

**First Investors High Yield Fund, Inc.  
[File No. 811-4674]**

*Summary:* Applicant seeks an order declaring that it has ceased to be an investment company. On March 14, 2000, applicant transferred its assets to First Investors Fund for Income, Inc. based on net asset value. Expenses of \$69,636 incurred in connection with the reorganization were paid by applicant, the acquiring fund, and applicant's investment adviser.

*Filing Date:* The application was filed on June 20, 2000.

*Applicant's Address:* 95 Wall Street, New York, New York 10005.

**Evergreen Small Company Growth Fund (formerly Keystone Small Company Growth Fund (S-4)) [File No. 811-101] Evergreen Small Company Growth Fund II (formerly Keystone Small Company Growth Fund II) [File No. 811-7457]**

*Summary:* Each applicant seeks an order declaring that it has ceased to be an investment company. On January 24, 1998, each applicant transferred all of its assets to Evergreen Small Company Growth Fund, a newly created series of Evergreen Equity Trust, based on net asset value. First United National Bank, the parent of applicants' investment adviser, paid all expenses incurred in connection with each reorganization.

*Filing Date:* Each application was filed on August 17, 2000.

*Applicants' Address:* 200 Berkeley Street, Boston, Massachusetts 02116.

**Trust for Federal Securities [File No. 811-2573]**

*Summary:* Applicant seeks an order declaring that it has ceased to be an investment company. On February 10, 1999, applicant transferred its assets to Provident Institutional Funds based on net asset value. Applicant incurred no expenses in connection with the reorganization.

*Filing Date:* The application was filed on August 4, 2000.

*Applicants' Address:* 400 Bellevue Parkway, Wilmington, Delaware 19809.

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. 34-43204; File No. SR-CHX-00-22]**

**Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change and Amendment Nos. 1 and 2 by The Chicago Stock Exchange, Incorporated Relating to the Securities Industry Transition to Decimal Pricing**

August 24, 2000.

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> notice is hereby given that on July 17, 2000, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change, as described in Items I and II below, which Items have been prepared by the CHX. The CHX amended the proposal on August 22, 2000 and August 24, 2000, respectively.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change, as amended, on an accelerated basis.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend certain CHX rules that will be impacted by the securities industry transition to decimal pricing. Specifically, the Exchange proposes to amend portions of Article XX, Rule 37. The text of the proposed rule change is available at the Commission and the CHX.

**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 CHX included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received regarding the proposed rule change. The text of these

statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

**A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change****1. Purpose**

The Exchange proposes to amend certain CHX rules that will be impacted by the transition to decimal pricing. Specifically, the Exchange proposes three groups of changes to Article XX, Rule 37, which would (i) revise the Exchange's existing automated price improvement algorithms to provide price improvement in decimal increments; (ii) remove the "pending auto-stop" functionality in the Exchange's systems; and (iii) allow a specialist, on an issue by issue basis, to establish an auto execution guarantee that is not dependent on the ITS Best Bid or Offer ("ITS BBO") or National Best Bid or Offer ("NBBO") size. The Exchange believes that decimal pricing is likely to affect the CHX trading environment, and the interaction between the CHX and the national market system, in a manner that necessitates rule amendments, such as these, that are designed to minimize the impact of decimalization of trading operations. The Exchange will implement the proposed rule change on a pilot basis through February 28, 2001.

*Price Improvement Changes.* The Exchange proposes to amend Rule 37(d), (e), (f) and (g), which govern the Exchange's price improvement programs, known as SuperMAX Plus, SuperMAX, Enhanced SuperMAX and Derivative SuperMAX. Under the amended rules, each price improvement program would provide for price improvement of \$.01 under the circumstances set forth below. If the criteria set forth below are not satisfied (or if an issue is trading in a decimal minimum price variation other than \$.01), the orders would not be eligible for price improvement, but would be executed at the ITS BBO (or NBBO in the case of Nasdaq National Market ("Nasdaq NM") issues).

For orders of 100-199 shares (or more, if specified by the specialist and approved by the Exchange) for Dual Trading System issues<sup>4</sup> trading in decimals, SuperMAX Plus would

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

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

<sup>3</sup> See Letter dated August 21, 2000, from Paul B. O'Kelly, Executive Vice President, CHX, to Alton S. Harvey, Office Head, Division of Market Regulation ("Division"), Commission ("Amendment No. 1"). Amendment No. 1 requests accelerated approval of the proposed rule change on a pilot basis through February 28, 2001. See also Letter dated August 22, 2000, from Paul B. O'Kelly, Executive Vice President, CHX, to Alton S. Harvey, Office Head, Division, Commission ("Amendment No. 2"). Amendment No. 2 withdraws proposed amendments to Rule 37(b)(6).

<sup>4</sup> "Dual Trading System issues" are securities that are listed and traded on the CHX and either the New York Stock Exchange or the American Stock Exchange.

provide for automatic execution at \$.01 lower than the ITS Best Offer (for a buy order) or \$.01 higher than the ITS Best Bid (for a sell order) if the spread between the ITS Best Bid and the ITS Best Offer is at least \$.03 and the last primary market sale is at least \$.03 lower than the ITS Best Offer (for a buy order) or higher than the ITS Best Bid (for a sell order).

For orders of 100–199 shares (or more, if specified by the specialist and approved by the Exchange) for Nasdaq NM issues trading in decimals, SuperMAX Plus would provide for execution at \$.01 lower than the National Best Offer (“NBO”) (for a buy order) or \$.01 higher than the National Best Bid (“NBB”) (for a sell order) if the spread between the NBB and the NBO is at least \$.03.<sup>5</sup>

For orders of 200–499 shares (or more, if specified by the specialist and approved by the Exchange) for Dual Trading System issues trading in decimal pricing increments, SuperMAX would provide for execution at \$.01 lower than the ITS Best Offer (for a buy order) or \$.01 higher than the ITS Best Bid (for a sell order) if the spread between the ITS Best Bid and the ITS Best Offer is at least \$.05 and the last primary market sale is at least \$.05 lower than the ITS Best Offer (for a buy order) or higher than the ITS Best Bid (for a sell order).<sup>6</sup>

For orders exceeding 499 shares for Dual Trading System issues trading in decimal pricing increments, Enhanced SuperMAX<sup>7</sup> would provide for execution at \$.01 better than the stopped price if the first primary market sale during the Time Out Period is at least \$.10 lower than the stopped price (for a buy order) or higher than the stopped price (for a sell order).

For order eligible for Derivative SuperMAX (i.e., orders for certain issues designated by the Exchange’s Board of Governors from time to time), in the case of issues trading in decimals,

Derivative SuperMAX would provide for execution at \$.01 lower than the ITS Best Offer (for a buy order) or \$.01 higher than the ITS Best Bid (for a sell order) if the spread between the ITS Best Bid and the ITS Best Offer is at least \$.03.<sup>8</sup>

*Removal of the Pending Auto-Stop Functionality.* For similar reasons, the Exchange proposes to amend Rule 37(b)(10) to eliminate the Exchange’s “pending auto-stop” function. Under the current rule, all agency market orders from 100 to 599 shares that are not automatically executed because, among other things, the order size exceeds the quantity at the ITS BBO, are designated as “pending auto-stop orders.” Such orders are stopped, and due an execution at the ITS BBO thirty seconds after entry into the Exchange’s Midwest Automated Execution (“MAX”) system, unless the order has been canceled, executed, manually stopped, or put on hold during the thirty second period. Once an order is stopped, a text message to that effect is automatically sent to the order-sending firm.

The Exchange believes that this feature is not practicable in the decimal pricing environment, given the anticipated dramatic increases in quote traffic and the systems issues associated with generating administrative notifications regarding pending auto-stop. Additionally, the Exchange believes that trading in decimals will significantly increase stock price points and, as a result, will likely decrease the quantities associated with the ITS BBO price point and increase the rate of change in the ITS BBO price point. Both of these factors will reduce a specialist’s ability to offset the pending auto-stop guarantee to a degree that the CHX is not now able to quantify. Under these circumstances, the Exchange believes that it would be imprudent to continue to provide such a guarantee.

*Changes Relating to Relationship Between Automatic Execution Guarantee and BBO Size.* The rationale set forth above relating to the likely decrease in the quantities associated with the BBO price point also supports the Exchange’s proposed rule change permitting CHX specialists to designate automatic execution guarantee levels that are not dependent on the BBO. Under the current Rule 37(b)(11), an order is not eligible for automatic execution on the Exchange if the order is larger than the then-current BBO size. If decimalization results in decreased

quantities at each price point, this decrease would effect a corresponding decrease in the number of orders eligible for automatic execution on the Exchange. To accommodate customer demand for automatic execution, the Exchange believes that the proposed rule change is necessary. As amended, the rule would permit a CNX specialist to designate, on an issue-by-issue basis, automatic execution guarantees that could exceed the BBO size. Such an election would be strictly voluntary and thus would not operate to increase the exposure of any specialist who desired to maintain the protections of the existing rule.

## 2. Statutory Basis

The CHX believes that the proposed rule is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange. In particular, the CHX believes that the proposed rule is consistent with section 6(b)(5)<sup>9</sup> of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and to perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

### 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.

### 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 on the proposed rule change.

## III. Commission’s Findings and Order Granting Accelerated Approval of the Proposed Rule Change

The Commission finds that the proposed rule change, as amended, is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of section 6(b) of the Act.<sup>10</sup> Specifically, the Commission finds that the proposed rule change is consistent with the section 6(b)(5)<sup>11</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to

<sup>5</sup> The existing SuperMAX Plus algorithm provides for price improvement of  $\frac{1}{16}$ th of a point if the ITS BBO spread is  $\frac{1}{8}$ th of a point or greater and, in the case of Dual Trading System issues, the last primary market sale is at least  $\frac{1}{16}$ th of a point lower than (for a buy order) or higher than (for a sell order) the ITS BBO.

<sup>6</sup> The existing SuperMAX algorithm provides for a price improvement of  $\frac{1}{16}$ th of a point if the ITS BBO spread is  $\frac{1}{8}$ th of a point or greater and the last primary market sale is at least  $\frac{1}{16}$ th of a point lower than (for a buy order) or higher than (for a sell order) the ITS BBO.

<sup>7</sup> Enhanced SuperMAX provides that under certain circumstances, an eligible order is “stopped” for a thirty-second “Time Out Period” during which a specialist may seek a better price for the customer. If an order is stopped pursuant to the Enhanced SuperMAX terms, the order is guaranteed no worse than the ITS BBO at the time the order was stopped.

<sup>8</sup> The existing Derivative SuperMAX algorithm provides for price improvement of  $\frac{1}{64}$ th of a point if the ITS BBO spread is  $\frac{1}{16}$ th of a point or greater.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

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

<sup>11</sup> 15 U.S.C. 78f(b)(5).

prevent fraudulent and manipulative acts and, in general, to protect investors and the public interest.<sup>12</sup>

The Commission believes that the proposed rule change may help to facilitate a smooth transition to decimal pricing. For example, proposed Rules 37(b)(10) and (11) should help to ensure that customer demand for automatic execution will continue to be satisfied in a decimals environment. Specifically, proposed Rule 37(b)(11) permits specialists to guarantee, on an issue-by-issue basis, automatic executions of orders that exceed the ITS BBO or NBBO size at the specified price. The Commission believes that decimal pricing could result in decreased quantities at each price, which would result in a corresponding decrease in the number of orders eligible for automatic execution on the Exchange. Thus, the proposed rule change benefits investors by providing specialists the flexibility to automatically execute orders larger than the current ITS BBO or NBBO size.

In addition, Rule 37(b)(10) currently requires all agency market orders from 100 to 599 shares that are not automatically executed because, among other things, the order exceeds the ITS BBO quantity, to be designated as "pending auto-stop orders." These orders are stopped and due an execution at the ITS BBO thirty seconds after entry into the Exchange's MAX system. As stated above, the Commission believes that decimal pricing may result in decreased quantities at each price, which in turn would result in fewer automatic executions. The Commission believes that the proposed rule change may help to alleviate this concern by eliminating the pending auto-stop function. The Commission believes that the removal of this provision will help to ensure demand for automatic execution continues to be satisfied.

Finally, proposed changes to Rule 37(d), (e), (f), and (g) amend the Exchange's automated price improvement algorithms to accommodate decimal pricing. Specifically, the proposal provides for a \$.01 price improvement to orders that meet the requirements of the applicable provisions of the rule. The Commission believes that the proposal will benefit investors and the public interest by continuing to provide an opportunity for price improvement for stocks that trade in decimals.

The Commission believes that it is consistent with the protection of investors and the public interest and

therefore finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **FEDERAL REGISTER**. The proposed rule change is designed to permit a smooth transition to decimal pricing, which is scheduled to begin in certain securities on August 28, 2000. In addition, the Commission notes that the proposed rule change is being approved on a pilot basis only, through February 28, 2001. In light of these factors, the Commission finds good cause to approve the proposed rule change on an accelerated basis.

#### 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 submissions should fix six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of the submissions, 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 filings will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to the File No. SR-CHX-00-22 and should be submitted by September 21, 2000.

#### V. Conclusion

It Is Therefore Ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (SR-CHX-00-22), as amended, is approved through February 28, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43203; File No. SR-CHX-00-13]

### Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change and Amendment Nos. 1 and 2 by The Chicago Stock Exchange, Incorporated Relating to Participation in Crossing Transactions Effected on the Exchange Floor

August 24, 2000.

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> notice is hereby given that on May 3, 2000, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change, as described in Items I and II below, which Items have been prepared by the CHX. The CHX amended the proposal on August 22, 2000 and August 23, 2000, respectively.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change, as amended, on an accelerated basis.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Article XX, Rule 23 of the Exchange's rules governing participation in crossing transactions effected on the Exchange floor. The text of the proposed rule change is available at the Commission and the CHX.

#### 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 CHX included statements concerning the purpose of, and basis for, the proposed rule change and discussed any

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

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

<sup>3</sup> See Letter dated August 21, 2000, from Paul B. O'Kelly, Executive Vice President, CHX, to Alton S. Harvey, Office Head, Division of Market Regulation ("Division"), Commission ("Amendment No. 1"). Amendment No. 1 requests accelerated approval of the proposed rule change on a pilot basis through February 28, 2001. Amendment No. 1 also extends the provisions of Rule 23 to Nasdaq National Market securities. See also Letter dated August 22, 2000, from Paul B. O'Kelly, Executive Vice President, CHX, to Alton S. Harvey, Office Head, Division, Commission ("Amendment No. 2"). Amendment No. 2 withdraws the portion of Amendment No. 1 that extends Rule 23 to Nasdaq National Market securities.

<sup>12</sup> In approving this rule change, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup> 17 CFR 200.30-3(a)(12).