loan was in accordance with the procedures set forth above and the conditions to the application.

Applicants' Legal Analysis

1. Section 2(a)(3) of the Act defines an affiliated person of an investment company to include any investment adviser of the investment company and any person directly or indirectly controlling, or under common control with, such investment adviser. Under section 2(a)(3), OpCo, which owns all of the outstanding stock of Advantage, is an affiliated person of Advantage. Since Advantage is an affiliated person of each Fund by virtue of its position as an investment adviser of each Fund, OpCo may thereby be deemed an affiliated person of an affiliated person of each Fund. OpCo also may be deemed an affiliated person of the Czech Fund, for which OpCo Advisors (''OpCap'') serves as day-to-day investment adviser, by virtue of the fact that OpCo and OPCap are under common control.

2. Section 17(d) of the Act and rule 17d–1 thereunder make it unlawful for any affiliated person of a registered investment company, or any affiliated person of such person, acting as principal, to participate in or effect any transaction in connection with any joint enterprise or other joint arrangement or profit-sharing plan in which such investment company is a joint participant, unless an application regarding such joint enterprise or other joint arrangement or profit-sharing plan has been filed with the SEC and has been granted by an order of the SEC. Rule 17d–1 provides that, in passing upon any such application, the SEC will consider whether the participation of such registered investment company in such joint enterprise or joint arrangement or profit-sharing plan is consistent with the provisions, policies and purposes of the Act, and the extent to which such participation is on a basis different from or less advantageous than that of the other participants. To the extent that OpCo's proposed activities as lending agent for the Funds in return for a share of the revenue generated thereby may be deemed a joint enterprise or profit sharing plan, applicants believe that such activities would be prohibited by section 17(d) and rule 17d–1.

3. Applicants believe that the procedures to be adopted by each Fund with respect to the Fund's employment of OpCo as lending agent will ensure the fairness of the fee arrangement and other terms governing this relationship. Applicants state that the proposed conditions and procedures place reliance on the directors who are not interested persons of a Fund to determine that the lending arrangements are fair and reasonable and in the best interests of the Fund and its shareholders. Accordingly, applicants believe that the application satisfies the standards for relief set forth in rule 17d–1.

Applicants' Conditions

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

1. No Fund may lend its portfolio securities to a borrower that is an affiliated person of the Fund, any adviser of the Fund, or OpCo, or to an affiliated person of any such person.

2. Except as set forth herein, the securities lending program of each Fund will comply with all present and future applicable SEC staff positions regarding securities lending arrangements, *i.e.*, with respect to the type and amount of collateral, voting of loaned securities, limitations on the percentage of portfolio securities on loan, prospectus disclosure, termination of loans, receipt of dividends or other distributions, and compliance with fundamental policies.[1]

3. Approval of the board of directors of a Fund, including a majority of directors who are not ''interested persons'' under the Act, shall be required for the initial and subsequent approvals of OpCo's service as lending agent for the Fund, for the institution of all procedures relating to the securities lending program of the Fund, and for any periodic review of loan transactions for which OpCo acted as lending agent.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–9301 Filed 4–15–96; 8:45 am]

BILLING CODE 8010–01–M

[1] *See, e.g.,* SIFE Trust Fund (pub. avail. Feb. 17, 1982).

[Release No. 34–37089; File No. SR–CBOE–96–12]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 Thereto by the Chicago Board Options Exchange, Inc., to Change the Method for Determining the Exercise Settlement Value of Nasdaq-100 Options

April 9, 1996.

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 March 12, 1996, 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 and II below, which Items have been prepared by the self-regulatory organization. The Exchange subsequently filed Amendment No. 1 to the proposed rule change on April 2, 1996.[3] The CBOE has requested accelerated approval for the proposal. This order approves the CBOE's proposal, as amended, on an accelerated basis and solicits comments from interested persons.

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

The CBOE is proposing to change the method of determining the settlement value of Nasdaq-100 options (''NDX'').[4] Currently, the NDX is an A.M.-settled index option. The Exchange is proposing that the NDX be settled by using the weighted average transaction prices of its underlying securities during a five-minute period on the last day of trading prior to expiration.

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 comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1994).

[3] *See* letter from Timothy Thompson, Senior Attorney, CBOE, to Matthew S. Morris Attorney, Options and Derivatives Regulation, Division of Market Regulation, Commission, dated April 2, 1996 (''Amendment No. 1''). In Amendment No. 1, the CBOE represented that it would issue a regulatory circular to its membership concerning the change in settlement methodology for the Nasdaq-100 options. In addition, in Amendment No. 1 the CBOE confirmed that: (i) Nasdaq, Inc. will provide to the Exchange, on an on-going basis, the calculation of the settlement values for Nasdaq-100 options under both the old and new settlement methods; and (ii) neither the change in the settlement method for Nasdaq-100 options nor the operation of a dual settlement methodology will cause any operational problems for the Options Clearing Corporation (''OCC'').

[4] The NDX is a capitalization-weighted index composed of the stocks of 100 of the largest non-financial issuers whose securities are traded on Nasdaq.

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

1. Purpose

Background

The purpose of the CBOE's proposal is to change the manner in which NDX options are settled to a weighted average method, as described below. This settlement method is consistent with the settlement method that will be used for Nasdaq-100 futures, which are proposed to be traded by the Chicago Mercantile Exchange (''CME'').[5]

According to the CBOE, the change in settlement method will enable the Nasdaq-100 futures to be used more efficiently in hedging NDX options and vice versa. The Exchange also believes that the use of a common settlement method will enhance the advantage an investor will receive from maintaining positions in a cross-margining account with the OCC. The use of a common settlement method should also avoid potential investor confusion.

Current Methodology for Determining Exercise Settlement Values

Currently, the NDX is an A.M.-settled index option. For such index options, the last day of trading is the business day preceding the last day of trading in the underlying securities prior to expiration (usually a Thursday). The current index value at expiration is determined by reference to the reported level of such index as derived from first reported sale (opening) prices of the underlying securities on the last day of trading in the underlying securities prior to expiration (usually a Friday), except that the last reported sale price of such a security shall be used in any case where that security does not open for trading on that day.

New Methodology for Determining Exercise Settlement Values

Under the proposal, the last day of trading for Nasdaq-100 options will be the business day preceding the last day of trading in the underlying securities prior to expiration. The current index value at expiration will be determined on the last day of trading in the underlying securities prior to expiration. The current index value for such purposes shall be determined using the volume weighted prices (''VWPs'') of the Nasdaq-100 Index (''Index'') underlying securities.

The VWP of a stock will be computed from transaction prices in the five-minute period (usually 8:30 a.m. to 8:35 a.m., Chicago time) beginning with its first transaction price at or after 8:30 a.m., Chicago time, as reported by Nasdaq.[6] The VWP of each stock in the index will be calculated as the weighted average of its transaction prices during this five-minute period. The weight associated with a particular transaction price will be the fraction of the total volume of trading during this five-minute period which was executed at this transaction price. If the first transaction of a stock occurs after 2:55 p.m., Chicago time, then its VWP will be computed from transaction prices reported before 3:00 p.m., Chicago time. If a stock does not trade after 8:30 a.m. and before 3:00 p.m., Chicago time, then its VWP will be its closing price from the Previous day.

Change Not Retroactive

To implement this rule change, the CBOE will create a new class of Nasdaq-100 Index options which will be listed parallel to outstanding series in the existing class. In this regard, no new expiration months will be added to the Nasdaq-100 Index options class with the old exercise settlement value methodology and this class of options will cease to exist after September 1996 expiration. In addition, in order to have the surviving options root symbol remain NDX, all existing series with the options root symbol NDX will be changed to NDV. The CBOE notes that while this represents a change in symbols for NDX positions previously opened, the contract, specifications in force at the time these contracts were initially listed remain unchanged. Finally, position and exercise limits for all standardized Nasdaq-100 Index options, regardless of settlement method, will be aggregated.

2. Statutory Basis

The CBOE believes that the proposal 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 will allow NDX options to serve as a better hedge for Nasdaq-100 futures and vice versa. In this regard, the CBOE believes that the rule change furthers the objectives of Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect 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 inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Comments were neither solicited nor received with respect to the proposed rule change.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 NW., Washington, DC 20549. Copies of such filings also will be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR–CBOE–96–12 and should be submitted by May 7, 1996.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) thereunder. Specifically, the Commission finds that the CBOE's proposal to alter the method for determining the exercise settlement value of Nasdaq-100 options will contribute to the maintenance of fair and orderly markets by eliminating potential disparities between the settlement values of Index options traded on the CBOE and the settlement

[5] *See* Chicago Mercantile Exchange submission to the Commodity Futures Trading Commission, Nos. 96–03 and 96–04, dated January 9, 1996.

[6] With the exception of trade reports with .0 modifiers (*i.e.*, trades reported in real time at prices outside the current inside quotations displayed by Nasdaq), trade reports that do not have modifiers attached to them will be used for the computation of VWPs.

values of Index futures traded on the CME. This, in turn, should help to ensure that the Index options traded on the CBOE will serve as an effective mechanism for hedging investments in Nasdaq-100 futures and vice versa.

As described above, existing options series using the old settlement methodology will be phased-out over time. Accordingly, no new expiration months will be added to the Nasdaq-100 Index options class with the old exercise settlement value methodology and this class of options will cease to exist after September 1996 expiration. In addition, by issuing a regulatory circular to its membership concerning the change in settlement methodology for Nasdaq-100 options, which will include a schedule that details when the new series with the new settlement methodology will begin trading and when the outstanding series with the old settlement methodology will expire, investor confusion should be avoided. Lastly, the Commission believes that the VWP settlement methodology may reduce the susceptibility of the Index to manipulation by diminishing the impact of a single trade on the settlement price.

The Commission finds good cause to approve the proposal, including Amendment No. 1, prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. By accelerating the effectiveness of the CBOE's rule proposal, thereby matching the trading timetable of the Nasdaq-100 futures on the CME, the Commission will ensure that market participants will be able to utilize similar settlement methodologies for both futures and options. In addition, the Commission believes that the proposed settlement method does not present any new or novel regulatory issues as the Commission has previously approved a settlement method utilizing average weighted prices.[7] Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the proposed rule change, including Amendment No. 1, on an accelerated basis.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2)[8] of the Act, that the proposed rule change (File No. SR–CBOE–96–12), as amended, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[9]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–9302 Filed 4–15–96; 8:45 am]

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[7] *See* Securities Exchange Act Release No. 32120 (April 9, 1993), 58 FR 19864 (April 16, 1993) (approval order for the Financial Times-Stock Exchange 100 Index) (File No. SR–CBOE–92–34).

[8] 15 U.S.C. § 78s(b)(2) (1988).

[9] 17 CFR 200.30–3(a)(12) (1994).

[Release No. 34–37088; File No. SR–NASD–96–06]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by National Association of Securities Dealers, Inc., Relating to Issuer Hearing Fees

April 9, 1996.

On February 22, 1996, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') filed a proposed rule change 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] The proposed rule change increases the hearing fees for issuers seeking continued or initial inclusion on The Nasdaq Stock Market.

Notice of the proposed rule change, together with the substance of the proposal as initially filed, was provided by issuance of a Commission release (Securities Exchange Act Release No. 36900, February 28, 1996) and by publication in the Federal Register (61 FR 8996, March 6, 1996). No comment letters were received. This order approves the proposed rule change.

Parts II and III of Schedule D to the NASD By-Laws set forth the requirements applicable to issuers for initial and continued inclusion in The Nasdaq Stock Market. Pursuant to Article IX of the NASD Code of Procedure, issuers may apply for an exception to these requirements, which shall be considered by a hearing panel designated by the Board of Governors. Part IV of Schedule D to the NASD By-Laws sets forth the applicable fees for an issuer's application for an exception.[3] These fees are being increased from $500 to $1,400 for written applications and from $1,000 to $2,300 for oral applications.

The costs associated with the hearing process include fixed costs for all applications and additional variable costs for oral hearing applications. The NASD states that the increased fees relate directly to these costs and reflect the recovery of the fixed costs evenly across all hearing applicants and the recovery of the additional variable costs only from oral hearing applicants.

The Commission finds that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act[4] because the fees are an equitable allocation of the costs of providing a forum for issuers seeking to maintain or establish inclusion in The Nasdaq Stock Market. The fees are designed to be revenue neutral and directly offset the costs associated with providing an issuer with the type of hearing requested.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that File No. SR–NASD–96–06 be, and hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–9303 Filed 4–15–96; 8:45 am]

BILLING CODE 8010–01–M

[1] 15 U.S.C. § 78s(b)(1).

[2] CFR 240.19b–4.

[3] Pursuant to a new rule numbering system for the NASD Manual that the NASD anticipates to put into effect no later than May 1, 1996, this rule will become Rule 4530. *See* Exchange Act Release No. 36698 (January 11, 1996), 61 FR 1419 (January 19, 1996), order approving the new rule numbering system.

[Release No. 34–37090; File No. SR–CBOE–96–05]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Limitation of Liability of Index Reporting Authorities

April 9, 1996.

I. Introduction

On February 7, 1996, the Chicago Board Options Exchange, Inc. (''CBOE'' or ''Exchange'') submitted to the Securities and Exchange Commission (''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 Exchange Rule 24.14, which provides for disclaimers of liability on behalf of designated index reporting authorities.

The proposed rule change appeared in the Federal Register on March 5, 1996.[3] No comments were received on the

[4] 15 U.S.C. § 78*o*–3.

[5] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1994).

[3] *See* Securities Exchange Act Release No. 36896 (February 27, 1996), 61 FR 8698 (March 5, 1996).