

the adviser. Investors need this information to determine whether to retain or continue to employ the investment adviser.

There are 22,500 investment advisers subject to this rule. It is estimated that the burden resulting from the rule is 551,250 total annual hours.

Rule 6a-3 requires a registered or exempted exchange to file with the Commission (i) notification of any action that renders its application or annual amendment inaccurate, (ii) material it issues or makes available to members, and (iii) a monthly report concerning the activities on the exchange.

There are 8 registered exchanges and 1 exempted exchange that must comply with Rule 6a-3. Each of these 9 respondents file supplemental information under Rule 6a-3 approximately 25 times each year, for a total of 225 annual responses. Each response requires no more than one-half hour. Thus, the total compliance burden for registered and exempted exchanges per year is 112.5 hours.

General comments regarding the estimated burden hours should be directed to the Desk Officer for the Securities and Exchange Commission at the address below. Any comments concerning the accuracy of the estimated average burden hours for compliance with Commission rules and forms should be directed to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 and Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, D.C. 20503.

Dated: December 30, 1996.

Margaret H. McFarland,
Deputy Secretary.

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BILLING CODE 8010-01-M

[Investment Company Act Release No. 22440; 811-4638]

The Arch Tax-Exempt Trust

January 3, 1997.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: The Arch Tax-Exempt Trust.

RELEVANT ACT SECTION: Order requested under section 8(f) of the Act.

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

FILLING DATE: The application was filed on September 18, 1996 and amended on December 27, 1996.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 28, 1997, and should be accompanied by proof of service on the applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state that 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, N.W., Washington, D.C. 20549. Applicant, 3435 Stelzer Road, Columbus, Ohio 43219-3035.

FOR FURTHER INFORMATION CONTACT: Kathleen L. Knisely, Staff Attorney, at (202) 942-0517, or Alison E. Baur, 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.

Applicant's Representations

1. Applicant is an open-end non-diversified management investment company organized as a Massachusetts business trust and consisting of four portfolios: Arch Tax-Exempt Money Market Portfolio, Arch Tax-Exempt Money Market Portfolio Class B,¹ Arch Missouri Tax-Exempt Bond Portfolio, and Arch Kansas Tax-Exempt Bond Portfolio.²

2. On April 16, 1986, applicant filed a Notification of Registration on Form N-8A pursuant to section 8(a) under the Act and a registration statement on Form N-1A under the Securities Act of 1933. The registration statement became

effective on June 30, 1986 and the initial public offerings commenced thereafter.

3. On June 27, 1995, applicant's board of directors approved an Agreement and Plan of Reorganization (the "Plan") whereby applicant would exchange its net assets shares of The Arch Fund, Inc., a Maryland corporation registered under the Act as an open-end management investment company, in exchange for common shares of The Arch Fund, Inc. Pursuant to rule 17a-8 under the Act,³ applicant's board of directors determined that the proposed reorganization was in the best interest of applicant and that the interests of the existing shareholders would not be diluted as a result of the proposed reorganization.

4. In approving the Plan, the directors considered the impact of the proposed reorganization on applicant's shareholders, including the elimination of duplicative professional and other costs, the potential for increased operational and administrative efficiencies, and the reduction of certain fixed costs on a per share basis.

5. On August 21, 1995, applicant filed definitive proxy materials with the SEC that were mailed to its shareholders on August 22, 1995. Applicant's shareholders approved the Plan at a special meeting held on September 26, 1995.

6. Pursuant to the Plan, on October 2, 1995, applicant transferred all of the assets and liabilities of The Tax-Exempt Money Market and The Missouri Tax-Exempt Bond Portfolio (the "Transferor Portfolios") to "shell" portfolios of The Arch Fund, Inc. ("New Portfolios") in exchange for shares of the New Portfolios. Each shareholder of the Transferor Portfolios received a like number and type of full and fractional shares of the corresponding New Portfolio having an aggregate net asset value equal to the aggregate net asset value of such shareholder's interest in the respective Transferor Portfolio immediately prior to the reorganization. No brokerage commissions were paid in connection with the transfer.

7. Expenses incurred in connection with the reorganization totaled \$38,569.88 and included legal expenses, filing fees, and proxy solicitation and shareholder meeting expenses. These expenses were assumed by the corresponding portfolios of The Arch

¹ The Arch Tax-Exempt Money Market Portfolio Class B was liquidated through redemption of all publicly held Class B shares of beneficial interest during the period June 30 through July 13, 1989.

² The Arch Kansas Tax-Exempt Bond Portfolio never commenced operations and there was no public offering of its shares.

³ Rule 17a-8 provides an exemption from section 17(a) of the Act for certain reorganizations among registered investment companies that may be affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers.

Fund, Inc. upon consummation of the reorganization.

8. As of the date of the application, applicant had no shareholders, securities, debts or other liabilities. Applicant is not a party to any litigation or administrative proceeding. Applicant is neither engaged, nor proposes to engage, in any business activities other than those necessary for the winding up of its affairs.

9. Applicant intends to file the necessary documentation with the Commonwealth of Massachusetts to effect its termination as a Massachusetts business trust.

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

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34-38117; File No. SR-CSE-96-08]

Self-Regulatory Organizations; Cincinnati Stock Exchange; Order Granting Approval to Proposed Rule Change Relating to Continuous or Regular Quotation Obligations

January 3, 1997.

I. Introduction

On October 3, 1996, the Cincinnati Stock Exchange ("CSE" 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 issue a reiteration and clarification of its rules concerning dealer obligations to provide continuous or regular two-sided quotations.

The proposed rule change was published for comment in Securities Exchange Act Release No. 37811 (October 11, 1996), 61 FR 54472 (October 18, 1996). No comments were received on the proposal.

II. Description

The purpose of the proposed rule change is to clarify the obligations of CSE Designated Dealers, Qualified Dealers, and Contributing Dealers (collectively, "CSE Dealers") to provide continuous or regular two-sided quotations, as the case may be, during the trading day.³ Currently, CSE Rules

11.8 and 11.9 set forth the requirements for CSE Dealers' quotations obligations. To clarify these requirements, the CSE is proposing to adopt a Regulatory Circular ("Circular"), which sets forth the obligations of a CSE Dealer to comply with CSE Rule 11.8 and 11.9 in providing quotes. Upon Commission approval of the Circular, the CSE will be disseminating the Circular to CSE Dealers and the requirements in the Circular will be fully enforceable as a rule of the Exchange. The Circular will provide guidance concerning quotation obligations at the opening and intra-day, during computer systems problems, and in unusual market conditions. In addition, the Circular will delineate enforcement standards for non-compliance with CSE rules pertaining to quotation obligations.

Specifically, the Circular will reiterate the obligations of a Designated Dealer or Qualified Dealer to display a two-sided quotation for a security immediately following the opening of the security on the primary market, and immediately to reestablish a quotation if that quotation is taken out during the day as a result of a transaction. The Exchange will thus reemphasize the need for Designated Dealers and Qualified Dealers to maintain continuous, two-sided quotations throughout the trading day.

Moreover, the Circular will specify the notification procedures to be followed in the event of a computer system problem that prevents a CSE Dealer from providing continuous or regular two-sided quotations. Frequent systems problems may result in the CSE Dealer's deregistration in certain issues by the Exchange's Market Performance Committee ("MPC"), or may be considered by the MPC as a factor in a request to become a dealer in additional securities. In addition, the Circular

net capital amount and who has been approved by the CSE's Securities Committee to perform market making functions by entering bids and offers into the Exchange's trading systems. See CSE Rule 11.9(a)(3). During Exchange trading hours, a Designated Dealer is required to provide continuous bids and offers for round lots of issues for which the member is registered as a Designated Dealer. See CSE Rule 11.9(c)(iii).

A "Contributing Dealer" is defined as a member who maintains a minimum net capital amount and during Exchange trading hours provides regular bids and offers for round lots of issues for which the member is registered. See CSE Rule 11.9(a)(4). Currently, no CSE member is registered with the Exchange as a Contributing Dealer. Telephone Conversation between Adam Gurwitz, Director of Legal Affairs, CSE, and Jon Kroeper, Attorney, SEC, dated January 2, 1997.

A "Qualified Dealer" is defined as a member who has been approved by the CSE's Securities Committee to provide to all members during Exchange trading hours a continuous two-sided market in odd-lots of issues for which the member is designated a Qualified Dealer. See CSE Rule 11.8.

states that the existence of unusual market conditions will not exempt a CSE Dealer from its continuous or regular quotation obligations.

Finally, the Circular will place CSE members on notice that they will be informed of their compliance status at least quarterly, and will set forth possible sanctions resulting from non-compliance. In this regard, the Circular states that initial non-compliance may lead to a warning letter or a fine, while further non-compliance may lead to the imposition of sanctions, which may include a fine and deregistration in one or more issues. The Circular also states, however, that the MPC may impose sterner or swifter action, including sanctions, as it may find appropriate.

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).⁴ In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) 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.

The Commission finds that the Circular sets forth an adequate reiteration of CSE Dealers' existing obligations under Exchange rules to provide continuous or regular two-sided quotations, as the case may be,⁵ during Exchange trading hours. As was noted above, the Circular states that a Designated Dealer or Qualified Dealer shall immediately display a two-sided quotation as soon as the security opens on the primary market and that the dealer must immediately reestablish a bid or offer if its quote has been taken out as the result of a transaction.

In addition, the Commission believes that the Circular will provide CSE Dealers with appropriate clarification as to their continuous or regular quotation obligations under Exchange rules during the occurrence of unusual market conditions and in the event of systems problems at the Exchange or a member firm. The Circular clearly states that a CSE Dealer is not exempted from its obligation to provide continuous or regular two-sided quotations during the occurrence of unusual market conditions. Moreover, the Circular references the procedures, adopted in a

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term "Designated Dealer" is defined by the Exchange as a member who maintains a minimum

⁴ 15 U.S.C. 78f(b).

⁵ See *supra* note 3.