investment of cash collateral in the Trust is in the best interest of the shareholders of the Fund.

2. With respect to any Fund that enters into a securities lending program (a ''Lending Fund''), the Adviser will reduce its advisory fees charged to the Lending Fund by an amount (the ''Reduction Amount'') equal to the net asset value of the Lending Fund's holdings in the Trust multiplied by the rate at which advisory fees are charged by the Adviser to the Trust. Any fees remitted or waived pursuant to this condition will not be subject to recoupment by the Adviser or its affiliated persons at a later date.

3. If the Adviser waives any portion of its fees or bears any portion of the expenses of the Lending Fund (an ''Expense Waiver''), the adjusted fees for the Lending Fund (gross fees less Expense Waiver) will be calculated without reference to the Reduction Amount. Adjusted fees then will be reduced by the Reduction Amount. If the Reduction Amount exceeds adjusted fees, the Adviser also will reimburse the Lending Fund in an amount equal to such excess.

4. Investment in shares of the Trust will be in accordance with each Lending Fund's respective investment restrictions and will be consistent with its policies as recited in its registration statement and prospectus.

5. The Trust will maintain a portfolio that complies with the maturity, quality, and diversification requirements of rule 2a–7(c) (2), (3), (4), and (d) under the Act. A Lending Fund may purchase shares of the Trust if the Adviser determines on an ongoing basis that the Trust is in compliance with paragraphs (c)(2), (c)(3), (c)(4), (c)(6), and (d) of rule 2a–7. The Adviser shall preserve for a period not less than six years from the date of determination, the first two years in an easily accessible place, a record of such determination and the basis upon which such determination was made. This record will be subject to examination by the SEC and its staff.

6. The Trust will comply with the requirements of sections 17 (a), (d), and (e), and 18 of the Act as if the Trust were a registered open-end investment company. With respect to all redemption requests made by a Lending Fund, the Trust will comply with section 22(e) of the Act. The Adviser shall, subject to approval by the Trustee, adopt procedures designed to ensure that the Trust complies with sections 17 (a), (d), and (e), 18, and 22(e). The Adviser will also periodically review and periodically update as appropriate such procedures and will maintain books and records describing such procedures, and maintain the records required by rules 31a–1(b)(1), 31a–1(b)(2)(ii), and 31a–1(b)(9) under the Act. All books and records required to be made pursuant to this condition will be maintained and preserved for a period of not less than six years from the end of the fiscal year in which any transaction occurred, the first two years in an easily accessible place, and will be subject to examination by the SEC and its staff.

7. The Trust will value its shares, as of the close of business on each business day, as follows: The Trust will use the ''amortized cost method,'' as defined in rule 2a–7, to determine the Trust's net asset value per share. In this regard, the Trust will comply with rule 2a–7(c)(6), except that the Adviser, subject to approval by the Trustee, shall adopt the procedures described in that provision and the Adviser shall monitor such procedures and take such other actions as are required to be taken by a board of directors pursuant to that provision.

8. The Adviser, subject to approval by the Trustee, will adopt procedures that are designed, taking into account current market conditions and the Trust's investment objectives, to stabilize the Trust's net asset value per share, as computed for the purpose of distribution, redemption, and repurchase, at a single value. These procedures will be reviewed annually by the board of trustees of each Lending Fund.

9. The shares of the Trust will not be subject to a sales load, redemption fee, or any asset-based sales charge.

10. Each Lending Fund will purchase and redeem shares of the Trust as of the same time and at the same price, and will receive dividends and bear its proportionate share of expenses on the same basis, as other shareholders of the Trust. A separate account will be established in the shareholder records of the Trust for the account of each Lending Fund.

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

Margaret M. McFarland,

Deputy Secretary.

[FR Doc. 95–23560 Filed 9–21–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36242; File No. SR–CBOE–95–22]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 to the Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Members' Compliance with Position and Exercise Limits for Non-CBOE Listed Options

September 18, 1995.

On April 20, 1995, the Chicago Board Options Exchange, Inc. (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend CBOE Rules 4.11, ''Position Limits,'' and 4.12. ''Exercise Limits,'' to require CBOE members who trade non-CBOE listed option contracts and who are not members of the exchange where the options are traded to comply with the option position and exercise limits set by the exchange where the transactions are effected.[3]

Notice of the proposed rule change appeared in the Federal Register on May 31, 1995.[4] No comments were received on the proposed rule change.[5]

The CBOE proposes to amend Exchange Rules 4.11 and 4.12 to require CBOE members who trade non-CBOE listed option contracts and who are not members of the exchange where the options are traded to comply with the option position and exercise limits set by the exchange where the transactions are affected.[6] According to the CBOE, the proposal is designed to eliminate a

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1994).

[3] Position limits impose a ceiling on the number of option contracts in each class on the same side of the market (*i.e.*, aggregating long calls and short puts or long puts and short calls) that can be held or written by an investor or group of investors acting in concern. Exercise limits prohibit an investor or group of investors acting in concert from exercising more than a specified number of puts or calls in a particular class within five consecutive business days.

[4] *See* Securities Exchange Act Release No. 35759 (May 24, 1995), 60 FR 28432.

[5] The CBOE amended its proposal to indicate that the CBOE will also apply the position limit exemptions, interpretations, and policies of the exchange where the transactions are effected. *See* Letter from Margaret G. Abrams, Attorney, CBOE, to Yvonne Fraticelli, Attorney, Division of Market Regulation (''Division''), Commission, dated September 6, 1995 (''Amendment No. 1'').

[6] The proposal applies to transactions in index options as well as equity options. Telephone conversation between Margaret G. Abrams, Attorney, CBOE, and Yvonne Fraticelli, Attorney, Options Branch, Division, Commission, on September 14, 1995.

jurisdictional loophole whereby a CBOE member who exceeds position or exercise limits on another options exchange in an option class not listed on the CBOE and who is not a member of the other exchange falls outside of both the CBOE's and the other options exchange's jurisdiction for position and exercise limit purposes.[7]

Specifically, although CBOE Rules 4.11 and 4.12 prohibit excessive positions or exercises in CBOE listed option contracts, they do not currently prohibit a CBOE member from exceeding applicable limits set by another exchange for non-CBOE listed option contracts. If the CBOE member is not a member of the other exchange which lists the option contracts, then the other exchange cannot enforce its position and exercise requirements against the CBOE member.

The proposed amendments will extend CBOE Rules 4.11 and 4.12 to apply to option contracts dealt in on any exchange (rather than only to option contracts dealt in on the CBOE) by requiring a CBOE member who is effecting transactions in non-CBOE listed option contracts on another exchange, of which he or she is not a member, to comply with the position and exercise limits set by the exchange on which the transaction is effected.[8] Thus, a CBOE member's customer transactions in non-Exchange listed options will be brought within the CBOE's jurisdiction for position and exercise limit purposes when the exchange on which the excessive transactions are effected does not have member jurisdiction over the CBOE member.

In addition, the CBOE proposes to amend the text of CBOE Rule 4.12 to replace references to the Exchange's previous equity option position limits with reference to the Exchange's current equity option position limits, which were excluded inadvertently from the text of CBOE Rule 4.12 when the equity option position limits were increased in December 1993.[9]

Finally, the CBOE proposes to amend CBOE Rules 4.11 and 4.12 to indicate that the Exchange's position and exercise limits are now established by the staff of the CBOE, rather than by the CBOE's Board of Directors (''Board'').[10]

The CBOE believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section 6(b)(5), in particular, in that it is designed to remove impediments to a free and open market and to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5)[11] in that it is designated to prevent fraudulent and manipulative acts and practices and to protect investors and the public interest. Specifically, the CBOE has noted that Exchange Rules 4.11 and 4.12 do not currently prohibit CBOE members from exceeding the position and exercise limits set by another exchange for non-CBOE listed option contracts. Thus, if the CBOE member is not a member of the exchange which lists the options, then neither the CBOE or the exchange that lists the options is able to enforce its position and exercise limits against the CBOE member. The proposal eliminates this loophole and strengthens the Exchange's rules by requiring a CBOE member who trades non-CBOE listed option contracts on another exchange, and who is not a member of that exchange, to comply with the option position and exercise limits set by the exchange where the transactions are effected.[12]

As the Commission has noted in the past,[13] options position and exercise limits are intended to prevent the establishment of large options positions that can be used or might create incentives to manipulate or disrupt the underlying market so as to benefit the options position. In particular, position and exercise limits are designated to minimize the potential for mini-manipulations[14] and for corners or squeezes of the underlying market. They also impose a ceiling on the maximum position an investor with inside corporate or market information can establish through the use of options. In addition, they serve to reduce the possibility for disruption of the options market itself, especially in illiquid options classes. The proposal extends the benefits of the position and exercise limit rules to include all exchange-traded options transactions entered into by CBOE members by bringing a CBOE member's customer transactions in non-CBOE exchange listed options within the CBOE's jurisdiction for position and exercise limits purposes. The Commission also notes that violations under CBOE Rules 4.11 and 4.12 for transactions that do not comply with the position and exercise limits of another exchange will be subject to the same fines or disciplinary action for position and exercise limit violations as those applicable to CBOE options.[15]

The Commission believes that the proposal to amend the text of CBOE Rule 4.12 to reflect the current position limits for equity options, which were not included in the text of CBOE Rule 4.12 when the equity option position limits were increased in 1993, should benefit market participants by ensuring the accuracy of CBOE Rule 4.12. The text of CBOE Rule 4.12, as amended, will reflect the Exchange's current equity option position and exercise limits.

The Commission also believes that it is reasonable for the Exchange to amend CBOE Rules 4.11 and 4.12 to indicate that the Exchange's position and exercise limits are now established by the staff of the CBOE, rather than by the CBOE's Board. In this regard, as noted above, any proposal to increase the Exchange's position and exercise limits must be approved by the Commission.

The Commission finds good cause for approving Amendment No. 1 to the proposal on an accelerated basis. Amendment No. 1 to the proposal strengthens and clarifies the CBOE's proposal by indicating that the CBOE will apply the position limit exemptions, interpretations, and policies of the exchange where the transactions are effected. Accordingly, the Commission believes it is appropriate and consistent with Sections 6(b)(5) and 19(b) (2) of the Act to approve Amendment No. 1 to the proposal on an accelerated basis.

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[7] The Commission notes that, generally, the options exchanges have adopted uniform options position and exercise limits.

[8] The CBOE will also apply the position limit exemptions, interpretations, and policies of the exchange where the transactions are effected. *See* Amendment No. 1, *supra* note 5.

[9] *See* Securities Exchange Act Release No. 33283 (December 3, 1993), 58 FR 65204 (December 13, 1993) (order approving File No. SR–CBOE–93–43).

[10] The Commission notes that any proposal to revise the Exchange's position and exercise limits must be filed with, and approved by, the Commission pursuant to Section 19(b)(2) under the Act.

[11] 15 U.S.C. § 78f(b)(5) (1988 & Supp. V 1993).

[12] Under the proposal, the CBOE will also apply the exemptions, interpretations, and policies of the exchange where the options transactions are effected. *See* Amendment No. 1, *supra* note 5.

[13] *See, e.g.,* Securities Exchange Act Release No. 33283 (December 3, 1993), 58 FR 65204 (December 13, 1993) (order approving File No. SR-CBOE–93–43).

[14] Mini-manipulation is an attempt to influence, over a relatively small range, the price movement in a stock to benefit a previously established derivatives position.

[15] *See* CBOE Rule 17.50, ''Imposition of Fines for Minor Rule Violations.'' Violations of the Exchange's exercise limit rules are subject to disciplinary action under Chapter 17, ''Discipline,'' of the CBOE's rules.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1. 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. 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted October 13, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[16] that the amended proposed rule change (File No. SR-CBOE–95–22) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[17].

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–23558 Filed 9–21–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–36245; File No. SR–NASD–95–38]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to the Effective Date of an Amendment to the Prompt Receipt and Delivery of Securities Interpretation Concerning Affirmative Determinations Made in Connection with Short Sales

September 18, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''), 15 U.S.C. 78s(b)(1), notice is hereby given that on September 6, 1995,[1] the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II, and III below, which items have been prepared by the NASD. 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 the Substance of the Proposed Rule Change

The NASD is proposing to change the effective date of a rule change previously approved by the Commission regarding an amendment to the NASD's Prompt Receipt and Delivery of Securities (''Interpretation'') issued by the NASD Board of Governors under Article III, Section 1 of the NASD Rules of Fair Practice that deals with affirmative determinations made by members in connection with short sales.[2] Specifically, the NASD proposes to delay, until February 20, 1996, the effectiveness of the portion of the rule change that prohibits NASD members from using blanket or standing assurances that securities are available for borrowing to satisfy their affirmative determination requirements. An affirmative determination as to stock availability and annotation of that affirmative determination must still be made for each and every transaction, however. Thus, a firm that relies on a fax sheet or other standing assurance as to stock availability must annotate such reliance for each short sale transaction.

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 NASD 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 NASD 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

On September 12, 1994, the SEC approved an NASD rule change (SR–NASD–94–32) that amended the Interpretation.[3] Specifically, the new rule requires members to annotate, on the trade ticket or on some other record maintained for that purpose by the member firm, the following information:

1. If a customer assures delivery, the member must annotate that conversation noting the present location of the securities; whether the securities are in good deliverable form; and whether they will be delivered to the firm within time for settlement; or

2. If the member locates the stock, the member must annotate the identity of the individual and firm contacted who offered assurance that the shares would be delivered or were available for borrowing by settlement date; and the number of shares needed to cover the short sale.

The amendment also provided that the manner by which a member or person associated with a member annotates compliance with this ''affirmative determination'' requirement (e.g., marking the order ticket, recording inquiries in a log, etc.) is left for each individual firm to decide. In addition, the amendment clarified that an affirmative determination and annotation of that affirmative determination must be made for each and every transaction since a ''blanket'' or standing assurance that securities are available for borrowing is not acceptable to satisfy the affirmative determination requirement (''standing assurance provision''). Thus, by requiring firms to annotate each and every affirmative determination, the amendment made clear the NASD's policy that firms cannot rely on daily fax sheets of ''borrowable stocks'' to satisfy their affirmative determination requirements under the Interpretation.

In NASD Notice to Members 94–80, the NASD announced that the effective date of the amendments to the Interpretation would be November 30, 1994. Based upon feedback from a broad spectrum of NASD members that compliance with the amended Interpretation would not be possible by November 30, 1994, due to a variety of operational adjustments that needed to be made, the NASD decided to postpone the effective date of the amendments to the Interpretation until January 9, 1995,

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[16] 15 U.S.C. § 78s(b)(2) (1982).

[17] 17 CFR 200.30–3(a)(12) (1994).

[1] The proposed rule change was initially submitted on August 31, 1995, but was amended prior to publication in the Federal Register. The amendment was intended to clarify the requirements imposed on NASD members with respect to the annotation requirement. The amendment is available for copying in the Commission's Public Reference Room.

[2] *NASD Manual.* Rules of Fair Practice, Article III, Sec. 1, (CCH) ¶ 2151.04.

[3] *See* Securities and Exchange Act Release No. 34653 (September 12, 1994), 59 FR 47965 (September 19, 1994).