

or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, the proposed transaction is consistent with the policies of the registered investment company and the general purposes of the Act. Applicants believe that the relief requested satisfies the standards of sections 6(c) and 17(b).

9. Section 17(d) and rule 17d-1 prohibit affiliated persons from participating in joint arrangements with a registered investment company unless authorized by the SEC. In passing on applications for such orders, rule 17d-1 provides that the SEC will consider whether the participation of such investment company 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 other participants. Applicants acknowledge that the Plan may be deemed to constitute a joint arrangement within the meaning of rule 17d-1. Applicants state that an Eligible Director will neither directly nor indirectly receive a benefit that would otherwise inure to the Funds or any of their shareholders. Moreover, applicants note that the changes in value made to the Deferral Accounts to reflect the income, gain or loss with respect to the Designated Shares will be identical to the changes in share value experienced by the shareholders of the Funds during the same period.

#### **Applicants' Condition**

Applicants agree that any order of the SEC granting the requested relief will be subject to the following conditions that, with respect to the requested relief from rule 2a-7, any Money Market Fund that values its assets by the amortized cost method or penny-rounding method will buy and hold Designated Shares that determine the performance of Deferred Accounts to achieve an exact match between the liability of any such Fund to pay compensation deferrals and the assets that offset that liability.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-38937; File No. SR-CBOE-97-35]

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Chicago Board Options Exchange, Inc. Relating to Trading Halts and Suspensions**

August 14, 1997.

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> notice is hereby given that on July 25, 1997, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CBOE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

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

The CBOE proposes to amend Rule 6.3 to remove the requirement that a halt declared by Floor Officials may continue for only two consecutive business days and to delete Rule 6.4 regarding the suspension of trading by the Board of Directors ("Board"). The CBOE also proposes to make certain conforming amendments to Rules 21.12 and 23.8 and to Interpretation .02 of Rule 21.19.

The text of the proposed rule change is available at the Office of the Secretary, the CBOE 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 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 IV below. The CBOE 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*

The purpose of the proposed rule change is to amend Rule 6.3 to remove the requirement that a halt declared by Floor Officials may continue for only two consecutive business days, to delete Rule 6.4 regarding the suspension of trading by the Board, and to make certain conforming amendments to Rules 21.12 and 23.8 and to Interpretation .02 of Rule 21.19.

Pursuant to existing Rule 6.3, any two Floor Officials may halt trading in any security in the interests of a fair and orderly market for a period not in excess of two consecutive business days. Pursuant to existing Rule 6.4, the CBOE's Board may suspend trading in any security in the interests of a fair and orderly market. The Exchange believes that there is no practical difference between a halt in trading and a suspension in trading, except for the present two-day limit for a halt and the fact that a halt is declared by two Floor Officials and a suspension is declared by the Board. The same factors are considered by the Board in deciding whether to "suspend" trading as are considered by Floor Officials in deciding whether to "halt" trading. Rules 6.3 and 6.4 require, however, that trading may be stopped for more than two consecutive business days only if the Board acts to "suspend" trading.

The CBOE believes it is not necessary to require the Board to decide whether trading in an options class may be stopped for more than two days. The Exchange believes that in practice, senior exchange officials would be aware of and would participate in any decision concerning a halt that continued in excess of two days. The Exchange believes this input from senior exchange officials is sufficient and that Board participation is not necessary. The Exchange also believes that it is unduly cumbersome and often, impractical, to convene the Board on short notice just to decide whether trading in an options class may be stopped for more than two days.

Pursuant to the proposed rule change, the duration of a halt declared by two Floor Officials pursuant to Rule 6.3 would not be limited to a particular number of days. The proposed rule change correspondingly would delete Rule 6.4, so that Board action no longer would be required before trading in an options class could be stopped for more than two consecutive business days. Instead, Floor Officials would determine whether to halt trading based upon the

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

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

factors set forth in Rule 6.3, which are the same factors currently considered by the Board in a suspension decision. This proposed approach is consistent with the procedure for index options under Rule 24.7, where trading halts or suspensions do not require action by the Board.

In addition, the proposed rule change would make clear that trading may resume only upon a determination by two Floor Officials that such a resumption is in the interests of a fair and orderly market. The present form of Rule 6.3(b) allows trading to resume when two Floor Officials determine either that the conditions that led to the halt no longer are present or that a resumption of trading would serve the interests of a fair and orderly market. The Exchange believes that taken literally, this would enable trading to resume if the conditions that led to the halt no longer are present, even if a resumption of trading would be contrary to the interests of a fair and orderly market, an interpretation that would conflict with the CBOE's practice and would be contrary to the policies under the Act. Accordingly, the Exchange believes that the proposed rule change would make clear that: (1) Option trading may resume after a halt if, and only if, two Floor Officials determine that such a resumption would be in the interests of a fair and orderly market; and (2) the fact that the conditions leading to the halt no longer are present is just one of the factors that Floor Officials may consider in determining whether the interests of a fair and orderly market would be served by a resumption of trading. The CBOE notes that the Exchange has proposed similar changes to Rule 24.7(b), which governs the resumption of trading after a trading halt in index options.<sup>3</sup>

Finally, because of the deletion of Rule 6.4, the Exchange believes that it also is necessary to make conforming deletions of certain non-substantive references to trading suspensions under Rule 6.4 that appear in Rule 21.12 and Interpretation .02 of Rule 21.19 (concerning government securities options) and in Rule 23.8 (concerning interest rate option contracts).

The Exchange believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act<sup>4</sup> in that it is designed to perfect the mechanism of a free and open market and to protect investors and the public interest by enabling Floor Officials to evaluate and to consider market conditions and

circumstances and to halt trading for as long as necessary in the interests of a fair and orderly market.

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

CBOE does not believe that the proposed rule will impose any 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 with respect to 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 self-regulatory organization 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. 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 in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of all such filings will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to File No. SR-CBOE-97-35 and should be submitted by September 11, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-38935; File No. SR-MSRB-97-04]

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Its Arbitration Code**

August 14, 1997.

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 May 22, 1997,<sup>1</sup> the Municipal Securities Rulemaking Board ("Board" or "MSRB") 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 self-regulatory organization. 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 Board is filing a proposed rule change to amend Rule G-35, the Board's Arbitration Code. The proposed rule change would create two sections: Section 37 would state that the Board will not accept any new arbitration claims filed on or after January 1, 1998; and Section 38 would provide that, as of January 1, 1998, every bank dealer (as defined in Rule D-8) shall be subject to the Code of Arbitration Procedure of the National Association of Securities Dealers, Inc. ("NASD") for every claim, dispute or controversy arising out of or in connection with the municipal securities activities of the bank dealer acting in its capacity as such. New Section 38 would further provide that each bank dealer shall be subject to, and shall abide by, the NASD's Code of Arbitration Procedure as if the bank dealer were a "member" of the NASD.

<sup>5</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> The MSRB filed Amendment No. 1 to the proposed rule change on August 14, 1997, the substance of which has been incorporated into the notice. See letter from Jill C. Finder, Assistant General Counsel, MSRB, to Katherine A. England, Assistant Director, Market Regulation, Commission, dated August 14, 1997.

<sup>3</sup> See File No. SR-CBOE-97-36.

<sup>4</sup> 15 U.S.C. 78f(b)(5).