

that each Investing Fund, by purchasing shares of the Money Market Fund, the Adviser, by managing the assets of the Investing Funds investing in the Money Market Fund, and the Money Market Fund, by selling shares to the Investing Funds, could be deemed to be participants 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 Investing Funds in shares of the Money Market Fund would be indistinguishable from any other shareholder account maintained by the Money Market Fund and that the transactions 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 Money Market Fund sold to and redeemed by the Investing 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 a service fee (as defined in rule 2830(b)(9) of the NASD Conduct Rules).

2. If the Adviser collects from the Money Market Fund a fee for acting as its investment adviser with respect to assets invested by the Investing Funds, before the next meeting of the board of directors of an Investing Fund that invests in the Money Market Fund ("Board") is held for the purpose of voting on an investment advisory contract under section 15 of the Act, the Adviser will provide the Board with specific information regarding the approximate cost to the Adviser for, or portion of the investment advisory fee under the existing advisory agreement attributable to, managing the assets of the Investing Fund that can be expected to be invested in the Money Market Fund. Before approving any investment advisory contract under section 15, the Board, including a majority of the directors who are not "interested persons," as defined in section 2(a)(19) of the Act, shall consider to what extent, if any, the investment advisory fees charged to the Investing Fund by the

Adviser should be reduced to account for the investment advisory fees indirectly paid by the Investing Fund because of the investment advisory fee paid by the Money Market Fund to the Adviser. The minute books of the applicable Investing Fund will record fully the factors considered by the Board in approving the investment advisory contract, including the considerations of the Board relating to the advisory fees referred to above.

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

4. Investment in shares of the Money Market Fund will be in accordance with each Investing Fund's respective investment restrictions and policies as set forth in its prospectus and statement of additional information.

5. Each Investing Fund, the Money Market Fund, and any future Fund that may rely on the order will be advised by the Adviser, or a person controlling, controlled by, or under common control with the Adviser.

6. The Money Market Fund will not 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.*

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#### SECURITIES AND EXCHANGE COMMISSION

##### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meetings during the week of August 7, 2000.

An open meeting will be held on Thursday, August 10, 2000 at 10 a.m., in room 1C30.

The subject matter of the open meeting scheduled for Thursday, August 10, 2000 will be: The Commission will consider adopting new rules to address three issues: (1) The selective disclosure by issuers of

material nonpublic information (Regulation FD); (2) whether insider trading liability requires "use" or "knowing possession" of material nonpublic information (Rule 10b5-1); and (3) when a family or other non-business relationship gives rise to liability under the misappropriation theory of insider trading (Rule 10b5-2).

#### FOR FURTHER INFORMATION CONTACT:

Richard A. Levine, Assistant General Counsel; or Sharon Zamore, Senior Counsel; or Jacob Lesser, Attorney, Office of the General Counsel (202-942-0890).

A closed meeting will be held on Thursday, August 10, 2000 at 11 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(4), (8), (9)(A) and (10) and 17 CFR 200.402(a)(4), (8), (9)(A) and (10), permit consideration for the scheduled matters at the closed meeting.

The subject matters of the closed meeting scheduled Thursday, August 10, 2000 will be: Institution and settlement of injunctive actions; and institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alternations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: the Office of the Secretary at (202) 942-7070.

Dated: August 3, 2000.

**Jonathan G. Katz,**

*Secretary.*

[FR Doc. 00-20056 Filed 8-3-00; 8:45 am]

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43092; File No. SR-Amex-00-36]

#### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange LLC Creating an Options Principal Membership Seat Upgrade Program

July 31, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

("Act")<sup>1</sup> and Rule 196-4 thereunder,<sup>2</sup> notice is hereby given that on June 30, 2000, the American Stock Exchange LLC ("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 have been prepared by the Amex. 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 is proposing (i) to create an options principal membership seat upgrade program and (ii) to amend Article IV, Sections 1 (a)(1) and (b)(1) of the Exchange Constitution to increase the number of authorized regular memberships to accommodate the program. Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in brackets.

\* \* \* \* \*

#### **American Stock Exchange Constitution—Article IV**

##### *Admission to Membership*

##### **Number of Regular Memberships**

SEC. 1(a)(1) Regular membership—There shall be *up to 864* [661] regular memberships in the Exchange[.], *inclusive of any regular memberships created through the options principal membership upgrade program*. The number of regular memberships shall be increased only if the Board of Governors requests The Amex Corporation to issue additional regular memberships. Any such issuance of additional regular memberships shall require the approval of a majority of the regular and options principal members voting together as a single class at a meeting called for the purpose of considering the request that new regular memberships be issued.

(2)–(3) No change.

##### **Number of Options Principal Memberships**

(b)(1) Options principal membership—There shall be 203 options principal memberships in the Exchange[.], *but this number shall be reduced by the number of options principal memberships upgraded to regular memberships*. The number of options principal memberships shall be increased only if the Board of Governors requests The Amex Corporation to issue additional options principal

memberships. Any such issuance of additional options principal memberships shall require the approval of a majority of the regular and options principal members voting together as a single class at a meeting called for the purpose of considering the request that additional options principal memberships be issued.

(2)–(5) No change.

\* \* \* \* \*

### **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 Amex 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 Amex 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 recent increase in the number of securities listed on the Exchange, especially options and Exchange-traded funds, has led to a greater demand for specialists and brokers to handle the increased volume. Specialists and brokers are required to be regular members of the Exchange. Exchange members requested that the Exchange explore the feasibility of a voluntary Options Principal Membership ("OPM") Seat Upgrade Program ("Program"), with the potential for upgrading 203 options principal memberships into regular memberships. In response to that request, the Exchange proposed the Program as one approach to creating additional regular memberships. The effective date of the Program will be determined by the Exchange once it is approved by the Commission.

The one-time fee to upgrade an OPM membership to a regular membership under the proposed Program will be \$30,000 or \$36,000, depending on whether the OPM owner elects to participate in the Program within 120 days of the effective date of the Program.

OPM owners that elect to upgrade to a regular membership within 240 days would be entitled to pay on a monthly basis for 12 months. After 240 days from Program effectiveness, an OPM owner would be required to pay a lump sum payment of \$36,000 at the time of

election. New applications for the Program would not be accepted after 18 months from the Program's effective date. At the end of the 18 month period, the Program would terminate unless the Exchange elects to continue it.<sup>3</sup> Fund proceeds, less administrative costs to the Exchange, would be distributed equally to regular seat owners of record at the time of distribution (excluding regular seat owners who upgraded their OPM seats).<sup>4</sup> The final distribution would occur no later than the end of the 21st month from the Program's effective date, because fund proceeds could be payable through the 20th month from the effective date of the Program.<sup>5</sup>

All payments made to the Exchange by OPMs under the Program would be deposited into a fund created and managed by the Exchange for the purpose of collecting proceeds for subsequent distribution to regular members (excluding regular seat owners who updated their OPM seats) as described above. Interest on fund deposits would accrue to the regular members. Participants that elect to upgrade to a regular membership within 240 days would be billed by the Exchange on a monthly basis and would be subject to Exchange policy on billing matters. Program participants who are delinquent in their installment payments by more than sixty days would forfeit all payments made to date and their seats would revert to OPM status.

##### **2. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with the provisions of paragraphs (b) and (c) Section 6 of the Act,<sup>6</sup> in general, and furthers the objectives of Section

<sup>3</sup> At that time, the Exchange could consider changing the terms of the Program, including raising the cost of upgrading an OPM seat. The Commission notes and the Exchange acknowledges that it would be required to file a proposed rule change with the Commission pursuant to Section 19(b) of the Act if it decides to extend or make any changes to the Program. Telephone call between Ivonne Lugo, Assistant General Counsel, Amex, and Sonia Patton, Attorney, Division of Market Regulation ("Division"), Commission, on July 13, 2000.

<sup>4</sup> Within 21 months of the Program's effective date, the Exchange would distribute the proceeds received from OPM owners that elected to upgrade to regular memberships within 18 months, regardless of whether it decides to continue the Program. Telephone call between Ivonne Lugo, Assistant General Counsel, Amex, and Sonia Patton, Attorney, Division, Commission, on July 13, 2000.

<sup>5</sup> For instance, an OPM owner that elects to participate in the Program on the 240th day would be entitled to make monthly payments for 12 months and would pay the last monthly installment the 20th month from the effective date of the Program.

<sup>6</sup> 15 U.S.C. 78f(b) and (c).

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

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

6(c)(4),<sup>7</sup> in particular, in that it is designed to increase or to remove any limitation on the number of memberships in the Exchange or the number of members or designated representatives of members permitted to effect transactions on the floor of the Exchange.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is 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*

The Exchange did not solicit or receive written comments on 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 Exchange 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 change 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 the filing will also be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the principal office of the Amex. All submissions should refer to the File No. SR-Amex-00-36 and should be submitted by August 28, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-43099; File No. SR-CBOE-99-35]

### **Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1, 2 and 3 to the Proposed Rule change by the Chicago Board Options Exchange, Inc., Relating to Facilitation Crosses of Index Options Orders**

July 31, 2000.

#### **1. Introduction**

On June 29, 1999, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to amend the Exchange's rule governing facilitation crosses as it applies to index option orders. Notice of the proposed rule change was published for comment in the **Federal Register** on August 20, 1999.<sup>3</sup> The Commission received two comment letters regarding the proposal.<sup>4</sup> On April 20, June 1, and July 18, 2000, the CBOE filed, respectively, Amendment Nos. 1, 2, and 3 to the proposal.<sup>5</sup> This order approves the proposed rule change, as amended, and solicits comments from interested persons on Amendment Nos. 1, 2 and 3.

<sup>8</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 41742 (August 13, 1999), 64 FR 45578.

<sup>4</sup> See Section III below.

<sup>5</sup> The substantive modifications made by these amendments are incorporated in the description of the proposal in Section II below, and are further discussed in Section IV below.

## **II. Description of the Proposal**

CBOE Rule 6.74(b) sets forth the procedures by which a floor broker representing the order of a member firm's public customer may cross it with a contra side order provided by the firm from its own proprietary account. In these circumstances, the firm is said to be "facilitating" the customer order, and the transaction is called a "facilitation cross."

Under the current version of the rule as applicable to index options,<sup>6</sup> a floor broker seeking to execute a facilitation cross must first bring the transaction to the trading floor and request a market from the trading crowd. After receiving bids and offers from the crowd, the floor broker must propose a price at which to cross the order that improves upon the price provided by the crowd. However, before the floor broker can execute the cross, the market makers in the crowd are given the opportunity to take all or part of the transaction at the proposed price.

Under the current rule, if the crowd does not want to participate in the trade, the floor broker may proceed with the cross. If the crowd wants to take part of the order, however, the crowd has precedence and the floor broker may cross only that amount remaining after the crowd has taken its portion. If the crowd wants to take the entire order, the floor broker will not be able to cross any part of the order.

The proposed rule change would add new paragraph (e) to Rule 6.74, to apply to facilitation crosses in broad-based index options that are not traded in equity option crowds.<sup>7</sup> The proposal would entitle the floor broker, under certain conditions, to cross a specified percentage of the customer order on behalf of the member firm before market makers in the crowd could participate in the transaction. The floor broker would be permitted to exercise this right even when he proposes the facilitation cross a price that matches, but does not improve upon, the best bid or offer

<sup>6</sup> A related rule change recently approved by the Commission separately amended CBOE Rule 6.74 with respect to equity options. See Securities Exchange Act Release No. 42835 (May 26, 2000), 65 FR 35683 (June 5, 2000) (File No. SR-CBOE-99-10).

<sup>7</sup> See Amendment No. 3, which specifies that the proposed rule change, originally described as applicable to index options, would apply only to broad-based index options not traded in equity option trading crowds. "Broad-based index" is defined in CBOE Rule 24.1(i). The CBOE represents that broad-based index options currently not traded at equity options posts on the Exchange include Standard & Poor's 100 Stock Index options ("OEX"), Standard & Poor's 500 Stock Index options ("SPX"), and options on the Dow Jones Industrial Average ("DJX").

<sup>7</sup> 15 U.S.C. 78f(c)(4).