Act. The Fund's investment objective is capital appreciation through investment in health sciences related business sectors. IFG, an investment adviser registered under the Investment Advisers Act of 1940, serves as the Fund's investment adviser.

2. On October 6, 1997, the Fund's board of trustees (''Board'') adopted a distribution policy (the ''Distribution Policy'') that calls for four quarterly distributions of 2.5% of the Fund's NAV at the time of the declaration, for a total of approximately 10% of the NAV per year. Applicants believe that the Distribution Policy will help reduce the discount for NAV at which the Fund's shares typically trade.

3. On April 3, 1998, the Commission issued the Prior Order. The requested order (''Amended Order'') would amend the condition in the Prior Order concerning rights offerings by the Fund.[2]

Applicant's Legal Analysis

1. Section 19(b) of the Act provides that a registered investment company may not, in contravention of such rules, regulations, or orders as the Commission may prescribe, distribute long-term capital gains more often than once every twelve months. Rule 19b–1(a) under the Act permits a registered investment company, with respect to any one taxable year, to make one capital gains distribution, as defined in section 852(b)(3)(C) of the Internal Revenue Code of 1986, as amended (the ''Code''). Rule 19b–1(a) also permits a supplemental distribution to be made pursuant to section 855 of the Code not exceeding 10% of the total amount distributed for the year. Rule 19b–1(f) permits one additional long-term capital gains distribution to be made to avoid the excise tax under section 4982 of the Code.

2. Applicants state that one of the concerns underlying section 19(b) and rule 19b–1 is that frequent capital gains distributions could facilitate improper sales practices, including, in particular, the practice of urging an investor to purchase fund shares on the basis of an upcoming dividend (''selling the dividend''), when the dividend would result in an immediate corresponding reduction in NAV and would be, in effect, a return of the investor's capital. Applicants submit that this concern does not apply to closed-end investment companies, such as the Fund, that do not continuously distribute shares.

3. Applicants also assert that the requested amended condition would protect against the concern about ''selling the dividend'' in connection with a rights offering by the Fund. Applicants state also that if the Fund makes a rights offering to its shareholders, the rights offering will be timed so that shares issuable upon exercise of the rights will be issued only in the six week period immediately following the record date for the declaration of a dividend. Thus, the abuse of selling the dividend could not occur as a matter of timing. Applicants further state that any rights offering by the Fund will comply with all Commission and staff guidelines concerning such offering. In determining compliance with these guidelines, the Board may rely on the advice of outside counsel, IFG and other appropriate persons, and will consider, among other things, the brokerage commissions that would be paid in connection with the offering. Any rights offering by the Fund will also comply with any applicable NASD rules regarding the fairness of compensation.

4. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provisions of the Act, or any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. For the reasons stated above, applicants believe that the requested amendment to the Prior Order meets the standards set forth in section 6(c) of the Act.

Applicant's Condition

Applicants agree that the Amended Order shall terminate upon the effective date of a registration statement under the Securities Act of 1933 for any future public offering by the Fund of its shares other than: (i) a rights offering to shareholders of the Fund, in which: (a) shares are issued only within the six-week period immediately following the record date of a quarterly dividend, (b) the prospectus for such rights offering makes it clear that shareholders exercising the rights will not be entitled to receive such dividend; and (c) the Fund has not engaged in more than one rights offering during any given calendar year; or (ii) an offering in connection with a merger, consolidation, acquisition, or reorganization of the Fund; unless the Fund has received from the staff of the Commission written assurance that the Amended Order will remain in effect.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–9357 Filed 4–14–99; 8:45 am]

BILLING CODE 8010–01–M

[2] Applicants request that the relief extend to any other registered closed-end management investment company in the future advised by IFG or any entity controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with IFG (''Future Fund''). Applicants state that any Future Fund that relies on the relief will do so only in accordance with the terms and conditions of the application.

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. IC–23780, 812–11276]

PaineWebber Incorporated and PaineWebber Equity Trust, ABCs Trust Series 1; Notice of Application

April 9, 1999.

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

ACTION: Notice of application for an order under sections 6(c) and 17(b) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit certain terminating series of a unit investment trust (''UIT'') to sell portfolio securities to certain new series of the UIT.

APPLICANTS: PaineWebber Incorporated (''PaineWebber'' or ''Sponsor''), PaineWebber Equity Trust (''Trust''), ABCs Trust Series 1 (''Series 1''), and each subsequent series of the Trust sponsored by PaineWebber (together with Series 1, each a ''Series'').[1]

FILING DATES: The application was filed on August 26, 1998, and amended on March 5, 1999. Applicants have agreed to file an amendment, the substance of which is reflected in this notice, during the notice period.

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 May 5, 1999, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature

[1] Any future Series that relies on the requested relief will comply with the terms and conditions of the application.

of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, N.W., Washington, D.C. 20549–0609. Applicants, 1200 Harbor Boulevard, Weehawken, N.J. 07087, Attn: Robert E. Holley.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Senior Counsel, at (202) 942–0572, or Mary Kay Frech, Branch Chief, at (202) 942–0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 5th Street, N.W., Washington, D.C. 20549–0102 (tel. (202) 942–8090).

Applicants' Representations

1. Each Series will be a series of the Trust and will be a UIT registered under the Act. PaineWebber will be the sponsor of each Series. Each Series will be created under the laws of one of the United States pursuant to a trust indenture, which will contain information specific to that Series, and which will incorporate by reference a master trust indenture between the Sponsor and a financial institution that is a bank within the meaning of section 2(a)(5) of the Act and that satisfies the criteria in section 26(a) of the Act and will be unaffiliated with the Sponsor (the ''Trustee'').

2. The investment objective of each Series will be to provide for capital appreciation and/or dividend income by investing in equity securities. The Sponsor will deposit with the Trustee portfolio securities which will be chosen according to fixed criteria from securities that appear on the PaineWebber Equity Research Department's Analysts' Best Call List as of the initial date of deposit. Each Series' portfolio may include equity securities that have (a) a minimum market capitalization of U.S. $1 billion and (b) had an average daily trading volume in the preceding 60 trading days of at least 50,000 shares equal in value to at least U.S. $250,000 on an exchange (''Qualified Exchange'') which is (i) a national securities exchange which meets the qualifications of section 6 of the Securities Exchange Act of 1934, (ii) the Nasdaq National Market, or (iii) a foreign securities exchange that meets the qualifications set out in the proposed amendments to rule 12d3–1(d)(6) under the Act[2] (''Qualified Rollover Securities'').

3. Each Series has at least one rollover date (''Rollover Date'') on which unitholders in the Series (''Rollover Series'') may redeem their units in the Rollover Series on a specified date (''Special Liquidation Date'') and receive units of a subsequent Series of the same type (''New Series''), which will be created on or about the Rollover Date.

4. Each Rollover Series will terminate approximately one year after it is offered for sale. The Sponsor anticipates that there will be some overlap in the Qualified Rollover Securities selected for the portfolios of each Rollover Series and the related New Series. In connection with the rollover, absent the requested relief, each Rollover Series would sell all of its Qualified Rollover Securities and each New Series would acquire its Qualified Rollover Securities on the applicable securities exchange. This would result in the unitholders of both the Rollover Series and the New Series incurring brokerage commissions on the same securities.

Applicants' Legal Analysis

1. Section 17(a) of the Act prohibits an affiliated person of a registered investment company from selling securities to, or purchasing securities from, the company. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include, in pertinent part, any person directly or indirectly controlling, controlled by or under common control with, such other person. Each Series will have a common sponsor. Applicants state that, since the sponsor of a Series may be deemed to control the Series, all of the Series may be deemed to be under common control and, thus affiliated persons of each other.

2. Rule 17a–7 under the Act permits registered investment companies that might be deemed affiliated persons solely by reason of having common investment advisers, directors, and/or officers, to purchase securities from, or sell securities to, one another at an independently determined price, provided certain conditions are met. Applicants represent that they will comply with all of the provisions of rule 17a–7, other than paragraph (e).

3. Paragraph (e) of the rule requires an investment company's board of directors to adopt and monitor certain procedures to assure compliance with the rule. Since a UIT does not have a board of directors, the Series would be unable to comply with this requirement.

4. Section 17(b) of the Act authorizes the SEC to exempt a transaction from section 17(a) if the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, the proposed transaction is consistent with the policy of each registered investment company concerned, and the proposed transaction is consistent with the general purposes of the Act. Section 6(c) under the Act permits the SEC to exempt any person or transaction from any provision of the Act, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies of the Act. Applicants request relief under sections 6(c) and 17(b) to permit a Rollover Series to sell Qualified Rollover Securities to a New Series at the closing sales prices of the Qualified Rollover Securities on a Qualified Exchange on the Special Liquidation Date of the Rollover Series (''Sale Date''), and to permit the New Series to purchase the Qualified Rollover Securities.

5. Applicants state that the terms of the proposed transactions will meet the standards of sections 6(c) and 17(b). Applicants represent that purchases and sales between Series will be consistent with the policy of each Series. Applicants state that permitting the proposed transactions would result in savings on brokerage commissions for the Series.

6. Applicants state that the requirements for Qualified Rollover Securities would help to protect against overreaching. In addition, applicants state that the Sponsor will certify to the Trustee, within five days of each sale of Qualified Rollover Securities from a Rollover Series to a New Series: (a) that the transaction is consistent with the policy of both the Rollover Series and the New Series, as recited in their respective registration statements and reports filed under the Act, (b) the date of the transaction, and (c) the closing sales price on the Qualified Exchange

[2] Investment Company Act Release No. 17096 (Aug. 3, 1989) (proposing amendments to rule 12d3–1). The proposed amended rule defined a ''Qualified Foreign Exchange'' to mean a stock exchange in a country other than the United States where (a) trading generally occurred at least four days a week; (b) there were limited restrictions on the ability of registered investment companies to trade their holdings on the exchange; (c) the exchange had a trading volume in stocks for the previous year of at least U.S. $7.5 billion; and (d) the exchange had a turnover ratio for the proceeding year of at least 20% of its market capitalization. The version of the amended rule that was adopted did not include the part of the proposed amendment defining the term ''Qualified Foreign Exchange.''

for the Sale Date of the Qualified Rollover Securities. The Trustee will then countersign the certificate, unless, in the unlikely event that the Trustee disagrees with the closing sales price listed on the certificate, the Trustee immediately informs the Sponsor orally of the disagreement and returns the certificate within five days to the Sponsor with corrections duly noted. Upon the Sponsor's receipt of a corrected certificate, if the Sponsor can verify the corrected price by reference to an independently published list of closing sales prices for the date of the transactions, the Sponsor will ensure that the price of units of the New Series, and distributions to holders of the Rollover Series with regard to redemption of their units or termination of the Rollover Series, accurately reflect the corrected price. To the extent that the Sponsor disagrees with the Trustee's corrected price, the Sponsor and the Trustee will jointly determine the correct sales price by reference to a mutually agreeable, independently published list of closing sales prices for the date of the transaction.

Applicants' Conditions

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

1. Each sale of Qualified Rollover Securities by a Rollover Series to a New Series will be effected at the closing price of the Qualified Rollover Securities sold on a Qualified Exchange on the Sale Date, without any brokerage charges or other remuneration except customary transfer fees, if any.

2. The nature and conditions of the transaction will be fully disclosed to investors in the appropriate prospectus of each Rollover Series and New Series.

3. The Trustee of each Rollover Series and New Series will (a) review the procedures relating to the sale of Qualified Rollover Securities from a Rollover Series and the purchase of those Qualified Rollover Securities for deposit in a New Series, and (b) make such changes to the procedures as the Trustee deems necessary that are reasonably designed to comply with paragraphs (a) through (d) of rule 17a–7.

4. A written copy of these procedures and a written record of each transaction pursuant to this order will be maintained as provided in rule 17a–7(f).

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

Jonathan G. Katz,

Secretary.

[FR Doc. 99–9442 Filed 4–14–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–41256; International Series Release No. 1190; File No. SR–PHLX–98–51]

Self-Regulatory Organizations, Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Customized Cross-Rates Foreign Currency Option Margin Levels

April 6, 1999.

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 November 16, 1998, the Philadelphia Stock Exchange, Inc. (''PHLX'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the PHLX. The PHLX amended the proposal on March 15, 1993.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to amend PHLX Rule 722, Margin Accounts, to codify its method of calculating customer margin requirements for customized cross-rate foreign currency options (''CCRs'').[4] The required margin for CCRs is determined by combining the actual cost of the CCR, or the ''premium,'' plus an extra or ''add-on'' amount that is raised or lowered according to the volatility of the currencies involved.[5] The proposed method for calculating the margin for all CCRs will be outlined in PHLX Rule 722, Tiers I and II, and Commentary .15, with the exception of the margin for CCRs involving the Mexican peso,[6] which will be calculated in accordance with Commentary .16 and will be placed in Tier III. Tier IV, which currently addresses Mexican peso CCR margin levels, will be deleted. The text of the proposed rule change follows. Proposed new language is *italicized*; proposed deletions are in [brackets].

* * * * *

Margin Accounts

Rule 722.(a)–(c) No change.

(d) 1–2 No change.

3. Short Positions—Listed Options and Currency, Currency Index or Stock Index Warrants. Subject to the exceptions set forth below, the margin on any put or call option listed or traded on a registered national securities exchange or association and issued by a registered clearing corporation or any currency warrant, currency index warrant or stock index warrant which is issued, guaranteed or carried ''short'' in a customer's account shall be 100% of the current market value of the option or warrant plus the percentage of the current market value of the underlying security, foreign currency or index specified in column II below.

Notwithstanding the margin required below, the minimum margin on any put or call or any warrant issued, guaranteed or carried ''short'' in a customer's account may be reduced by any ''out-of-the-money-amount'' (as defined below), but shall not be less than 100% of the current market value of the option or warrant plus the percentage of current market value of the underlying security, foreign currency or index specified in column II below with the exception that the minimum margin required on each such put option contract shall not be less than the current option market value plus the minimum percentage set forth in column III of the option's aggregate exercise price amount.

---

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

[2] 17 CFR 240.19b–4.

[3] *See* Letter from Nandita Yagnik, Counsel, PHLX, to Hong-anh Tran, Attorney, Division of Market Regulation (''Division''), Commission, dated March 15, 1999 (''Amendment No. 1'').

[4] CCRs are traded pursuant to PHLX Rule 1069. A CCR is an option to purchase or sell an underlying currency that can be any approved currency as defined pursuant to PHLX Rule 1009(c). Moreover, the option's exercise price is denominated in another approved currency (the trading currency), and neither the underlying nor the trading currency is denominated in U.S. dollars.

[5] The margin may also be reduced in ''out-of-the money'' situations, where the value of the option does not accord with current market conditions. Notwithstanding, the margin cannot be reduced to less than 100% of the current market value of the premium plus .75% of the underlying component value.

[6] The Exchange currently has Commission approval to trade, as CCRs, the Mexican peso only against the Canadian dollar. Thus, CCR options involving the Mexican peso include Canadian dollar/Mexican peso and Mexican peso/Canadian dollar contracts. *See* PHLX Rule 1069(a)(1)(B).