

proportion as all other shareholders of the acquired company.

3. A Series will invest in Affiliated and Unaffiliated Funds in reliance on section 12(d)(1)(F) of the Act. If the requested relief is granted, the Series will offer Units to the public with a sales load that exceeds the 1.5% limit in section 12(d)(1)(F)(ii).

4. Section 12(d)(1)(J) of the Act provides that the Commission may exempt persons or transactions from any provision of section 12(d)(1), if and to the extent that such exemption is consistent with the public interest and the protection of investors.

5. Applicants have agreed, as a condition to the requested relief, that any sales charges and/or service fees with respect to Units of a Series will not exceed the limits set forth in rule 2830 of the National Association of Securities Dealers, Inc. ("NASD") Conduct Rules applicable to a fund of funds. Applicants believe that it is appropriate to apply the NASD's rule to the proposed arrangement instead of the sales load limitation in section 12(d)(1)(F)(ii) because the proposed limit would cap the aggregate sales charges of the Units and the Funds. Applicants assert that the NASD's rule more accurately reflects today's regulatory environment with respect to the methods by which investment companies finance sales expenses.

6. Applicants state that, with respect to shares of Closed-end Funds and Exchange Funds held by a Series, no front-end sales load, contingent deferred sales charges or redemption fees will be charged in connection with the sale or purchase of Funds shares by a Series. Applicants state that although the Series likely will incur brokerage commissions in connection with its market purchases of shares of Closed-end Funds or Exchange Funds, these commissions will not differ materially from commissions otherwise incurred in connection with the purchase or sale of comparable portfolio securities.

7. Applicants also agree, as a condition to the requested relief, that no Series will acquire securities of a Fund which, at the time of acquisition, owns securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

B. Section 17(a) of the Act

1. With regard to the Series' investments in Affiliated Funds, applicants request relief from section 17(a) of the Act under sections 6(c) and 17(b). Section 17(a) of the Act generally prohibits an affiliated person, or an affiliated person of 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 any person directly or indirectly controlling, controlled by, or under common control with the other person. Applicants submit that the Series and Affiliated Funds may be deemed to be affiliated persons of one another by virtue of being under common control of the Depositor. Applicants state that purchases and redemptions of share of the Affiliated Funds by a Series could be deemed to be principal transactions between affiliated persons under section 17(a).

2. Section 6(c) of the Act provides that the Commission may exempt persons or transactions from any provisions 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. Section 17(b) of the Act provides that the Commission will exempt a proposed transaction from section 17(a) if evidence establishes that: (a) The terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching; (b) the proposed transaction is consistent with the policies of the registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act.

3. Applicants state that shares of Affiliated Funds will be sold to the Series at net asset value, or, in the case of Closed-end Funds or Exchange Funds, at their market value. As a result, applicants believe that the proposed terms and conditions of the Series' transactions in Affiliated Fund shares, including the consideration to be paid or received, will be reasonable and fair and will not involve overreaching on the part of any person concerned. Furthermore, applicants believe that the proposed transactions will be consistent with the policies of the each Series as recited in their registration statements, including disclosure that each Series is to hold shares of various Funds.

Applicant's Conditions

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

1. Each Series will comply with section 12(d)(1)(F) in all respects except for the sales load limitation of section 12(d)(1)(F)(ii).

2. Any sales charges and/or service fees (as those terms are defined in

NASD Conduct Rule 2830) charged with respect to Units of a Series will not exceed the limits set forth in NASD Conduct Rule 2830 applicable to a fund of funds (as defined in NASD Conduct Rule 2830).

3. No Series will acquire securities of a Fund which, at the time of acquisition, owns securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act.

4. No Series will terminate within thirty days of the termination of any other Series that holds shares of one or more common Funds.

5. The prospectus of each Series and any sales literature or advertising that mentions the existence of an in-kind distribution option will disclose that Unitholders who elect to receive Fund shares will incur any applicable rule 12b-1 fees.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 02-18837 Filed 7-24-02; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46231; File No. SR-CHX-2002-22]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated to Reduce or Eliminate Certain Transaction Credit Programs for Specialists

July 19, 2002.

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 July 8, 2002, the Chicago Stock Exchange, Incorporated ("CHX" 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 Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the CHX under section 19(b)(3)(A)(ii) of the Act,³ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

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 CHX proposes to amend its membership dues and fees schedule ("Schedule"), effective July 1, 2002, to reduce or eliminate certain transaction credit programs for specialists. The text of the proposed rule change is available at the CHX 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 Exchange 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 Exchange 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 CHX proposes to amend the Schedule by (1) eliminating the transaction credits paid to specialists with respect to trading in Nasdaq/NM securities; and (2) reducing the highest level of transaction credits and modifying the remaining credits paid to specialists with respect to trading in issues listed on the American Stock Exchange ("Tape B" securities).

The Exchange has proposed this change in direct response to the Commission's abrogation of certain proposed rule changes involving transaction credit rebate programs of other market centers.⁴ The CHX's specialist transaction credit program was put in place in February 1997⁵ to provide specialists with credits based upon their market share in the issues that they traded.⁶ The Exchange does

not believe that its program has resulted in widespread abuses such as those noted by the Commission in its recent press release.⁷ Nevertheless, the Exchange believes that the Commission's concerns about the potential impact of these programs on the national markets should be explored further. The Exchange, accordingly, has proposed the elimination and reduction of the credit programs described above, at the request of the Commission, to ensure that market participants are on similar footing with respect to these programs during the ongoing review of this issue. As further information is revealed about the actual impact of these types of programs on the national market system, the Exchange anticipates that it will examine the efficacy of its remaining credit programs as well.

The changes to the Schedule are effective as of July 1, 2002.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with section 6(b)(4) of the Act⁸ in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate 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.

of the market data revenue in that stock received by the Exchange; a specialist whose monthly market share was 7 to 12% received a 36% credit; and a specialist whose market share was greater than 12% received a 54% credit. These credit rates were marginal rates; in other words, a specialist whose market share was 9% received an 18% credit on the trades that made up its 7% market share and a 36% credit on all subsequent trading activity. The credit program was modified in March 2000 to slightly increase the credits available to specialists trading listed securities and to establish a credit program for specialists trading Nasdaq/NM securities. See Securities Exchange Act Release No. 42561 (March 22, 2000), 65 FR 16443 (March 28, 2000) (SR-CHX-2000-06).

⁷ In its press release, the Commission noted that it is concerned "that the availability of large market data revenue rebates in certain markets may be creating incentives for traders to engage in transactions with no economic purpose other than to receive market data fees." The Commission also stated its concern that "the structure and size of market data revenue rebates may be distorting the reporting of trades and that these rebate programs may reduce the regulatory resources of the markets and reallocate the funding of regulation among participants."

⁸ 15 U.S.C. 78f(b)(4).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to section 19(b)(3)(A)(ii) of the Act⁹ and subparagraph (f)(2) of Rule 19b-4 thereunder,¹⁰ because it involves a due, fee, or other charge. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 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 Exchange. All submissions should refer to file number SR-CHX-2002-22, and should be submitted by August 15, 2002.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 02-18841 Filed 7-24-02; 8:45 am]

BILLING CODE 8010-01-P

⁴ See Securities Exchange Act Release No. 46159 (July 2, 2002), 67 FR 45775 (SR-NASD-2002-61, SR-NASD-2002-68, SR-CSE-2002-06, and SR-PCX-2002-37) (order of summary abrogation).

⁵ See Securities Exchange Act Release Nos. 38237 (February 4, 1987, 62 FR 5492 (February 12, 1997) (instituting the specialist credit); and 41947 (September 29, 1999), 64 FR 54703 (October 7, 1999) (instituting a transaction credit for floor brokers).

⁶ The program originally provided credits as follows: a specialist whose monthly market share was less than 7% received a credit equal to 18%

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

¹¹ 17 CFR 200.30-3(a)(12).