

and the basis upon which the finding was made, will be recorded fully in the minute books of the Parent Fund.

4. Any sales charges or service fees charged with respect to shares of each Parent Fund, when aggregated with any sales charges or service fees paid by the Parent Fund with respect to shares of any Underlying Fund, shall not exceed the limits set forth in Rule 2830 of the Rules of Conduct of the National Association of Securities Dealers, Inc.

5. Applicants will provide the following information, in electronic format, to the Chief Financial Analyst of the SEC's Division of Investment Management: monthly average total assets for each Parent Fund and each of its Underlying Funds; monthly purchases and redemptions (other than by exchange) for each Parent Fund and each of its Underlying Funds; monthly exchanges into and out of each Parent Fund and each of its Underlying Funds; month-end allocations of each Parent Fund's assets among its Underlying Funds; annual expense ratios for each Parent Fund and each of its Underlying Funds; and a description of any vote taken by the shareholders of any Underlying Fund, including a statement of the percentage of votes cast for and against the proposal by its Parent Fund and by the other shareholders of the Underlying Funds. Such information will be provided as soon as reasonably practicable following each fiscal year-end of the Parent Funds (unless the Chief Financial Analyst shall notify the Parent Funds or OFFITBANK in writing that such information need no longer be submitted).

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

Deputy Secretary.

[FR Doc. 97-686 Filed 1-10-97; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22442; 811-1341]

Special Portfolios, Inc.; Notice of Application

January 6, 1997.

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

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

APPLICANT: Special Portfolios, Inc.

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

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

FILING DATES: The application was filed on October 31, 1996 and amended on December 26, 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 February 10, 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 the 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, 500 Bielenberg Drive, Woodbury, Minnesota 55125.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Senior Staff Attorney, at (202) 942-0572, 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 a registered open-end management investment company and is organized as a corporation under the laws of Minnesota. Applicant registered under the Act and filed a registration statement on Form S-5 on March 16, 1996. At that time, applicant's name was "Josten Growth Fund, Inc." On July 19, 1966, the registration statement was declared effective and applicant commenced its initial public offering.

2. Due to the relatively small size and uneconomical nature of applicant, applicant's board of directors concurred with the recommendation of applicant's investment adviser that shareholders be invited to redeem their shares so that applicant could be liquidated. Accordingly, a letter was sent to applicant's shareholders. In response, during the period from March 1, 1996 through April 8, 1996, all remaining shareholders, including the Fortis, Inc. Profit Sharing Plan, chose to redeem their shares of applicant.¹ All

¹ The profit sharing plan owned approximately 97% of applicant's shares subsequent to March 1, 1996.

redemptions were made at net asset value as of the date of redemption.

3. No expenses were incurred in connection with the redemption of shares, other than normal shareholder servicing expenses. Applicant's investment adviser has undertaken to pay the expenses of winding up applicant. In connection with the redemption of shares, applicant sold its remaining portfolio securities in normal market transactions. No sales or brokerage commissions were paid in connection with such sales.

4. There are no securityholders to whom distributions in complete liquidation of their interests have not been made. Applicant has retained no assets. Applicant has no debts or other liabilities that remain outstanding. Applicant is not a party to any litigation or administrative proceeding.

5. Applicant is not now engaged, nor does it propose to engage, in any business activities other than those necessary for the winding up of its affairs.

6. After the requested order is granted, applicant intends to file a notice of dissolution with the State of Minnesota, followed by articles of dissolution. Applicant anticipates that the filing of the notice of dissolution will be authorized by applicant's board of directors in accordance with Minnesota corporation law.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-687 Filed 1-10-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38123; File No. SR-Amex-96-45]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange, Inc. Relating to the Closing Time for Equity Options and Narrow-Based Index Options

January 6, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4² thereunder, notice is hereby given that on November 22, 1996, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

have been prepared by the self-regulatory organization. On December 16, 1996, the Exchange filed Amendment No. 1 to its proposal.³ 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 proposes to amend Rules 1, 903C, 918 and 980C to provide for the closing of equity option and narrow-based index option trading at 4:02 p.m.

The text of the proposed rule change is available at the Office of the Secretary, Amex 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 self-regulatory organization 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 self-regulatory organization 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

Since 1978, equity options have traded until 4:10 p.m., ten minutes beyond the close of trading of the underlying securities, to allow investors to trade options based upon the final closing prices of those underlying securities. In 1978, frequent delays between the time of the execution of the closing transaction and the appearance of the trade on the Consolidated Tape Association's Tape A gave rise to time lags that, in some instances, were as long as seven minutes after the close of trading at 4:00 p.m. Today, due to improvements in trading and reporting systems, the dissemination of closing prices is delayed at most one or two minutes, and only in unusual market conditions are any significant time lags

encountered. Another reason for extending equity option trading until 4:10 p.m., cited in 1978, was to give options participants additional time to digest the impact of news announcements by companies and government agencies who oftentimes released such news at 4:00 p.m. or shortly thereafter.

While the Exchange expressed reservations regarding the move to 4:10 p.m., it ultimately acceded to the industry's consensus that such a close was appropriate. Although the Exchange has made efforts to encourage companies and others to withhold significant news announcements until after the close of option trading, occasionally such announcements are released between 4:00 and 4:10 p.m., and dramatically impact the trading of equity and narrow-based index options⁴ during that time period. The Exchange has not requested a change in the trading close for broad-based index options as it does not believe that a significant news announcement by the issuer of one component stock in a broad-based index would have a corresponding effect on the price of that broad-based index.⁵

When instances of significant news releases occur prior to the close of option trading, the Exchange has observed that public customers are unable to react as quickly as professional traders, and accordingly lack the ability to give their brokers instructions or take action with regard to orders that may have been previously placed on the limit order book. Further, because the principal market for the underlying stock is closed, option specialists and market makers have oftentimes experienced extreme difficulty making orderly options markets given their inability to hedge or otherwise offset market risk with transactions in the underlying stock.

Therefore, the Exchange now proposes that at 4:02 p.m., all trading in equity options and narrow-based index options will cease. No orders may be entered, modified or canceled in any equity or narrow-based index option series after 4:02 p.m.

The Exchange believes a 4:02 p.m. closing time for equity options and narrow-based index options is necessary and appropriate given the improvements in dissemination of closing prices, and the limited ability of public customers to react to news

announcements and changing markets in the last ten minutes of trading under the current rule. However, the Exchange also believes that the additional two minutes of options trading after the close of trading in the underlying stock will allow market participants to react, if necessary, to any delayed dissemination of closing prices.

2. Statutory Basis

The proposed rule change furthers the objectives of Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and is designed to prevent unfair discrimination between customers, issuers, brokers or dealers.

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

The Exchange believes that the proposed rule change will impose no burden on competition.

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

No written comments were solicited or received with respect 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 such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such 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. 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 rule change that are filed with the Commission, and all written

³The proposed rule change submitted by the Exchange would change the trading close for equity options to 4:02 p.m. Amendment No. 1 would also change to 4:02 p.m. the trading close for narrow-based index options. See Letter from Claire P. McGrath, Amex, to Janice Mitnick, Division of Market Regulation, SEC, dated December 16, 1996 ("Amendment No. 1").

⁴A significant new announcement on one component of a narrow-based index could have a decisive effect on that index. See Amendment No. 1.

⁵*Id.*

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 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-96-45 and should be submitted by February 3, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegate authority.⁶

[FR Doc. 97-688 Filed 1-10-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38119; File No. SR-CHX-96-16]

Self-Regulatory Organizations; the Chicago Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to the Trading of Nasdaq/NM Securities on the CHX

January 3, 1997.

I. Introduction

On June 14, 1996, 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 amend Article XX, Rule 37 and Article XX, Rule 43 relating to the trading of Nasdaq National Market ("Nasdaq/NM") securities (previously known as NASDAQ/NMS securities) on the Exchange.³

The proposed rule change was published for comment in the Federal Register on July 2, 1996.⁴ No comments were received on the proposal.

II. Background

On May 4, 1987, the Commission approved certain Exchange rules and procedures relating to the trading of Nasdaq/NM securities on the

Exchange.⁵ Among other things, these rules made the Exchange's BEST Rule guarantee (Article XX, Rule 37(a)) applicable to Nasdaq/NM securities and made Nasdaq/NM securities eligible for the automatic execution feature of the Exchange's Midwest Automated Execution System ("MAX system").⁶

1. BEST Rule⁷

Currently, under the BEST Rule, Exchange specialists are required to guarantee executions of all agency⁸ market and limit orders for Dual Trading System issues⁹ and all agency market orders for Nasdaq/NM securities, from 100 up to and including 2099 shares. Subject to the requirements of the short sale rule,¹⁰ the specialist must fill all agency market orders at a price equal to or greater than the national best bid or best offer ("NBBO"). For all agency limit orders in Dual Trading System issues, the specialist must fill the order if: (1) the NBBO at the limit price has been exhausted in the primary market; (2) there has been a price penetration of the limit in the primary market (generally known as a trade-through of a CHX limit order); or (3) the issue is trading at the limit price on the primary market unless it can be demonstrated that the order would not have been executed if it had been transmitted to the primary market or the

⁵ Securities Exchange Act Release No. 24424 (May 4, 1987), 52 FR 17868 (May 12, 1987) (order approving File No. SR-MSE-87-2). See Securities Exchange Act Release Nos. 28146 (June 26, 1990), 55 FR 27917 (July 6, 1990) (order expanding the number of eligible securities to 100); 36102 (August 14, 1995), 60 FR 43626 (August 22, 1995) (order expanding the number of eligible securities to 500).

⁶ The MAX system may be used to provide an automated delivery and execution facility for orders that are eligible for execution under the Exchange's BEST Rule and certain other orders. See CHX, Art. XX, Rule 37(b).

⁷ See CHX Manual, Art. XX, Rule 37(a).

⁸ The term "agency order" means an order for the account of a customer, but shall not include professional orders as defined in CHX, Article XXX, Rule 2, interpretation and policy .04. The Rule defines a "professional order" as any order for the account of a broker-dealer, the account of an associated person of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest. *Id.*

⁹ According to the Exchange, Dual Trading System Issues are issues that are traded on the CHX, pursuant to unlisted trading privileges, and listed on either the New York Stock Exchange or American Stock Exchange. Telephone conversation on June 5, 1996 between David T. Rusoff, Attorney, Foley & Lardner, and George A. Villasana, Attorney, Division of Market Regulation, SEC.

¹⁰ While the Commission and the NASD have rules that prohibit short sales, under certain conditions, or securities registered on, or admitted to unlisted trading privileges on, a national securities exchange and short sales of securities traded on Nasdaq, there is no rule governing short sales in Nasdaq/NM securities traded on the CHX. See 17 CFR § 240.10a-1 and NASD Rule 3350.

broker and specialist agree to a specific volume related to, or other criteria for, requiring a fill.

2. MAX System

The Exchange's MAX system provides for the automatic execution of orders that are eligible for execution under the Exchange's BEST Rule (*i.e.*, agency market orders in securities listed on the NYSE or AMEX and Nasdaq/NM securities, as discussed above), and certain other orders.¹¹

The MAX system has two size parameters which must be designated by the specialist on a stock-by-stock basis. Currently, the specialist must set the auto-execution threshold at 1099 shares or greater and the auto-acceptance threshold at 2099 shares or greater. In no event may the auto-acceptance threshold be less than the auto-execution threshold. If the order-entry firm sends an order through the MAX system that is greater than the specialist's auto-acceptance threshold, a specialist may cancel the order within three minutes of it being entered into MAX. If not canceled by the specialist, the order is designated as an open order.¹² If the order-entry firm sends an order through MAX that is less than the auto-acceptance threshold but greater than the auto-execution threshold, the order is not available for automatic execution but is designated in the open order book. A specialist may manually execute any portion of the order; the difference must remain as an open order. If the order-entry firm sends an order through MAX that is less than or equal to the auto-execution threshold, the order is executed automatically.

The MAX system currently provides for a fifteen second delay between the time an agency market order is entered into the MAX system and the time it is automatically executed at the NBBO in

¹¹ A MAX order that fits under the BEST parameters must be executed pursuant to BEST Rules via the MAX system. If the order is outside the BEST parameters, the BEST Rules do not apply, but MAX system handling rules do apply.

¹² If an oversized market or limit order is received by the specialist, he will either reject the order immediately or display it. If the order is displayed, the specialist will check with the order entry broker to determine the validity of the oversized order. During the three minute period, the specialist can cancel the order and return it to the order entry firm, but until it is cancelled the displayed order is eligible for execution. Although these procedures currently exist under CHX rules, the Commission has concerns as to whether the three minute period is necessary and urges the CHX to reduce the time period or otherwise address the necessity of the specialists' discretion during the three minute period. Moreover, the handling of orders by CHX specialists must still comply with the Commission's recently adopted Order Execution Rules (Securities Exchange Act Release No. 37619A (Sept. 6, 1996), 61 FR 48290 (Sept. 12, 1996)) and any subsequently issued interpretations of the Order Execution Rules.

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ On Dec. 19, 1996, the CHX filed Amendment No. 1 to its proposal. Letter from J. Craig Long, Attorney, Foley & Lardner, to Howard L. Kramer, Associate Director, Division of Market Regulation, SEC, dated Dec. 19, 1996. In Amendment No. 1, the CHX requested that the Commission approve the proposal on a pilot basis for a one year period.

⁴ See Securities Exchange Act Release No. 37369 (June 25, 1996), 61 FR 34462 (July 2, 1996) (notice of File No. SR-CHX-96-16) ("Notice").