bond sector of the market while at the same time providing greater liquidity than the Blended Funds would provide separately. Applicants state that the Bond Core Portfolio likely will own more issuers in the high-yield bond sector than any single Blended Fund would own. As a result, events that affect the price of a single issuer in this sector can be expected to have less impact on Bond Core Portfolio than they would have on the high-yield bond sector of a Blended Fund that was less diversified. Applicants represent that this diversification can be expected to benefit both Bond Core Portfolio and its shareholders, the Blended Funds, by providing greater price stability and lower volatility, while at the same time capturing the performance benefits of exposure to the high-yield bond sector.

10. Applicants anticipate that the efficiencies resulting from the use of the Bond Core Portfolio will result in cost savings to the Blended Funds. Applicants expect that the cost savings will occur because Bond Core Portfolio will experience trading costs that will be substantially less than the trading costs that would be incurred if high-yield bonds were purchased separately for each of the Blended Funds.

Applicants' Legal Analysis

1. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company representing more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or, together with the securities of other investment companies, more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Section 12(d)(1)(G) of the Act exempts from the above limitations certain ''funds of funds,'' subject to conditions stated in that section. Applicants state that section 12(d)(1)(G) is not available to them because the Blended Funds will continue to invest directly in corporate bonds, other investment grade securities, and other instruments, in addition to investing in the Portfolios.

3. Section 12(d)(1)(J) provides that the SEC may exempt persons or transactions from any provision of section 12(d)(1) if and to the extent such exemption is consistent with the public interest and the protection of investors. Applicants request relief from the limitations of section 12(d)(1) to permit: (a) A Fund to (i) purchase in excess of 3% of the total outstanding voting shares of a Portfolio; (ii) purchase securities of a Portfolio having an aggregate value in excess of 5% of the value of the total assets of a Fund; and (iii) purchase securities of a Portfolio having an aggregate value in excess of 10% of the assets of a Fund; (b) a Portfolio to sell more than 3% of its total outstanding shares to any Fund; and (c) a Portfolio to sell more than 10% of its total outstanding voting stock to the Funds. Applicants believe that none of the concerns underlying section 12(d)(1) are present in the proposed arrangement.

4. Applicants also request an exemption from section 17(a) of the Act, which prohibits certain purchases and sales of securities between investment companies and their affiliated persons, as defined in section 2(a)(3) of the Act. Because the Federated Funds and Core Trust have common trustees, directors, and officers, and are advised by commonly controlled Advisers, the Blended funds and the Bond Core Portfolio could be deemed affiliated persons of one another. Accordingly, purchases or sales between the Blended Funds and the Bond Core Portfolio could be deemed to be principal transactions between affiliated persons under section 17(a).

5. Applicants submit that the terms of their proposed arrangement satisfy the standards for relief under sections 6(c) and 17(b). Applicants state that the terms of the proposed transactions are reasonable and fair and do not involve overreaching. Applicants state that there are sufficient protections in the proposed arrangement against duplicative or excessive advisory fees and sales loads. Applicants state that a Fund's investment in a Portfolio will be in accordance with the Fund's investment restrictions and will be consistent with its policies as recited in its registration statement.

Applicants' Conditions

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

1. Each Fund and each Portfolio will be part of the same ''group of investment companies,'' as defined in section 12(d)(1)(G)(ii) of the Act.

2. A fund will not invest in any Portfolio if the Portfolio may acquire securities of any other investment company in excess of the limits contained in section 12(d)(1)(A) of the Act, except for securities received as a dividend or as a result of a plan of reorganization of any company.

3. Prior to approving any advisory contract under section 15 of the Act, the directors or trustees of each Fund, including a majority of the individuals who are not ''interested persons'' of the Fund, as that term is defined in section 2(a)(19) of the Act (''Independent Trustees''), shall find that the advisory fees charged under such contract, if any, are based on services that will be in addition to, rather than duplicative of, the services provided under the contracts of any Portfolio in which the Fund ;may invest; provided that no such findings will be necessary if the Adviser to a Portfolio waives all advisory fees that may be imposed for serving as investment adviser to the Portfolio or, if only a portion of such advisory fees are waived, the Adviser or another party reimburses the Fund for any advisory fee or portion thereof that is not waived. These findings and their basis will be recorded fully in the minute books of the Fund.

4. Any sales charges and service fees, as such terms are defined under Rule 2830 of the NASD's Conduct Rules, and may be charged with respect to securities of a Fund, when aggregated with any such sales charges and service fees borne by the Fund with respect to the shares of a Portfolio, shall not exceed the limits set forth in Rule 2830 of the NASD's Conduct Rules.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–28567 Filed 10–28–97; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39267; File No. SR–CBOE–97–33]

Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Suspensions for Failure to Pay Debts Owed to the Exchange

October 22, 1997.

On July 24, 1997, 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

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

thereunder,[2] a proposed rule change to amend its rule relating to the suspension of members and associated persons who fail to pay debts owed to the Exchange.

The proposed rule change was published for comment in Securities Exchange Act Release No. 39026 (Sept. 8, 1997), 62 FR 48123 (Sept. 12, 1997). No comments were received on the proposal. This order approves the proposal.

Rule 2.23 presently requires that members or associated persons who fail to pay any debts owed to the Exchange within 30 days after they become due may be suspended from membership or association with a member by the Chairman of the Executive Committee until payment is made.

The Exchange proposes to amend this rule to clarify the application of Rule 2.23 to former members and persons associated with members by providing expressly that such persons who fail to pay debts owed to the Exchange may be barred from becoming a member and associated person by the Chairman of the Executive Committee until payment is made.

The Exchange also proposes to add new Interpretation .02 to provide that the Exchange will report any suspension or bar imposed pursuant to Rule 2.23 to the Central Registration Depository (''CRD''). This new paragraph is similar to CBOE Rule 17.14 which provides for the reporting by the Exchange to the CRD of information concerning pending formal Exchange disciplinary proceedings. The Exchange also proposes to delete references to a regular membership and special membership in the current Rule 2.23, as CBOE no longer has any special memberships, and to add language clarifying that if a member fails to pay an Exchange debt within 6 months, the Chairman of the Executive Committee may dispose of any memberships owned by that member in accordance with Rule 3.41(b).

Finally, the proposed rule change also includes several nonsubstantive language changes.

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, and, in particular, with the requirements of Section 6(b).[3] Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)[4] requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest.[5] In this regard, the Commission believes that the proposed rule change will enhance the public's access to information concerning suspensions and bars imposed by the CBOE upon its members and associated persons.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[6] that the proposed rule change (SR–CBOE–97–33) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

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[2] 17 CFR 240.19b–4.

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

[4] 15 U.S.C. 78f(b)(5).

[5] In approving this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39268; File No. SR–CSE–97–10]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Cincinnati Stock Exchange, Inc. Relating to Listing and Trading Standards for Portfolio Depositary Receipts

October 22, 1997.

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 October 14, 1997,[3] the Cincinnati Stock Exchange, Inc. (''CSE'' 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 Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. The Commission is also granting accelerated approval of the proposed rule change.

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

[2] 17 CFR 240.19b–4.

[3] The Exchange filed Amendment No. 1 to the proposed rule change on October 20, 1997, the substance of which is incorporated into this release. See letter from Adam Gurwitz, Vice President Legal, CSE, the Heather Seidel, Attorney, Market Regulation, Commission, dated October 17, 1997 (''Amendment No. 1'').

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

The CSE proposes to adopt new Exchange rule 11.9(v), to provide listing standards for, and trading in Portfolio Depositary Receipts (''PDRs''). The text of the proposed rule change is available at the Office of the Secretary, CSE 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 self-regulatory organization 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 self-regulatory organization 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

a. Listing Requirements for Portfolio Depositary Receipts. The Exchange proposes to adopt new Rule 11.9(v) to accommodate the trading of PDRs, i.e., securities that are interests in a unit investment trust (''Trust'') holding a portfolio of securities linked to an index. Each Trust will provide investors with an instrument that (1) closely tracks the underlying portfolio of securities, (2) trades like a share of common stock, and (3) pays holders of the instrument periodic dividends proportionate to those paid with respect to the underlying portfolio of securities, less certain expenses (as described in the Trust prospectus).

Under the proposal, the Exchange may list and trade, or trade pursuant to unlisted trading privileges, PDRs based on one or more stock indices or securities portfolios. PDRs based on each particular stock index or portfolio will be designated as a separate series and identified by a unique symbol. The stocks that are included in an index or portfolio on which PDRs are based will be selected by the Exchange, or by another person having a proprietary interest in and authorized use of such index or portfolio, and may be revised as may be deemed necessary or