

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.⁶ 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.⁷ 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.⁸

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.⁹ Specifically, the Commission believes

the proposal is consistent with the section 6(b)(5)¹⁰ 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.¹¹

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.¹² 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,¹³ 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.¹⁴

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 97-24861 Filed 9-18-97; 8:45 am]

BILLING CODE 8010-01-M

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

⁶ 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.

⁷ 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.

⁸ 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.*

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ 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).

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

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).

“Act”) from the provisions of section 15(a) of the Act of and rule 18f-2.

SUMMARY OF APPLICATION: Applicants request an order to permit them to enter into and materially amend investment management agreements with the funds' subadvisers without shareholder approval.

APPLICANTS: The Reserve Private Equity Series, The Reserve Fund, The Reserve Tax-Exempt Trust, The Reverse New York Tax-Exempt Trust, and The Reserve Institutional Trust (collectively, the “Funds”); Reserve Management Co., Inc. (the “Manager”) and Resrv Partners, Inc.

FILING DATES: The application was filed on February 7, 1997 and amended on July 21, 1997. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

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 October 7, 1997 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 may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants, 810 Seventh Avenue, New York, New York 10019.

FOR FURTHER INFORMATION CONTACT: John K. Forst, Attorney Advisor, at (202) 942-0569, or Mary Kay Frech, 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 from the SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549 (tel. 202-942-8090).

Applicants' Representations

1. Each Fund is registered under the Act as an open-end management investment company with one or more series (“Series”).¹ The Reserve Fund,

The Reserve Tax-Exempt Trust, The Reserve New York Tax-Exempt Trust, and The Reserve Institutional Trust are business trusts organized under Massachusetts law. The Reserve Private Equity Series is a business trust organized under Delaware law.

2. The Manager is registered as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”). The Manager serves as investment manager to each Series pursuant to an investment management agreement between the manager and each Fund. The Manager provides general management services to the Funds and is responsible for the day-to-day administration of the Series' activities. The manager is paid a fee based on average daily net assets of each Series.

3. The Reserve Private Equity Series currently employs subadvisers, each of which is registered as an investment adviser under the Advisers Act. The Reserve Private Equity Series currently employs only on subadviser for each one of its Series, but may employ multiple subadvisers for each Series in the future. The other Funds do not have Series that currently employ subadvisers, but they may do so in the future. All investment decisions for the Series that employ subadvisers are made by the subadvisers, who have discretionary authority to invest all or a portion of the assets of a Series, subject to the general supervision of the Manager and the board of trustees of each Fund. The Manager recommends subadvisers to the Fund's board, and also will recommend the termination of a subadviser when the Manager deems a termination to be in the best interests of a Series. Subadvisers provide advisory services pursuant to a written advisory agreement (“Subadvisory Agreement”). The subadvisers' fees are paid by the Manager out of the fees paid by a Series to the Manager at rates negotiated by the Manager. The fees are based on assets allocated to the subadviser.

Applicants' Legal Analysis

1. Section 15(a) of the Act makes it unlawful for any person to act as investment adviser to a registered investment company except pursuant to a written contract that has been approved by a majority of the

any other open-end management investment company (a “Future Company”) advised or managed by the Manager, or a person controlling, controlled by, or under common control with the Manager, in the future, provided that such Future Company operates in the same manner as the Funds and complies with the conditions of the order requested in the application.

company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Applicants request an exemption from section 15(a) of the Act and rule 18f-2 to permit the Funds and the Manager to enter into and materially amend Subadvisory Agreements without shareholder approval.

3. Applicants state that the Series' shareholders rely on the Manager for investment management and expertise in selecting subadvisers. The Manager seeks to enhance Series' performance and reduce market risk by allocating a Series' assets among multiple “specialist” subadvisers. Applicants state that the Manager employs a comprehensive screening process of reviewing the qualifications and capabilities of potential new subadvisers, and engages in a thorough on-going analysis of the continued advisability as to the retention of its existing subadvisers. Applicants contend that the Manager's continuing quantitative and qualitative evaluation of the subadvisers will permit new subadvisers to be introduced or, at such time as multi-subadvisers are utilized, the proportion of shareholders' assets subject to particular subadviser styles to be reallocated, to the extent the Manager deems appropriate to achieve the overall investment objectives of the particular Series. Applicants assert that shareholders are, in effect, electing to have the Manager select one or more subadvisers best suited to achieve each Series' investment objective. Applicants state that the subadvisers are concerned only with the selection of portfolio investments in accordance with a Series' investment objectives and policies.

4. Applicants contend that, because shareholders rely on the Manager for investment results and overall management services, it is the investment advisory agreements with the Manager (“Management Agreements”) over which shareholders should exercise control. Management Agreements would continue to be subject to the shareholder approval requirements of section 15 of the Act.

5. Applicants contend that requiring shareholder approval of subadvisers and Subadvisory Agreements would impose costs on the Series without advancing shareholder interests. Applicants also believe that requiring shareholder approval of new subadvisers and amendments to Subadvisory Agreements would prevent the Funds from promptly and timely employing

¹ Applicants request that the order also extend to (a) Any other Series organized in the future, and (b)

subadvisers best suited to the needs of the Series. Applicants believe that shareholders' interests are adequately protected by their voting rights with respect to the Management Agreements and the responsibilities assumed by the Manager and the Funds' boards.

6. Applicants contend that shareholders will be provided with adequate information about subadvisers. Funds' prospectuses and statements of additional information will contain all required information regarding each subadviser. Within 90 days of the hiring of a new subadviser, a Fund will furnish shareholders with all the information that would have been provided in a proxy statement.

7. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provision of the Act if and to the extent that 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. For the reasons stated above, applicants believe that the requested exemptive relief satisfies this standard.

Applicants' Conditions

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

1. Before a Series may rely on the order requested in the application, the operation of the Series in the manner described in the application will be approved by a majority of the outstanding voting securities, as defined in the Act, of the Series or, in the case of a new Series whose public shareholders purchased shares on the basis of a prospectus containing the disclosure contemplate by condition 2 below, by the sole initial shareholder(s) before offering shares of such Series to the public.

2. Any Series relying on the requested relief will disclose in its prospectus the existence, substance, and effect of any order granted pursuant to the application. In addition, the Series will hold itself out to the public as employing the subadviser structure described in the application. The prospectus will prominently disclose that the Manager has ultimate responsibility to oversee the subadvisers and recommend their hiring, termination, and replacement.

3. The Manager will provide management and administrative services to the Funds and, subject to the review and approval of their respective boards of trustees, will set the overall investment strategies of the Series; recommend subadvisers; where

appropriate, allocate and reallocate the assets of the Series among subadvisers; and monitor and evaluate the investment performance of the subadvisers, including their compliance with the investment objectives, policies, and restrictions of the Series.

4. A majority of each board of trustees of each Fund will be persons each of whom is not an "interested person" of the Fund (as defined in section 2(a)(19) of the Act) (the "Independent Trustees"), and the nomination of new or additional Independent Trustees will be placed within the discretion of the then existing Independent Trustees.

5. The Funds will not enter into Subadvisory Agreements with any subadviser that is an "affiliated person," as defined in section 2(a)(3) of the Act, of the Series, or the Manager other than by reason of serving as a subadviser to one or more of the Series (an "Affiliated Subadviser") without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Series.

6. When a change of subadviser is proposed for a Series with an Affiliated Subadviser, the board of trustees of the applicable Fund including a majority of the Independent Trustees, will make a separate finding, reflected in the minutes of the meeting of the board of trustees of the Fund, that the change of subadviser is in the best interest of the Series and its shareholders and does not involve a conflict of interest from which the Manager, or an Affiliated Subadviser derives an inappropriate advantage.

7. No director, trustee, or officer of a Fund or the Manager will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by any such director, trustee, or officer) any interest in a subadviser except for ownership of interests in the Manager or any entity that controls, is controlled by, or under common control with the Manager, or ownership of less than 1% of the outstanding securities of any class of equity or debt securities of a publicly-traded company that is either a subadviser or an entity that controls, is controlled by, or is under common control with a subadviser.

8. Within 90 days of the hiring of any subadviser, the affected Series will furnish its shareholders with all information about the new subadviser that would be included in a proxy statement. Such information will include any change in such disclosure caused by the addition of a new subadviser. The Fund will meet this condition by providing shareholders, within 90 days of the hiring of a subadviser with an information statement meeting the requirements of

Regulation 14C and Schedule 14C under the Securities Exchange Act of 1934 ("1934 Act"). The information statement also will meet the requirements of Item 22 of Schedule 14A under the 1934 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-24970 Filed 9-18-97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39055; File No. SR-CHX-97-17]

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Tier I Listing Standards to Adopt a Share Price Maintenance Standard for Common Stock Listed on the Exchange

September 11, 1997.

I. Introduction

On June 25, 1997, the Chicago Stock Exchange, Inc. ("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 add a share price maintenance standard for common stock listed on Tier I of the Exchange.

The proposed rule change was published for comment in the **Federal Register** on July 8, 1997.³ No comments were received on the proposal. This order approves the proposal.

II. Description of the Proposal

The National Securities Markets Improvement Act of 1996⁴ amended section 18 of the Securities Act of 1933⁵ to provide for exclusive federal registration of securities listed, or authorized for listing, on the New York Stock Exchange ("NYSE"), the American Stock Exchange ("Amex") or listed on the National Market System of the Nasdaq Stock Market ("Nasdaq/NMS"), or any other national securities exchange designated by the Commission by rule to have substantially similar listing standards to those markets. The

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 38795 (June 30, 1997), 62 FR 36594 (July 8, 1997).

⁴ Pub. L. 104-290, 110 Stat. 3416 (1996).

⁵ 15 U.S.C. 77s.