execution, effectiveness, and termination and the inclusion of escrow arrangements.

2. Fees earned by WPG during the Interim Period under the New Advisory Agreements will be maintained in interest-bearing escrow accounts with an unaffiliated escrow agent, and the amounts in such accounts (including interest earned on such amounts) will be paid (a) to WPG only upon approval of the New Advisory Agreements by the Funds' respective shareholders or (b) in the absence of such approval by shareholders of a Fund, to such Fund.

3. The Funds will hold special meetings of shareholders to vote on the approval or disapproval of the New Advisory Agreements on or before October 31, 1998.

4. WPG will bear the costs relating to the preparation and filing of this application and the costs relating to the solicitation of the approvals of the Funds' shareholders of the New Advisory Agreements necessitated by the Acquisition; *provided, however,* that the Funds may bear a portion of the cost of soliciting shareholders approval for proposals unrelated to the Acquisition.

5. WPG will take all appropriate actions to ensure that the scope and quality of advisory and other services provided to the Funds during the Interim Period under the New Advisory Agreements will be at least equivalent, in the judgment of the Boards, including a majority of the Independent Trustees, to the scope and quality of services provided under the Current Advisory Agreements. In the event of any material change in personnel providing services pursuant to the New Advisory Agreements during the Interim Period, WPG will apprise and consult the Boards of the affected Funds to assure that such Board, including a majority of the Independent Trustees, are satisfied that the services provided by WPG will not be diminished in scope or quality.

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

Jonathan G. Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40228; File No. SR–Amex–98–24]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc. Relating to the Listing and Trading of Merrill Lynch EuroFund Market Index Target Term Securities

July 17, 1998.

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 June 30, 1998, the American Stock Exchange, Inc. (''Exchange'' or ''Amex'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 list and trade under Section 107A of the Exchange's Company Guide, Merrill Lynch EuroFund Market Index Target Term Securities SM (''MITTS® Securities''). The value of the MITTS Securities will be based in whole or in part on changes in the value of the Merrill Lynch EuroFund Index (''EuroFund Index'').

The text of the proposed rule change is available at the Office of the Secretary, the Exchange and at the Commission.

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 Exchange 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 IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

[2] 17 CFR 240.19b–4.

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

1. Purpose

Under Section 107A of the Exchange's *Company Guide,* the Exchange may approve for listing and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.[3] The Exchange seeks to list the MITTS Securities for trading under Section 107A of the Exchange's *Company Guide.* The MITTS Securities are structured as mutual fund linked notes, the value of which will be linked, in whole or in part, to the adjusted total return value of Class B Shares of the Merrill Lynch EuroFund (''EuroFund''),[4] a mutual fund registered under the Investment Company Act of 1940. The EuroFund is a ''diversified company'' as defined in Section 5(b) of the Investment Company Act of 1940 [5] and the securities held by the EuroFund are issued by companies based in five or more countries.

The Exchange represents that MITTS Securities will be senior, unsecured debt securities that will conform to the listing guidelines under Section 107A of the Exchange's *Company Guide.* Although a specific maturity date will not be established until the time of the offering, the MITTS Securities will provide for a maturity of between two and seven years from the date of issuance. MITTS Securities may provide for periodic payments and/or payments at maturity based in whole or in part on changes in the value of the EuroFund Index, an index based on the adjusted total return of the Class B Shares of the EuroFund.[6] At maturity, holders of the

[3] Securities Exchange Act Release No. 27753 (Mar. 1, 1990), 55 FR 8626 (Mar. 8, 1990).

[4] According to the prospectus prepared by the underwriter, the Eurofund is a diversified, open-end management company that seeks to provide shareholders with capital appreciation primarily through investment in equities of corporations domiciled in European countries. While there are no prescribed limits on geographic distribution within the European community, it currently is anticipated that a majority of the EuroFund's assets will be invested in equity securities of issuers domiciled in Western European countries. Current income from dividends and interest will not be an important consideration in selecting portfolio securities. The Eurofund expects that under normal market conditions at least 80% of its net assets will be invested in European corporate securities, primarily common stocks, and debt and preferred securities convertible into common stocks.

[5] 15 U.S.C. 80a–5(b).

[6] The EuroFund Index will measure the adjusted total return value of Class B Shares of the EuroFund. The total return value reflects the change in net asset value of Class B Shares of the

Continued

MITTS Securities will receive not less than 100% of the initial issue price in either the value of Class D Shares of the EuroFund or cash.

a. *Description of the MITTS Securities and the Underlying Merrill Lynch EuroFund.* Similar to equity linked term notes that are listed for trading pursuant to Section 107B of the Exchange's *Company Guide*, the MITTS Securities will have a limited term of between two and seven years. In addition: (i) both the issue (MITTS Securities) and the issuer (Merrill Lynch & Co., Inc.) meet the general criteria set forth in Section 107A of the Exchange's *Company Guide*; (ii) the issuer has a minimum tangible net worth in excess of $250,000,000 and otherwise substantially exceeds the earnings requirements set forth in Section 101(A) of the Exchange's *Company Guide*; (iii) the EuroFund has total net assets of approximately $2.16 billion; and (iv) the EuroFund's net asset value (''NAV'') is reported each day through the facilities of the National Association of Securities Dealers Automated Quotation System (''Nasdaq''). The continued listing guidelines governing the MITTS Securities are set forth in Sections 1001 through 1003 of the Exchange's *Company Guide*. In particular, Section 1003(b) regarding suspensions and delistings with respect to limited distribution and reduced market value will apply to MITTS Securities.

b. *Calculation and Dissemination of Net Asset and Index Values.* The EuroFund Index shall measure the adjusted total return of Class B Shares of the EuroFund. Such amount shall be equal to the change in price of EuroFund Class B Shares, plus cash dividends and distributions paid on EuroFund Class B Shares, less a percentage equal to approximately 2.25%–2.75%, each year, of the value of the EuroFund Index. The percentage reduction of the EuroFund Index will be applied to the total return of EuroFund Class B Shares on a pro rata basis each calendar day. This adjusted total return value will be disseminated once a day over the Consolidated Tape Association's Network B.[7]

In addition to the dissemination of the adjusted total return value, the EuroFund's NAV will be disseminated through the facilities of Nasdaq. If the EuroFund does not comply with Rule 22c–1 under the Investment Company Ac tof 1940,[8] which requires daily computation of a fund's current NAV, the Exchange will use the last available price in its calculation.

c. *Settlement of MITTS Securities.* Although the value of MITTS Securities will be calculated using EuroFund Class B Shares, MITTS Securities will settle in Class D Shares of the EuroFund. Under the proposal, MITTS Securities will settle by delivery of the number of Class D Shares of the EuroFund equal in value to the principal amount ($10 per MITTS Security) plus the Supplemental Redemption Amount,[9] if any, based on the NAV for Class D Shares determined on a specified data prior to the stated maturity of the MITTS Securities.[10] If the issuer is unable to deliver the Class D Shares because the EuroFund is not issuing Class D Shares to new investors in the EuroFund as of the date immediately prior to the stated maturity date, it will pay the equivalent amount in cash.

d. *Exchange Rule Applicable to MITTS.* Because MITTS Securities are linked to a portfolio of equity securities, the Exchange's equity floor trading rules and regular equity trading hours (9:30 a.m. to 4:00 p.m. Eastern Standard Time) will govern the trading of MITTS Securities. In addition, MITTS Securities will be subject to the equity margin rules of the Exchange.

In accordance with Exchange Rule 411, the Exchange shall impose a duty of due diligence on its members and member firms to determine the essential facts relating to customers prior to their purchasing and trading MITTS Securities. Furthermore, consistent with the offering of other structured products, the Exchange will distribute a circular to its membership prior to the commencement of trading in MITTS Securities to provide guidance regarding member frim compliance responsibilities, including appropriate suitability criteria and/or guidelines. The circular shall require that before a member, member organization, or employee of such member organization, undertakes to recommend a transaction in a MITT Security, such member or member organization should make a determination that the MITTS Security is suitable for such customer. As part of that determination, the person making the recommendation should have a reasonable basis for believing at the time of making the recommendation, that the customer has such knowledge and experience in financial matters that they may be capable of evaluating the risks and the special characteristics of the recommended transaction, including those highlighted, and that the customer is financially able to bear the risks of the recommended transaction. Lastly, as with other structured products, the Exchange will closely monitor activity in MITTS Securities to identify and deter any potential improper trading activity in the MITTS Securities.

2. *Statutory Basis*

The Exchange believes the proposed rule change in consistent with Section 6(b) of the Act,[11] in general, and furthers the objectives of Section 6(b)(5),[12] in particular in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in facilitating transactions in securities, and remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

EuroFund, plus cash dividends and distributions paid on those shares. The Amex will calculate the EuroFund Index value each day by reducing the EuroFund Index value by a percentage equal to the pro rata portion of an annual reduction factor. The annual reduction factor is expected to be between 2.25% and 2.75% and will be determined on the date that the MITTS Securities are priced for initial sale to the public. Holders of Class B Shares receive the value of their shares plus cash dividends and distributions paid on those shares less fees. Holders of the MITTS Securities receive at maturity the principal amount of their investment plus a Supplemental Redemption Amount based on the adjusted total return of Class B Shares of the Eurofund (as described above) which may be lower than what a holder of Class B EuroFund Shares might receive. The Amex represents that an explanation of this deduction will be included in any marketing materials, fact sheets, or any other materials circulated to investors regarding the trading of MITTS Securities.

[7] The Exchange represents that the EuroFund's value is updated only at the close of trading each day because that is the only time when the EuroFund's NAV is determined and disseminated. The Exchange believes this should not pose an obstacle to the trading of the MITTS Securities, anymore than it prevents investors from entering intra-day orders to purchase or redeem shares of the EuroFund's itself at a closing NAV that is unknown as the time the orders are entered.

[8] 17 CFR 270.22c–1.

[9] The Supplemental Redemption Amount, which may not be less than zero, will equal the principal amount ($10) multiplied by the percentage difference between the ending value of the EuroFund Index and the starting value [$10 ((ending EuroFund Index value—starting EuroFund Index value)/starting EuroFund Index value)]. The ending and starting EuroFund Index values used to calculate the Supplemental Redemption Amount shall reflect the application of the annual reduction fee.

[10] The specified date shall be two business days prior to the stated maturity of the MITTS Securities. Telephone conversation between Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission; Cliare McGrath, Vice President and Special Counsel, Exchange; and Thomas Lee, Vice President of Customized Investments, Merrill Lynch (July 16, 1998).

[11] 15 U.S.C. 78f(b).

[12] 15 U.S.C. 78f(b)(5).

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

The Exchange did not solicit or receive written comments with respects to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the Exchange consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submissions, all subsequent amendments, all written statement 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 persons, other than those that may be withheld from the public in accordance with the provisions of U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR–Amex–98–24 and should be submitted by August 17, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[13]

Jonathan G. Katz,

Secretary.

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[13] 17 CFR 200.20–3(c)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40235; File No. SR–CHX–98–09]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by The Chicago Stock Exchange, Incorporated Amending the SuperMax and Enhanced SuperMax Algorithms

July 17, 1998.

I. Background

On April 20, 1998, noticed is hereby given that on April 20, 1998, the Chicago Stock Exchange, Incorporated (''CHX'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] The proposed rule change was published for comment in the **Federal Register**.[2] The Commission granted accelerated approval to part of the proposal, the new SuperMAX algorithm, on a temporary basis until August 20, 1998. No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change on a permanent basis.

II. Description of the Proposal

The Exchange proposes to amend its SuperMax and Enhanced SuperMAX programs, located in subsections (c) and (e) of Rule 37 of Article XX. Specifically, the Exchange is proposing new algorithms to provide automated price improvement under SuperMax and Enhanced SuperMAX in 1⁄16th point markets.[3]

In 1997, virtually every registered national securities exchange and national securities association changed their minimum trading variation to one sixteenth of a point or smaller. Although the CHX made some technical changes to its SuperMax and Enhanced SuperMax programs at that time in light of assumptions as to the smallest minimum variation that were contained in the text of the SuperMax and Enhanced SuperMax rules, the CHX did not change the algorithms to reflect the additional price improvement opportunities that are available because of trading in sixteenths.[4] The purpose of the proposed rule change is to amend the existing programs to both simplify the price improvement algorithms and increase the number of orders that are eligible for price improvement due to the smaller minimum trading variation.[5]

Under the new simplified algorithm for SuperMax, small agency market orders[6] would now be eligible for price improvement if the market for the security is quoted with a spread of 1⁄8 of a point or greater (rather than the 1⁄4 point spread that is required under the existing rule). In addition, the double-up/double-down concept has been eliminated. The simplified algorithm will now provide 1⁄16th of a point price improvement from the Intermarket Trading System (''ITS'') best bid or offer (''BBO'') if an execution at the ITS BBO would be at least 1⁄8th point higher than (for a buy order) or lower than (for a sell order) the last primary market sale. Basically price improvement is given under certain circumstances when the security is trading between the spread. All other aspects of the existing algorithm, including operating time, timing of execution, applicability to odd-lots, and out of range situations, remain the same.

With respect to Enhanced SuperMax, the Exchange proposes to make this program an add-on feature for securities for which the SuperMax program has already been activated, rather than a stand-alone program. As stated in the Exchange's Report on the operation of the Enhanced SuperMax program that was provided to the Commission in advance of the Commission's permanent approval of Enhanced SuperMax program, taken as a whole, the existing SuperMax program provides more price improvement than the existing Enhanced SuperMax program. The Exchange believes that interconnecting the two programs will encourage more specialists to enable the SuperMax program, with greater resulting price improvement, since the Enhanced SuperMax program will only be available when SuperMax is enable.

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

[2] Securities Exchange Act Release No. 40017 (May 20, 1998), 63 FR 29277 (May 28, 1998).

[3] Both the SuperMAX and Enhanced SuperMAX programs have been approved by the Commission on a permanent basis. *See* Securities Exchange Act Release No. 32631 (July 14, 1993), 58 FR 39069 (July 21, 1993) (File No. SR–MSE–93–10) (Order approving SuperMax on a permanent basis), Securities Exchange Act Release No. 38338 (February 26, 1997), 62 FR 10102 (March 5, 1997) (File No. SR–CHX–97–02) (Order approving Exchange SuperMax on a permanent basis).

[4] *See* Securities Exchange Act Release No. 38816 (July 3, 1997), 62 FR 37325 (July 11, 1997) (File No. SR–CHX–97–18).

[5] Rather than amending the existing text of the SuperMax and Exchange SuperMax rules, the text of the existing rule has been deleted and replaced with new language. This was done to permit the Exchange to re-write the rule, with non-substantive changes, to clarify some language in the old rule that may have been ambiguous.

[6] Under the proposal, small agency market orders for SuperMax would be orders from 100 shares to 499 shares (or a greater amount chosen by the specialist).