Act [3] and the rules and regulations of the Commission thereunder, the Company shall continue to be obligated to file reports with the Commission under Section 13 of the Act.[4]

Any interested person may, on or before March 13, 2000, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549–0609, facts bearing upon whether the application has been made in accordance with the rules of the Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[5]

Jonathan G. Katz,

Secretary.

[FR Doc. 00–4471 Filed 2–24–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24292; 812–11462]

Republic Funds, et al.; Notice of Application

February 16, 2000.

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

ACTION: Notice of an application under section 6(c) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 15(a) of the Act and rule 18f–2 under the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit them to enter into and materially amend subadvisory agreements without obtaining shareholder approval.

APPLICANTS: Republic Funds (the ''Republic Trust'') and Republic Portfolios (the ''Portfolio Trust,'' together with the Republic Trust, the ''Trusts''), and HSBC Bank USA (''Manager'').

FILING DATES: The application was filed on January 11, 1999 and amended on October 27, 1999. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on March 13, 2000, and should be accompanied by proof of service on applicants, 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW, Washington, DC 20549–0609; Applicants, 452 Fifth Avenue, New York, NY 10018.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Senior Counsel, at (202) 942–0574 or George J. Zornada, 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 at the Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549–0102 (telephone (202) 942–8090).

Applicants' Representations

1. The Republic Trust is organized as a Massachusetts business trust and the Portfolio Trust is organized as a New York trust. Each Trust is registered under the Act as an open-end management investment company and is composed of separate investment portfolios (each a ''Fund,'' and collectively the ''Funds''), each of which has its own investment objectives, policies, and restrictions. The Republic Trust is composed of eight Funds and the Portfolio Trust consists of three Funds. Five of the eight Republic Trust Funds and each Fund of the Portfolio Trust are managed by the Manager. The remaining three Republic Trust Funds (the ''Feeder Funds'') do not have an investment adviser and each seeks to achieve its investment objectives by investing all its assets in a corresponding Portfolio Trust Fund. The Manager is an indirect wholly-owned subsidiary of HSBC Holdings plc, a registered bank holding company. The Manager is exempt from registration as an investment adviser under the Investment Advisers Act of 1940 (''Advisers Act'').[1]

2. The Republic Trust and Portfolio Trust have each entered into an investment advisory agreement with the Manager (''Management Agreement''). The Management Agreement has been approved by each Fund's board of trustees (''Board''), including a majority of the trustees who are not interested persons, as defined in section 2(a)(19) of the Act, of the Manager or the Trust (''Independent Trustees''), and by each Fund's shareholders. Under the Management Agreement, the Manager, subject to the oversight of the Board, supervises the overall investment program of the Funds. The Manager has entered into separate advisory agreements (''Subadvisory Agreements'') with one or more subadvisers (''Subadvisers''). Subject to general supervision by the Manager and Board, the Subadvisers provide the day-to-day management services to the Funds (each Fund with a Subadviser, a ''Subadvised Fund''). Currently there are five Subadvisers, each of which is registered under the Advisers Act. Future Subadvisers will be registered or exempt from registration under the Advisers Act. Each Fund pays the Manager a fee based on the value of the daily average net assets of the Fund.

3. The Management recommends each Subadviser based on, among other things, an evaluation of the Subadviser's level of expertise and performance, and chooses those Subadvisers that have distinguished themselves in the market sectors in which a Fund invests. The Manager reviews the performance of the Subadvisers and will recommend to the Board whether a Subadvisory Agreement should be renewed, modified, or terminated. Fees for each Subadviser are paid directly by the Trust on behalf of the respective Subadvised Fund at rates negotiated with each Subadviser by the Manager.

4. Applicants request an order to permit the Manager to enter into and materially amend Subadvisory Agreements without obtaining shareholder approval. The requested relief will not extend to a Subadviser

[3] 15 U.S.C. 78*l*(b).

[4] 15 U.S.C. 78m.

[5] 17 CFR 200.30–3(a)(1).

[1] Applicants also request that the relief apply to all Funds that may be established in the future and all registered open-end management investment companies or series thereof advised in the future by the Manager, or any entity controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with the Manager. All existing registered open-end management investment companies that currently intend to rely on the order have been named as applicants, and any future Fund or existing or future registered open-end management investment companies that rely on the order in the future will comply with the terms and conditions of the order.

that is an affiliated person, as defined in section 2(a)(3) of the Act, of a Trust or the Manager, other than by reason of serving as a Subadviser to one or more of the Funds (an ''Affiliated Subadviser''). None of the current Subadviser is an Affiliated Subadviser.

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except under a written contract approved by a majority of the investment company's outstanding voting shares. Rule 18f–2 under the Act provides that each series or class of stock in a series company affected by a matter must approve that matter if the Act requires shareholder approval.

2. Section 6(c) of the Act authorizes the Commission to exempt persons or transactions from the provisions of the Act, or from any rule thereunder, to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the Act. Applicants request an exemption under section 6(c) of the Act to permit them to enter into and materially amend Subadvisory Agreements without shareholder approval.

3. Applicants state that the Funds' shareholders rely on the Manager to select and supervise Subadvisers. Applicants submit that from the perspective of the investor, the role of the Subadviser with respect to each Subadvised Fund is substantially equivalent to the role of individual portfolio managers employed by investment advisory firms. Applicants contend that the requested relief will allow each Subadvised Fund to operate more efficiently by enabling the Subadvised Funds to act quickly and cost effectively to replace Subadvisers when the respective Board and the Manager find that a change would benefit the Subadvised Fund. Applicants state that the Management Agreement will remain fully subject to the requirements of section 15(a) of the Act and rule 18f-2 under the Act, including the requirements for shareholder approval. Applicants also state that, as a condition to the requested order, any changes to a Subadvisory Agreement that would result in an increase in the overall management and advisory fees payable by a Subadvised Fund wll be subject to the shareholder voting requirements of section 15(a) and rule 18f-2.

Applicants' Conditions

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

1. Before a Subadvised Fund may rely on the order requested in the application, the operation of the Subadvised Fund in the manner described in the application will be approved by a majority of the outstanding voting securities of the Subadvised Fund, within the meaning of the Act, or if applicable, pursuant to voting instructions provided by shareholders of those Feeder Funds investing in such Subadvised Fund (or by the unit holders in the case of Feeder Funds that are insurance company separate accounts) that are registered under the Act or other voting arrangements that comply with section 12(d)(1)(E)(iii)(aa) of the Act, if applicable. Before a future Fund may rely on the order requested in the application, the operation of the future Fund in the manner described in the application will be approved by a majority of the outstanding voting securities of the future Fund, within the meaning of the Act, or if applicable, pursuant to voting instructions provided by the shareholders of the future Fund (or by unit holders in the case of a future Fund that is an insurance company separate account registered under the Act), in accordance with section 12(d)(1)(E)(iii)(aa) of the Act, or in the case of a future Fund whose shareholders or unit holders, as the case may be, purchase shares in a public offering on the basis of a prospectus containing the disclosure contemplated by Condition 3 below, by the initial shareholder(s) before the shares of the future Fund are offered to the public.

2. Within 90 days of the hiring of any new Subadviser, the Manager will furnish the shareholders of the applicable Subadvised Fund and Feeder Funds (including in the case of a Feeder Fund that is an insurance company separate account, the unit holders of that separate account) all the information that would have been included in a proxy statement. Such information will include any changes in such information caused by the addition of a new Subadviser. To meet this obligation, the Manager will provide the shareholders of the applicable Subadvised Funds and Feeder Funds (including in the case of a Feeder Fund that is an insurance company separate account, the unit holders of that separate account) with an information statement meeting the requirements of Regulation 14C and Schedule 14C under the Securities Exchange Act of 1934 (''Exchange Act'') as well as the requirements of Item 22 of Schedule 14A under the Exchange Act.

3. The Republic Trust's or a Feeder Fund's prospectus, Portfolio Trust's or future Funds' offering documents and, if applicable, Portfolio Trust's or future Fund's prospectus, will disclose the existence, substance, and effect of any order granted pursuant to this application. In addition, the Feeder Funds, the Subadvised Funds and the future Funds will hold themselves out as employing the Manager/Subadviser approach described in the application. The Republic Trust's or a Feeder Funds' prospectus, Portfolio Trust's or future Fund's offering documents and, if applicable, Portfolio Trust's or future Funds' prospectus, will prominently disclose that the Manager has ultimate responsibility to oversee the Subadvisers and recommend their hiring, termination and replacement.

4. The Manager will provide general management services to each respective Trust and its Subadvised Funds, including overall supervisory responsibility for the general management and investment of each Subadvised Fund's securities portfolio, and, subject to review and approval by the respective Board will: (i) set the Subadvised Fund's overall investment strategies; (ii) evaluate, select and recommend Subadvisers to manage all or a part of a Subadvised Fund's assets; (iii) allocate and reallocate a Subadvised Fund's assets among multiple Subadvisers, if more than one exists; (iv) monitor and evaluate the performance of Subadvisers including their compliance with the investment objectives, policies, and restrictions of Subadvised Funds; and (v) implement procedures to ensure that the Subadvisers comply with the Subadvised Fund's investment objectives, policies, and restrictions.

5. A majority of each respective Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be at the discretion of the then-existing Independent Trustees.

6. When a Subadviser change is proposed for a Subadvised Fund with an Affiliated Subadviser, the respective Trust's trustees, including a majority of the Independent Trustees, will make a separate finding, reflected in the Trust's Board minutes, that the change is in the best interests of the Subadvised Fund, and the Feeder Fund investing in the Subadvised Fund, and their respective shareholders (including, in the case of a Subadvised Fund offered to insurance company separate accounts, the unit holders of any separate account for

which the Subadvised fund serves as a funding medium) and does not involve a conflict of interest from which the Manager or the Affiliated Subadviser derives an inappropriate advantage.

7. Neither the Manager nor a Subadvised Fund will enter into Subadvisory Agreements with any Subadviser that is an Affiliated Subadviser, other than by reason of serving as Subadviser to one or more Subadvised Funds, without such Subadvisory Agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Subadvised Fund, or if applicable, pursuant to voting instructions provided by shareholders of those Feeder Funds investing in such Subadvised Funds (or by unit holders in the case of Feeder Funds that are insurance company separate accounts) that are registered under the Act or other voting arrangements that comply with section 12(d)(1)(E)(iii)(aa) of the Act, if applicable.

8. No trustee or officer of the Trusts or partner or officer of the Manager will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by that Trustee, partner or officer) any interest in a Subadviser except for: (i) ownership of interests in the Manager or any entity that controls, is controlled by, or is under common control with the Manager, or (ii) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Subadviser or an entity that controls, is controlled by or is under common control with, a Subadviser.

9. Any changes to a Subadvisory Agreement that would result in an increase in the overall management and advisory fees payable by a Subadvised Fund will be required to be approved by the shareholders of the Subadvised Fund, or if applicable, pursuant to voting instructions provided by shareholders of those Feeder Funds investing in the Subadvised Fund (or by unit holders in the case of Feeder Funds that are insurance company separate accounts) that are registered under the Act or other voting arrangements that comply with section 12(d)(1)(E)(iii)(aa) of the Act, if applicable.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–4470 Filed 2–24–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42437; File No. SR–AMEX–99–50]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The American Stock Exchange LLC Adopting Interpretive Materials Regarding Future Priced Securities

February 17, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on December 30, 1999, 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 Amex is proposing to adopt interpretive material relating to certain convertible securities. Below is the text of the proposed rule change. All text is being added.

* * * * *

Section 101
Commentary
.10 Future Priced Securities
Summary

Future Priced Securities are private financing instruments which were created as an alternative means of quickly raising capital for issuers. The security is generally structured in the form of a convertible security and is often issued via a private placement. Issuers will typically receive all capital proceeds at the closing. The conversion price of the Future Priced Security is generally linked to a percentage discount to the market price of the underlying common stock at the time of conversion and accordingly the conversion rate for Future Priced Securities floats with the market price of the common stock. As such, the lower the price of the issuer's common stock at the time of conversion, the more shares into which the Future Priced Security is convertible. The delay in setting the conversion price is appealing to issuers who believe that their stock will achieve greater value after the financing is received. However, the issuance of Future Priced Securities may be followed by a decline in the common stock price, creating additional dilution to the existing holders of the common stock. Such a price decline allows holders to convert the Future Priced Securities into large amounts of the issuer's common stock. As these shares are issued upon conversion of the Future Priced Security, the common stock price may tend to decline further.

For example, an issuer may issue $10 million of convertible preferred stock (the Future Priced Security), which is convertible by the holder or holders into $10 million of common stock based on a conversion price of 80% of the closing price of the common stock on the date of conversion. If the closing price is $5 on the date of conversion, the Future Priced Security would receive 2,500,000 shares of common stock. If, on the other hand, the closing price is $1 on the date of conversion, the Future Priced Security holders would receive 12,500,000 shares of common stock.

Unless the issuer carefully considers the terms of the securities in connection with several Exchange rules, the issuance of Future Priced Securities could result in a failure to comply with the listing standards and concomitant delisting of the issuer's securities from The American Stock Exchange. The Exchange's experience has been that issuers do not always appreciate this potential consequence. Sections of the Exchange's Listing Standards, Policies and Requirements that bear upon the continued listing qualifications of an issuer and that must be considered when issuing Future Priced Securities include:

1. The shareholder approval rules
2. The voting rights rules
3. The rules relating to low priced securities
4. The listing of additional shares rules
5. The rules relating to the acquisition of a listed company by an unlisted company
6. The Exchange's discretionary authority rules

It is important for issuers to clearly understand that failure to comply with any of these rules could result in the delisting of the issuer's securities.

This notice is intended to assist companies considering financings involving Future Priced Securities. By adhering to the above requirements, issuers can avoid unintended listing qualifications problems. Issuers having any questions about this notice or proposed transactions should contact The Nasdaq-Amex Listing Qualifications Department at (301) 978–8026. The Exchange will provide an issuer with written interpretation of the application of Exchange rules to a

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