicants propose to form the holding company structure under an Agreement and Plan of Merger to be entered into among Boston Edison, BEC and Merger-Sub ("Plan of Merger"). Under the terms of the Plan of Merger, Merger-Sub would be merged ("Merger") with Boston Edison, and each outstanding share of common stock of Merger-Sub would be converted into one share of common stock, \$1.00 per value per share, of Boston Edison ("Boston Edison Stock"). Subsequently, each outstanding share of Boston Edison Stock would be converted into one common share, \$1.00 par value per share, of BEC ("BEC Common Stock"). Upon consummation of the Merger, each person that owns Boston Edison Stock immediately prior to the Merger will own a corresponding number of the outstanding shares of BEC Common Stock, and BEC will own all of the outstanding Boston Edison Stock.

After the Merger, Boston Edison will transfer to BEC, by stock dividend or otherwise, the common stock of BETG. BEC will then engage in nonutility business activities through BETG and the Nonutility Subsidiaries. After the Merger, BEC will directly own Boston Edison and BETG, and HECC will continue to be a public-utility subsidiary of Boston Edison.

The preferred stock of Boston Edison ("Preferred Stock") and all indebtedness of Boston Edison will remain securities and obligations of Boston Edison after the Merger. Consequently, the Applicants state that the holders of Boston Edison's debt securities and the Preferred Stock will not be affected by the proposed restructuring.

BEC asserts that, following the consummation of the proposed restructuring, it will be a public-utility holding company entitled to an exemption from registration under section 3(a)(1) of the Act, because it and each of its public-utility subsidiaries from which it derives a material part of its income will be predominately intrastate in character and will carry on their business substantially within the state of Massachusetts. Boston Edison

claims that it will continue to be a public-utility holding company entitled to an exemption under section 3(a)(2) of the Act, because it is predominantly a public-utility company whose operations do not extend beyond its state of organization or any contiguous states.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39064; File No. SR-Amex-97-18]

### Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 to the Proposed Rule Change to Amend the Manner of Calculation of the Hong Kong Option Index

September 12, 1997.

#### I. Introduction

On April 9, 1997, the American Stock Exchange, Inc. ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend the manner of calculation of the Hong Kong Option Index ("HK Index").

Notice of the proposed rule change, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 38651 (May 16, 1997), 62 FR 28524 (May 23, 1997). The Exchange filed Amendment No. 1 to the proposed rule change on July 9, 1997.<sup>3</sup> No comments

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Amendment No. 1 clarifies how the Exchange intends to distinguish between the HK Index option contract using the old calculation method and the new HK Index option contract using the new floating rate calculation method. In addition, Amendment No. 1 states that the Exchange intends to issue an Information Circular to advise its members of the new calculation method, discussing the new method and the procedures for phasing in the contracts using the new calculation method and phasing out those contracts using the old calculation method. Finally, the Exchange attached a description of the calculation method used by WM/Reuters for calculating their closing spot rates for the Hong Kong dollar. See letter from Claire P. McGrath, Vice President and Special Counsel,

were received on the proposal. This order approves the proposed rule change, as amended.

#### II. Description

The proposed rule change amends the manner in which Amex calculates the HK Index by using a floating rate of exchange for the Hong Kong dollar rather than a fixed value. On April 11, 1994, Amex received approval to trade standardized options on the HK Index.<sup>4</sup> The HK Index is a broad-based capitalization-weighted stock index designed and maintained by Amex, based on the capitalizations of 30 stocks that are traded on the Hong Kong Stock Exchange ("HKSE") and whose issuers have major business interests located in Hong Kong. The HK Index value is calculated by multiplying the price of each component security (in Hong Kong dollars) by its number of shares outstanding, adding the sums, and dividing by the current HK Index divisor. For valuation purposes, one HK Index unit is assigned a fixed value of one U.S. dollar. The Exchange adopted a fixed value for the HK Index unit because Hong Kong has traditionally pegged the value of the Hong Kong dollar to the U.S. dollar.<sup>5</sup>

At midnight on June 30, 1997, sovereignty over Hong Kong transferred from the United Kingdom to the People's Republic of China, and Hong Kong became a Special Administrative Region of China. In its filing, Amex notes that while there has been much debate over what this will mean financially, politically, and socially for the former British colony, statements from the People's Republic of China indicate that the existing currency and financial systems of Hong Kong will remain unchanged. In order, however, to be prepared for any possible changes with respect to the Hong Kong dollar, such as a change in the policy of pegging its value to the U.S. dollar, the Exchange has determined to adopt a floating rate of exchange for the Hong Kong dollar when calculating the value of the HK Index.

Amex will use the WM/Reuters Hong Kong dollar/U.S. dollar exchange rate available at 4 p.m. London time, which is based on market rates. These underlying market rates will be commercial interbank bid and offer rates. Representative rates for each currency are selected based on a number

Amex, to Ivette Lopez, Assistant Director, Division of Market Regulation, Commission, dated July 8, 1997.

<sup>4</sup> See Securities Exchange Act Release No. 33894 (April 11, 1994), 59 FR 18429 (April 18, 1994).

<sup>5</sup> As of April 14, 1997, the exchange rate was approximately HK \$7.75 per U.S. \$1.

<sup>2</sup> The nine subsidiaries are Boston Edison Services, Inc., Energyvision, LLC, BecoCom, Inc., RCN/BETG, LLC, Northwind Boston, LLC, Coneco Corporation, Coneco Financial Corporation, TravElectric Services Corporation, and Rez-Tek International Corporation ("Nonutility Subsidiaries"). Boston Edison's nonutility operations contributed a net loss of approximately \$600,000 (or less than 1%) to Boston Edison's aggregate after-tax-net income in fiscal year 1996.

of "snapshots" of the latest contributed quotations taken from the Reuters System. Amex will receive this exchange rate between approximately 11:30 a.m. and 12:00 noon (New York time) each trading day. The Exchange will then use this rate in calculating and disseminating the HK Index value after it is received on that trading day, and will also use the rate in calculating and disseminating the HK Index value on the following day until a new value is received, again typically between 11:30 a.m. and 12:00 noon.<sup>6</sup> If on any business day WM/Reuters does not post a closing spot exchange rate for the Hong Kong dollar, the last reported closing spot rate will remain in effect until a new rate is posted. Amex intends to establish a separate contract on the HK Index using the floating rate in its calculation. The current contract using the fixed rate will continue to trade until the expiration of any remaining contracts.<sup>7</sup> No new series will be added using the fixed rate after the new floating rate calculation goes into effect. Until a phase-out of the current contract using the fixed rate is complete, options on both indexes will be trading simultaneously using different symbols.<sup>8</sup>

### III. Discussion

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 6(b) of the Act.<sup>9</sup> Specifically, the Commission believes

the proposal is consistent with the section 6(b)(5)<sup>10</sup> 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.<sup>11</sup>

The Commission believes that the proposed rule change will help to protect investors and the public by guarding against the possibility of a change in the exchange rate for the Hong Kong dollar, now that control of Hong Kong has reverted to China, as of midnight on June 30, 1997. The current exchange rate is a fixed rate that does not change and which is pegged to the U.S. dollar so that each Hong Kong Index unit is valued at one U.S. dollar.<sup>12</sup> The new rate will be a floating rate, based upon the daily exchange rate calculated by WM/Reuters, and the Index level will be multiplied by the exchange rate in order to determine the Index value. This change will allow Amex to protect against fluctuations in the exchange rate between the U.S. dollar and the Hong Kong dollar.

The Commission also notes that the Exchange has adequately addressed concerns about investor confusion over the simultaneous trading of HK Index options contracts using the current valuation method, and the HK Index options using the new fluctuating rate method for a certain period of time. The two contracts will be assigned different trading symbols for identification purposes. In addition, the Exchange will issue an Information Circular to its members discussing the new calculation method and the procedures for phasing in the contracts using the new calculation and phasing out those contracts using the old calculation method.

The Commission finds good cause to approve Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. Specifically, by clarifying that Amex will distinguish between the old and new contracts by using different symbols, and by stating that Amex will advise its members of the change in the method of calculation for the HKO Index, Amendment No. 1 will help ensure that members of the Exchange receive adequate notice of the change in the method of calculation of the HKO Index and the procedures for

phasing in the contracts using the new method of calculation and phasing out the contracts using the old calculation method. Accordingly, the Commission believes that it is consistent with section 6(b)(5) of the Act to approve Amendment No. 1 to the proposal on an accelerated basis.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1 to the rule proposal. 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 Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-97-18 and should be submitted by October 10, 1997.

### V. Conclusion

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>13</sup> that the proposed rule change (SR-AMEX-97-18), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>14</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 22821; 812-10520]

### The Reserve Private Equity Series, et al.; Notice of Application

September 12, 1997.

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

**ACTION:** Notice of application for exemption under section 6(c) of the Investment Company Act of 1940 (the

<sup>6</sup> The Commission notes that if, for some reason, WM/Reuters changes the exchange rate after it has already been disseminated, Amex will correspondingly recalculate the Index value, if the change occurs during the trading day. When a change occurs on a settlement day, the new Index value will be used for settlement purposes if it is calculated prior to settlement. Telephone conversation between Claire P. McGrath, Vice President and Special Counsel, Amex, and Heather Seidel, Attorney, Market Supervision, Commission, on September 9, 1997.

<sup>7</sup> As of April 15, 1997, the outstanding interest in HKO Index contracts with expiration dates after July 1, 1997 was as follows: September 1997 series, 2042 contracts; December 1997 series, 835 contracts; and January 1998 series, 162 contracts. Phone conversation between Claire McGrath, Managing Director and Special Counsel, Amex, and Heather Seidel, Attorney, Market Regulation, Commission, on April 18, 1997.

<sup>8</sup> See Amendment No. 1, supra note 3. Currently the Exchange has the following series on the current HK Index option trading: July 1997; August 1997; September 1997; October 1997; November 1997; December 1997; March 1998; and January 1998 (reduced value). Therefore, once the March 1998 contracts expire, the Exchange will have only one HK Index option trading which will calculate the index using a floating rate of exchange for the Hong Kong dollar rather than the fixed rate currently being used. *Id.*

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>12</sup> For example, if the Index is at 300, the value in U.S. dollars is \$300.

<sup>13</sup> 15 U.S.C. 78s(b)(2).

<sup>14</sup> 17 CFR 200.30-3(a)(12).