

believe it is reasonable to conclude that the consideration paid to or received by Other Lending Funds in connection with a principal transaction with State Street or a State Street Entity will be reasonable and fair.

3. Section 17(e) of the Act makes it unlawful for any affiliated person of a registered investment company, or any Second-tier Affiliate, acting as broker in connection with the sale of securities to or by that registered investment company, to receive from any source a commission for effecting the transaction that exceeds specified limits. Rule 17e-1 provides that a commission shall be deemed a usual and customary broker's commission if certain procedures are followed by the registered investment company.

4. Applicants request relief under section 6(c) from section 17(e) to the extent necessary to permit State Street and the State Street Entities to receive fees or commissions for acting as broker or agent in connection with the purchase or sale of securities for any Other Lending Fund for which State Street or a State Street Entity becomes a Second-tier Affiliate solely because of the investment by the Other Lending Fund in Shares.

5. Applicants submit that brokerage or similar transactions by State Street or a State Street Entity for the Other Lending Funds raise no possibility of self-dealing or any concern that these Other Lending Funds would be managed in the interest of State Street or a State Street Entity. Applicants believe that each transaction between an Other Lending Fund and State Street or a State Street Entity would be the product of arms-length bargaining because each adviser or sub-adviser to an Other Lending Fund would have no interest in benefiting State Street or a State Street Entity at the expense of the Other Lending Fund.

#### **Applicants' Conditions**

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

1. The securities lending program of each Registered Lending Fund will comply with all present and future applicable guidelines of the SEC and its staff regarding securities lending arrangements.

2. The approval of an Affiliated Lending Fund's Board, including a majority of the Disinterested Directors, shall be required for the initial and subsequent approvals of State Street's service as lending agent for the Affiliated Lending Fund pursuant to the Program, for the institution of all procedures relating to the Program as it relates to the Affiliated Lending Fund,

and for any periodic review of loan transactions for which State Street acted as lending agent pursuant to the Program.

3. No Registered Lending Fund will purchase Shares of any Investment Fund unless participation in the Program has been approved by a majority of the Disinterested Directors of the Registered Lending Fund. Such directors and trustees also will evaluate the Program no less frequently than annually and determine that investing Cash Collateral in the Investment Funds is in the best interests of the shareholders of the Registered Lending Fund.

4. Investment in Shares of an Investment Fund by a particular Registered Lending Fund will be consistent with the Registered Lending Fund's investment objectives and policies. A Money Market Lending Fund that complies with rule 2a-7 under the Act will not invest its Cash Collateral in an Investment Fund that does not comply with the requirements of rule 2a-7.

5. Investment in Shares of an Investment Fund by a particular Registered Lending Fund will be in accordance with the guidelines regarding the investment of Cash Collateral specified by the Registered Lending Fund in the Lending Agreement. A Registered Lending Fund's Cash Collateral will be invested in a particular Investment fund only if that Investment Fund has been approved for investment by the Registered Lending Fund and if that Investment Fund invests in the types of instruments that the Registered Lending Fund has authorized for the investment of its Cash Collateral.

6. Shares of an Investment Fund will not be subject to a sales load, redemption fee or asset-based sales charge or service fee (as defined in rule 2830(b)(9) of the Conduct Rules of the National Association of Securities Dealers, Inc.).

7. None of the Investment Funds may purchase shares of any investment company.

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

**Jonathan G. Katz,**

*Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-40373; File No. 4-208]

### **Intermarket Trading System; Notice of Filing of Proposed Thirteenth Amendment to the ITS Plan Relating to the Elimination of the Requirement That the Cincinnati Stock Exchange, Inc. Submit Proposed Rule Changes to Its Rule 11.9 or the Description of NSTS Processing to Other ITS Participants for Review and Comment Prior to Filing Such Changes With the Securities and Exchange Commission, and Making Certain Technical Changes**

August 27, 1998.

Pursuant to Rule 11 Aa3-2 under the Securities Exchange Act of 1934 ("Exchange Act" or "Act"), notice is hereby given that on August 17, 1998, the Intermarket Trading System ("ITS") submitted to the Securities and Exchange Commission ("Commission") an amendment ("Thirteenth Amendment") to the restated ITS Plan.<sup>1</sup> The purpose of the amendment is to (1) eliminate the requirement that the Cincinnati Stock Exchange, Inc., submit proposed rule changes to its Rule 11.9 or the description of NSTS processing to other ITS Participants for review and comment prior to filing such changes with the Commission; (2) recognize the change in corporate name from the Pacific Stock Exchange, Inc. ("PSE") to the Pacific Exchange, Inc. ("PCX"); (3) change the corporate address of the CSE; and (4) make a technical correction to Section 8(e)(iv)(D). The Commission is publishing this notice to solicit comments on the amendment from interested persons.

The ITS is a communications and order routing network linking eight national securities exchanges and the electronic over-the-counter ("OTC") market operated by the National Association of Securities Dealers, Inc. ("NASD"). The ITS was designed to facilitate intermarket trading in exchange-listed equity securities based on current quotation information emanating from the linked markets.

Participants to the ITS Plan include the American Stock Exchange, Inc. ("Amex"), the Boston Stock Exchange, Inc. ("BSE"), the Chicago Board Options Exchange, Inc. ("CBOE"), the Chicago Stock Exchange, Inc. ("CHX"), the Cincinnati Stock Exchange, Inc. ("CSE"), the NASD, the New York Stock

<sup>1</sup> The ITS Plan is a National Market System ("NMS") plan approved by the Commission pursuant to Section 11A of the Act and Rule 11Aa3-2. Exchange Act Release No. 19456 (January 27, 1993), 48 FR 4938.

Exchange, Inc. ("NYSE"), the PCX, and the Philadelphia Stock Exchange, Inc. ("PHLX").

### I. Description of the Amendment

The purpose of the amendments is to (1) eliminate the requirement that the CSE must submit proposed changes to its Rule 11.9 or the description of NSTS processing to other ITS Participants for review and comment prior to filing such changes with the Commission; (2) recognize the change in corporate name from the Pacific Stock Exchange, Inc. ("PSE") to the Pacific Exchange, Inc. ("PCX"); (3) change the corporate address of the CSE; and (4) make a technical correction to Section 8(e)(iv)(D).

The amendment concerning prior review of CSE rule changes responds to the Commission's request in its letter to all Participants, dated May 27, 1997.<sup>2</sup>

To amend the second paragraph of Section 8(e)(iii) to read, in full, as follows: 8. Participants' Implementation Obligations. (e) CSE Implementation Obligations (iii) NSTS Rule Changes.

The CSE shall not alter (A) the obligations of a Designated Dealer set out in CSE Rule 11.9 so as to remove the obligation of Designated Dealers to make continuous, two-sided markets in stocks assigned to them as Designated Dealers or (B) the definition of "Contributing Dealer" in CSE Rule 11.9 so as to remove the obligations of Contributing Dealers to provide to all NSTS Users through NSTS, during CSE trading hours, regular bids and offers in stocks in which they are registered as Contributing Dealers.

To change all references to "Pacific Stock Exchange" and "PSE" to "Pacific Exchange" and "PCX", respectively. The sections to be amended are: Preamble, first paragraph; Section 1(33), (34A), (34B), Section 3, Section 6(a)(ii), Section 7(a) and Section 11(a)(iii)(E-1).

To amend Section 3, in part, as follows: Cincinnati Stock Exchange, Inc. ("CSE"), registered as a national securities exchange under the Act and having its principal place of business at One Financial Place, 440 South LaSalle Street, Suite 2600, Chicago, Illinois 60605.

To cause the second sentence of subsection (e)(iv)(D) of Section 8 to read, in full, as follows: The other Participants undertake to consider in good faith any such proposed interpretation with a view towards making a determination as anticipated by section 1(1B) that "Approved Dealer"

no longer excludes "Contributing Dealers."

### II. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed amendments are consistent with the Act. 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 plan amendment that are filed with the Commission, and all written communications relating to the proposed plan amendment 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 the filing will also be available for inspection and copying at the principal office of the ITS. All submissions should refer to File No. 4-208 and should be submitted by September 24, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>3</sup>

**Jonathan G. Katz,**  
Secretary.

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### SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-7568; 34-40377; 35-26912; 1A-1749; and 1C-23416]

#### Commission Statement of Policy on Regulatory Moratorium to Facilitate the Year 2000 Conversion

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Policy Statement.

**SUMMARY:** The Securities and Exchange Commission ("SEC" or "Commission") is announcing a moratorium on the implementation of new Commission rules that require major reprogramming of computer systems by SEC-regulated entities between June 1, 1999 and March 31, 2000. The moratorium is intended to facilitate and encourage securities industry participants to allocate significant time and resources to addressing the potential problems

caused by the Year 2000 computer technology conversion.

**FOR FURTHER INFORMATION CONTACT:** Primary Contacts—Sheila Slevin at (202 942-0796), or Sarrita Cypress at (202 942-0735), Division of Market Regulation. Secondary Contacts for Specific Program Areas—Mauri Osheroff at (202 942-2840), Division of Corporation Finance, or Robert E. Plaze (202 942-0716), Division of Investment Management.

#### SUPPLEMENTARY INFORMATION:

##### I. Background

The "Year 2000 problem" is generally understood to be a problem caused by computerized systems that are programmed to use a two-digit rather than four-digit number to represent the year. The "19" that precedes dates in this century was assumed. Consequently, systems programmed in this fashion may mistake the Year 2000 for 1900, or some other incorrect date. To mitigate potential problems caused by the Year 2000 computer conversion, the SEC has worked closely with the securities industry to encourage participants to remediate systems that are not Year 2000 compliant and test systems that are critical to the operation of the nation's capital markets as the millennium approaches.

##### II. Year 2000 Regulatory Moratorium

Because the Commission views the Year 2000 problem as an extremely serious issue, it has determined to declare a moratorium on the implementation of new Commission rules requiring major reprogramming. Under this moratorium, no new Commission rules requiring major reprogramming will be made effective between June 1, 1999 and March 31, 2000.

Although the Commission will continue to consider necessary revisions to its rules, it will refrain from putting into effect changes to its rules having a major impact on computer systems during this critical transition period. Of course, the Commission reserves the right to implement new rules, where such rulemaking is necessary to protect the public interest in response to emergency conditions or special circumstances that may arise during the moratorium.<sup>1</sup>

The regulatory moratorium is limited to Commission rulemaking and shall not apply to rule changes by self-regulatory organizations, such as the National Association of Securities Dealers, Inc.

<sup>1</sup> This moratorium will not apply to rules designed to implement changes to the EDGAR system.

<sup>2</sup> See letter from Jonathan G. Katz, Secretary, Commission, to ITS Participants, dated May 27, 1997.

<sup>3</sup> 17 CFR 200.30-3(a)(29).