investment company concerned, and the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt persons or transactions from any provision of the Act if the 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.

6. Applicants submit that their request for relief to permit the purchase and redemption of shares of the Central Funds by the Participating Funds satisfies the standards in section 6(c) and 17(b). Applicants note that shares of the Central Funds will be purchased and redeemed by the Participating Funds at their net asset value, the same consideration paid and received for these shares by any other shareholder. Applicants state that the Participating Funds will retain their ability to invest Cash Balances directly in money market instruments as authorized by their respective investment objectives and policies if they believe they can obtain a higher rate of return, or for any other reason. Applicants also state that a Central Fund has the right to discontinue selling shares to any of the Participating Funds if the Central Fund's Board determines that such sale would adversely affect its portfolio management and operations.

7. Section 17(d) of the Act and rule 17d–1 under the Act prohibit an affiliated person of a registered investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates. Applicants state that each Fund, by participating in the proposed transactions, and each Adviser, by managing the assets of the Participating Funds investing in a Central Fund, and a Central Fund by selling shares to the Participating Fund could be deemed to be a participant in a joint enterprise or arrangement within the meaning of section 17(d) of the Act and rule 17d–1 under the Act.

8. Rule 17d–1 Permits the Commission to approve a proposed joint transaction covered by the terms of section 17(d) of the Act. In determining whether to approve a transaction, the Commission is to consider whether the proposed transaction is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participation is on a basis different from or less advantageous than that of other participants. Applicants submit that the investment by the Participating Funds in shares of the Central funds would be indistinguishable from any other shareholder account maintained by the Central Fund and that the transaction will be consistent with the Act.

Applicants' Conditions

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

1. Shares of the Central Funds sold to and redeemed by the Participating Funds will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule 12b–1 under the Act or service fee (as defined in rule 2830(b)(9) of the rules of Conduct of the NASD).

2. Before the next meeting of the Board of a Participating Fund is held for purposes of voting on an advisory contract under section 15 of the Act, the Adviser to the Participating Fund will provide the Board with specific information regarding the approximate cost to the Adviser of, or portion of the advisory fee under the existing advisory contract attributable to, managing the Uninvested Cash of the Participating Fund that can be expected to be invested in the Central Funds. Before approving any advisory contract for a Participating Fund, the Board of the Participating Fund, including a majority of the Disinterested Trustees, shall consider to what extent, if any, the advisory fees charged to the Participating Fund by the Adviser should be reduced to account for reduced services provided to the Fund by the Adviser as a result of Uninvested Cash being invested in the Central Fund. The minute books of the Participating Fund will record fully the Board's consideration in approving the advisory contract, including the considerations referred to above.

3. Each of the Participating Funds will invest Uninvested Cash in, and hold shares of, the Central Funds only to the extent that the participating Fund's aggregate investment in the Central Funds does not exceed 25 percent of the Participating Fund's total assets. For purposes of this limitation, each Participating Fund and series thereof will be treated as a separate investment company.

4. Investment in shares of the Central Funds will be in accordance with each Participating Fund's respective investment restrictions, if any, and will be consistent with each Participating Fund's policies as set forth in its prospectus and statement of additional information.

5. Each Participating Fund, Central Fund, and any future Fund that may rely on the requested order shall be advised by the Advisers.

6. No Central Fund shall acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–33634 Filed 12–27–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42256; File No. SR–CBOE–99–45]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. to Clarify Certain Aspects of Interpretation and Policy .02 to Exchange Rule 6.8

December 20, 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 August 19, 1999, the Chicago Board Options Exchange, Inc. (''CBOE'' 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 have been prepared by the Exchange. 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

CBOE proposes to amend its Interpretation and Policy .02 to CBOE Rule 6.8 in order to clarify certain aspects of the Interpretation. Below is the text of the proposed rule change. Proposed new language is italicized.

RAES Operations in Equity Options

Rule 6.8 [No change]

* * * Interpretation and Policy

.01 [No change].

.02 Orders to buy or sell options that are multiply traded in one or more markets in addition to the Exchange will not be automatically executed on RAES at prices inferior to the current best bid or offer in any other market, as such best bids or offers are identified in RAES. In respect of those classes of options that

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

[2] 17 CFR 240.19b–4.

have been specifically designated by the appropriate Floor Procedure Committee as coming within the scope of this sentence (''automatic step-up classes''), under circumstances where the Exchange's best bid or offer is inferior to the current best bid or offer in another market by no more than the ''step-up amount'' as defined below, such orders will be automatically executed on RAES at the current best bid or offer in the other market. In respect of automatic step-up classes of options under circumstances where the Exchange's best bid or offer is inferior to the current best bid or offer in another market by more than the step-up amount, or in respect of specified automatic step-up classes or series of options or specified markets under circumstances where the Chairman of the appropriate Floor Procedure Committee or his designee has determined that automatic step-up should not apply because quotes in such options or markets are deemed not to be reliable, or in respect of classes of options other than automatic step-up classes where the Exchange's best bid or offer is inferior to the current best bid or offer in another market by any amount, such orders will be rerouted by the DPM or OBO for that class of options for non-automated handling. The DPM or OBO will report the execution or non-execution of such orders to the firm that to originally forwarded the order to RAES. As used in this Interpretation and Policy .02, the term ''step-up amount'' shall mean the minimum increment for options of that series established pursuant to Rule 6.42, or any greater amount established by the appropriate Floor Procedure Committee in respect of specified automatic step-up classes or series of options. The procedures described in this Interpretation .02 shall not apply in circumstances where a ''fast market'' in the options that are the subject of the orders in question has been declared on the Exchange or where comparable conditions exist in the other market such that firm quote requirements do not apply. *Under circumstances where the Chairman of the appropriate Floor Procedure Committee or his designee determines that quotes from one or more particular markets in one or more classes of options are not reliable, the Chairman or designee may direct the senior person in charge of the Exchange's Control Room to exclude the unreliable quotes from the RAES determination of the NBBO in the particular option class(es) through the end of that trading day, or until the quotes are determined to be reliable again whichever occurs first.*

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 CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comment it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE 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

Interpretation and Policy .02 to CBOE Rule 6.8 provides that orders to buy or sell equity options that are multiply traded in one or more markets in addition to the CBOE will not be executed on the CBOE's Retail Automatic Execution System (''RAES'') at prices inferior to the current best bid or offer in any other market (known as the National Best Bid or Offer, or ''NBBO''), as the NBBO is identified in RAES.

The proposed rule change makes three clarifications to this Interpretation: (1) It clarifies that one or more markets may be turned off from the NBBO calculation while still checking the prices on other markets; (2) it specifies the individuals vested with authority to make the determination to exclude a market; and (3) it clarifies the situation(s) under which such determinations may be made.

Occasionally, bids and offers in certain options from a particular market may not be reliable, whether due to unusual market conditions, systems problems, failure by another market's specialist to update quotes, or other causes. The language of the current Interpretation and Policy .02 is ambiguous about whether the Exchange has any way to avoid executing RAES trades at these inaccurate prices except to turn off NBBO execution altogether for affected option classes.[3] If the NBBO execution was thus turned off, public customers receiving executions through the RAES system would lose the potential benefits of an execution at the NBBO, even when the inaccurate quotes are only coming from one particular exchange.

The proposed change will clarify the Exchange's current Interpretation, which allows a market to be excluded individually. It will make clear that the Exchange can keep filling orders at the best prices available at any market not experiencing quote reliability problems by removing the unreliable quotes from the RAES determination of the NBBO. The unreliable quotes may be excluded from the NBBO determination until such times as either the quotes become reliable again, or trading ends for the day—whichever occurs first. This change will clarify that Exchange public customers may receive RAES execution of their orders at the best price available at multiple exchanges more frequently and with less uncertainty.

The proposed change also will vest responsibility and discretion for determining the reliability of quotes from a particular exchange on a particular option class with the Chairman of the appropriate Floor Procedures Committee or his designee—the same procedure that currently applies under Interpretation and Policy .02 for determining when the ''automatic step-up'' procedure should not apply.[4]

Finally, the proposed change seeks to better describe the circumstances when a market may be excluded from the NBBO. Currently, the rule states that the NBBO procedures in the Interpretation shall not apply when a ''fast market'' has been declared at the Exchange or another market, or when comparable conditions exist such that the firm quote requirements do not apply. When the Exchange or another market declares a ''fast market,'' an indication is sent out alerting the public to that fact. However, it will not always be known when another market has taken the step of suspending firm quote requirements in an option class. The Exchange, by contrast, will often know if there are problems with quotes in one or more option classes at another market because the trading crowds at the Exchange continuously monitor the other markets. Under the proposed Interpretation, if another market's quotes appear to be unreliable, the trading crowd or Exchange officials can bring this to the attention of the Chairman of the appropriate Floor Procedure Committee or his designee, who in turn can arrange

[3] While Interpretation .02 currently provides that the procedures for NBBO executions ''shall not apply'' if a ''fast market'' has been declared, or if the firm quote requirements do not apply at the other market, the Interpretation could be read to require that NBBO be turned off. The Exchange intended for the rule to have the latter interpretation, and has interpreted the rule as such.

[4] *See* Release No. 34–40096 (June 16, 1998), 63 FR 34209 (June 23, 1998).

to contact the other market directly to confirm whether there is a problem with the quotes.

2. Statutory Basis

CBOE believes that the proposed change in Interpretation and Policy .02 is consistent with and is furtherance of the provisions of Section 6(b)(5) [5] of the Act. By making clear that the Exchange has greater flexibility to keep RAES executing orders at the NBBO, CBOE believes that public customers will receive better executions of their orders more frequently. This will improve the efficiency of RAES, thereby removing impediments to, and perfecting the mechanism of, a free and open market and a national market system, and thus protecting investors and the public interest.

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

The CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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, including whether the proposed rule is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549–0609. 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 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR–CBOE–99–45 and should be submitted by January 18, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

Margaret H. McFarland,

Deputy Secretary.

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[5] 15 U.S.C. 78f(b)(5).

[6] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42257; File No. SR–DTC–99–22]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to Revisions to the Procedures for Running Call Lotteries for Book Entry Only Securities

December 20, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on September 23, 1999, The Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change (File No. SR–DTC–99–22) as described in Items I, II, III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments from interested persons.

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

Under the proposed rule change, DTC will revise its procedures for running call lotteries on book-entry only (''BEO'') securities for which DTC receives notice of the call after the redemption date. Specifically, DTC will run lotteries in these instances using participants' positions as of the close of business on the day prior to the call publication date instead of the date on which the call is announced by DTC.

II Self-Regulatory Organization's Statement of the Purpose of, and the 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.[2]

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

Currently, DTC's call lottery process allocates called BEO securities among participants having positions in the called securities as of the close of business on the day DTC announces the call lottery (''DTC call announcement date''). DTC adopted these procedures in March 1998 with the approval of the Securities Exchange Commission and the endorsement of the Corporate Actions Division of the Securities Industry Association (''Corporate Actions Division'').[3] Prior to March 1998, DTC ran its lotteries based on participants' positions as of the close of business on the day prior to publication date (''call publication date'').[4]

DTC is proposing to change the date for the allocation in the call lottery only

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

[2] The Commission has modified the text of the summaries prepared by DTC.

[3] See Securities Exchange Act Release 34–39658 (February 20, 1998) 63 FR 8726 [File No. SR–DTC–97–14].

[4] For a discussion of DTC's call lottery process, refer to Securities Exchange Act Release Nos. 21523 (November 27, 1984), 49 FR 47352 [File No. SR–DTC–84–09] (notice of filing and immediate effectiveness of proposed rule change); 30552 (April 2, 1992) 57 FR 12352 [File No. SR–DTC–90–02] (order temporarily approving a proposed rule change by DTC relating to the establishment of a procedure to recall certain deliveries which have created short positions as a result of call lotteries); 35034 (November 30, 1994) 59 FR 63396 [File Nos. SR–DTC–94–08 and SR–DTC–94–09] (order granting temporary approval of proposed rule changes to establish procedures to recall certain deliveries which have created short positions as a result of call lotteries and rejected deposits); 36651 (December 28, 1995) 61 FR 429 [File No. SR–DTC–95–21] (order granting accelerated permanent approval of a proposed rule change concerning short position reclamation procedures); and 34–39658 (February 20, 1998) 63 FR 8726 [File No. SR–DTC–97–14] (order approving proposed rule change regarding call lottery procedures for BEO securities).