

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.

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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.

CHX petitioned the SEC in February of this year to adopt a rule finding the CHX's Tier I listing standards to be substantially similar to those of the NYSE, Amex or Nasdaq/NMS. If the SEC adopts such a rule, any security listed on the CHX under its Tier I standards would be exempt from registration in all fifty states.

The Commission has recently published for comment proposed Rule 146(b) which would designate various exchanges' listing standards as being substantially similar to those of the NYSE, Amex or Nasdaq/NMS.⁶ The Commission has indicated that it preliminarily believes that the only deficiency in the CHX Tier I standards, which precludes it from designating the CHX Tier I securities as qualifying, is that there is no minimum share price requirement for continued listing on Tier I. If such deficiency was corrected, the SEC indicated that it would consider including CHX's Tier I securities in the final Rule 146(b).

As a result of the above, the CHX is proposing to amend Article XXVIII, Rule 14 of the Exchange rules to add a minimum share price requirement for continued listing of common stock on Tier I. The proposed amendment is virtually identical to Amex's requirement. In essence, the proposed amendment states that an issuer that has a common stock listed under Tier I that is selling for a substantial period of time at a low price per share must effect a reverse split within a reasonable period of time after being notified that the Exchange deems such action to be appropriate. The proposed amendment then sets forth examples of pertinent factors which the Exchange will review in determining whether a reverse split is appropriate. If the issuer fails to effect a reverse split, then the Exchange would initiate a proceeding to delist the issuer's common stock from Tier I.

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).⁷ Specifically, the Commission believes the proposal is consistent with the section 6(b)(5)⁸ requirement 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.⁹ New Exchange Rule 14(a)(4) provides the CHX with specific authority to require an issuer with common stock listed on Tier I to effect a reverse stock split when the issue is selling for a substantial period of time at a low price per share. If such issuer does not effect a reverse split of the shares, which should have the effect of increasing share price, within a reasonable period of time after being notified that the Exchange deems the reverse split to be appropriate, the Exchange will delist the issuer's stock.

In establishing criteria to uphold the quality of its market, the Commission believes that it is appropriate for the Exchange to have a maintenance standard for securities selling at low prices in conjunction with the other standards for listing and maintenance. The Commission finds that the share price maintenance standard is a reasonable measure for the Exchange to use to maintain its quality control standards for issuers listed on Tier I of the Exchange and is a reasonable standard to use to remove low-priced securities from the Exchange. As noted above, under the rule, the issuer will have the opportunity to remedy concerns about stock selling at a low price by effecting a reverse stock split.

The Commission also believes that the addition of the share price maintenance standard to the Exchange's maintenance requirements for common stock should help the Exchange monitor the continued financial stability of companies listed on Tier I because low share prices can sometimes be the result of financial difficulty with the issuer. The maintenance standard will also help ensure that stocks that are more susceptible to manipulation will not be traded on the Exchange. This should protect investors and the public interest consistent with section 6(b)(5) of the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-CHX-97-17) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

⁹ In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39076; File No. SR-CHX-97-06]

Order Granting Approval to Proposed Rule Change

September 15, 1997.

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change by the Chicago Stock Exchange, Inc., Relating to Listing and Trading Standards for Portfolio Depositary Receipts.

I. Introduction

On March 17, 1997,¹ the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ a proposed rule change to add Rule 25 to Article XXVIII of CHX's rules relating to the listing and trading of Portfolio Depositary Receipts ("PDRs").

The proposed rule change as amended by Amendment Nos. 1, 2, and 3, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 38777 (June 26, 1997) 62 FR 35866 (July 2, 1997). One comment letter was received in response to the proposal.⁴

II. Background and Description

The Exchange proposes to adopt new Rule 25 under Article XXVIII to accommodate the trading of PDRs, securities which are interests in a unit investment trust ("Trust") holding a

¹ On June 4, 1997, the Exchange filed Amendment No. 1 to this rule filing. Amendment No. 1 supersedes entirely the Exchange's rule filing and was incorporated into the notice in its entirety. On June 17, 1997 and June 24, 1997, the Exchange filed Amendment Nos. 2 and 3 respectively; Amendment No. 3 replaces Amendment No. 2 in its entirety and the substance of Amendment No. 3 was incorporated into the notice. See letter from J. Craig Long, Attorney, Foley & Lardner, to Ivette Lopez, Assistant Director, Market Regulation, Commission, dated May 27, 1997 ("Amendment No. 1") and letters from David T. Rusoff, Attorney, Foley & Lardner, to Sharon Lawson, Senior Special Counsel, Market Regulation, Commission, dated June 13, 1997 ("Amendment No. 2") and June 18, 1997 ("Amendment No. 3") respectively.

² 15 U.S.C. 78s(b)(1).

³ 17 CFR 240.19b-4.

⁴ See Letter from James F. Duffy, Executive Vice President and General Counsel, Legal and Regulatory Policy, American Stock Exchange, to Jonathan G. Katz, Secretary, Commission, dated July 31, 1997 ("Amex Comment Letter").

⁶ Securities Exchange Act Release No. 38728, Securities Act Release No. 7422 (June 10, 1997).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).