a wholly-owned subsidiary, owns a 46% interest; TV Show Brasil S.A. (''TVSB''), in which applicant, through a wholly-owned subsidiary, owns a 45% interest; VTR Hipercable S.A. (''Hipercable''), in which applicant, through a wholly-owned subsidiary, owns a 34% interest; and six operating subsidiaries of Megapo Comunicaciones de Mexico, S.A. de C.V., in each of which applicant, through a wholly-owned subsidiary, owns a 49% interest. Applicant has exercised an option to obtain the remaining 55% interest in TVSB and consummation of the transaction is pending regulatory approval. Applicant also will have an option to purchase new Hipercable shares to increase its ownership to 50%.

4. Applicant states that it is a holding company that conducts its multi-channel television and related communications operations through wholly-owned and majority-owned subsidiaries and Controlled Companies. Applicant further states that, while it always intends to purchase a majority voting interest when acquiring an equity interest in a new television or telecommunications system, it is not always possible or feasible because many Latin American countries prohibit United States owners such as applicant from acquiring a direct majority interest in cable, telecommunication or programming companies.

5. Applicant states that it does not seek passive investments. To ensure that applicant has active participation in the management of the companies in which it does not own a majority voting interest, applicant enters into shareholder or other voting agreements and often requires amendments to the governing documents of the company. Applicant states that these agreements and amendments establish applicant's right to appoint a specified number of directors to the company's board of directors and require supermajority approval of shareholders or the board for most significant decisions affecting the company. Applicant asserts that under these provisions applicant controls the direction and development of the company and has veto power over most major decisions. In addition, under management or technical assistance agreements with the company, applicant's personnel typically manage the design, construction and operation of the company's operating system and are responsible for the selection and training of key personnel of the company. Applicant assets that it has these arrangements in place with respect to each of the Controlled Companies.

Applicant's Legal Analysis

1. Under section 3(a)(1)(C) of the Act, an issuer is an investment company if it ''is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40 per cent of the value of an issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis.'' Section 3(a)(2) defines ''investment securities'' to include all securities except, in part, securities issued by majority-owned subsidiaries of the owner which are not investment companies.

2. Applicant states that it currently meets the definition of investment company under section 3(a)(1)(C) of the Act because approximately 81% of its total assets are interests in the Controlled Companies that are ''investment securities'' within the meaning of section 3(a)(2).

3. Section 3(b)(2) provides that, notwithstanding section 3(a)(1)(C) of the Act, the SEC may issue an order declaring an issuer to be primarily engaged in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities either directly, through majority-owned subsidiaries, or controlled companies conducting similar types of businesses. Applicant requests an order under section 3(b)(2) declaring that it is primarily engaged, through majority-owned subsidiaries and Controlled Companies, in a business other than that of investing, reinvesting, owning, holding, or trading in securities.

4. To determine whether applicant is primarily engaged in a non-investment company business under section 3(b)(2), the SEC considers the following factors: (a) applicant's historical development; (b) its public representations or policy; (c) the activities of its officers and directors; (d) the nature of its present assets; and (e) the sources of its present income.[1]

(a) *Historical Development.* Applicant states that it was formed to consolidate UIHI's Latin American cable and telecommunications businesses under one corporation. Since its incorporation, applicant has been engaged in the television and telecommunications business in Latin American through its wholly-owned and majority-owned subsidiaries and Controlled Companies.

(b) *Public Representations of Policy.* Applicant states that it has never held itself out as an investment company. Applicant asserts that it consistently has held itself out as being in the business of acquiring, developing, owning and operating cable and telecommunications businesses outside the United States.

(c) *Activities of Officers and Directors.* Applicant states that its officers spend the majority of their time operating applicant's subsidiaries, including constructing distribution networks, hiring staff, planning and implementing budgets, and designing, acquiring, operating, and monitoring subscriber management and information systems. Of applicant's officers, only the Chief Financial Officer spends any time (approximately 10%) overseeing the management of applicant's funds and temporarily investing those funds pending their use in applicant's business.

(d) *Nature of Assets.* As of May 31, 1998, applicant has total assets of apprxoimately $259,232,000, 10.2% of which were attributable to its majority-owned subsidiaries, 81% of which were attributable to its Controlled Companies, and 8.7% of which were attributable to its other assets (such as capitalized development costs, cash, short-term investments and accounts receivables).

(e) *Sources of Income.* For the twelve month period ending May 31, 1998, applicant experienced net losses that were attributable 27% to majority-owned subsidiaries, 17% to Controlled Companies, and 56% to applicant's operating expenses (in the form of interest payments on bridge financing to fund acquisitions of wholly-owned and majority-owned operating subsidiaries, and overhead costs).

5. Applicant thus asserts that it meets the requirements for an order under section 3(b)(2) of the Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–20872 Filed 8–4–98; 8:45 am]

BILLING CODE 8010–01–M

[1] *See Tonopah Mining Company of Nevada,* 26 S.E.C. 426, 427 (1947).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40274; File No. SR–CSE–98–01]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto by the Cincinnati Stock Exchange, Inc. To Amend Existing and to Institute New Trading Fees

July 29, 1998.

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 July 2, 1998, 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, II, and III below, which Items have been prepared by the Exchange. On July 15, 1998, the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change.[3] 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 Exchange proposes to amend CSE Rule 11.10, which contains the Exchange's schedule of fees, to more equitably distribute technology enhancement costs amoung its members. 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 CSE 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 CSE 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

The Exchange is revising its fee structure, delineated in CSE Rule 11.10, to more equitably distribute technology costs among members. The CSE has incurred significant expense in enhancing its computer systems, including a migration to the TCP/IP protocol. The Exchange believes that these enhancements will improve the CSE's electronic trading environment and provide members with improved services. The new fee structure will partially offset these expenses and is intended to apportion the enhancement costs fairly.

Specifically, the proposed rule change will increase the Designated Dealer Book fee from $15.00 to $25.00 per issue. This is a per issue fee paid by specialists to make markets on the CSE. By increasing the fee, the Exchange intends partially to offset increased technology costs by charging specialists who enjoy the benefits of this new technology on an issue by issue basis. To create an incentive for Designated Dealer to increase the number of issues traded on the Exchange, however, this fee will be lowered to $5.00 per issue where a Designated Dealer is the sole specialist. Moreover, the fee will decrease as a Designated Dealers increases the number of issues it trades on the Exchange.

The proposed rule change will also alter the Exchange's port fee. In light of the Exchange's migration to the TCP/IP protocol, the proposed rule change will define the term ''Port'' as a TCP/IP address for purposes of the CSE's port charge. This charge will change from $100.00 to $200.00 per month to partially offset the software and hardware expenses incurred by the Exchange in the conversion.

In addition, the CSE will add a new ''technology fee'' of $300.000 per month applicable to all members. As the nation's only entirely electronic exchange, the CSE devotes significant resources to improving and enhancing its computerized environment. This fee will help offset expenses incurred by the Exchange in implementing new and improved technology, including migration to the TCP/IP protocol.

Finally, the proposed rule change will increase the Exchange's transaction fee caps, that is, the level above which a member's transactions are no longer charged, for both agency and preferenced transactions, from 1,750,001 shares per day to 2,000,001 shares per day and will eliminate the $3.75 cap on non-preferenced Designated Dealer activity. Like other fee changes, additional revenue from these charges will partially offset the CSE's technology expenses.

2. Basis

The proposed rule change is consistent with section 6(b) of the Act [4] in general, and furthers the objectives of section 6(b)(5) [5] in particular in that it is designated to promote just and equitable principles of trade and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest. It is also consistent with section 6(b)(4) [6] in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Exchange members by apportioning technology costs more fairly.

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

The CSE 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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective on filing, pursuant to section 19(b)(3)(A) of the Act [7] and Rule 19b–4(e)(2) [8] thereunder because it revises member fees. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.[9]

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. 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 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

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1 corrected typographical errors in the filing. Letter from Adam W. Gurwitz, Vice President Legal, CSE to Kelly McCormick, Attorney, Division of Market Regulation. Commission, dated July 14, 1998.

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

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

[6] 15 U.S.C. 78f(b)(4).

[7] 15 U.S.C. 78s(b)(3)(A).

[8] 17 CFR 240.19b–4(e)(2).

[9] In reviewing this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the CSE. All submissions should refer to File No. SR–CSE–98–01 and should be submitted by August 26, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[(Release No. 34–40278; File No. SR–NYSE–98–14)]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to Margin Requirements

July 29, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on April 28, 1998, the New York Stock Exchange, Inc. (''NYSE'' 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 NYSE. 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 NYSE proposes to amend NYSE Rule 431, ''Margin Requirements,'' to revise the margin requirements for non-equity securities and to expand the types of non-equity securities eligible for exempt account treatment. Specifically, the NYSE proposes to revise NYSE Rule 431 to: (1) provide that the margin requirement for highly rated foreign sovereign debt securities will be the amounts specified currently in NYSE Rule 431(e)(2)(A) for U.S. debt securities,[2] (2) reduce the margin for exempted securities other than U.S. debt securities from 15% to 7% of the current market value (NYSE Rule 431(e)(2)(B)); and (3) reduce the margin for investment grade debt securities from 20% to 10% of the current market value (NYSE Rule 431(e)(2)(C)(i)). The margin for all other listed non-equity securities, and for all other marginable non-equity securities, will remain at 20% of the current market value or 7% of the principal amount, whichever is greater. In addition, the NYSE proposes several changes with regard to exempt accounts. Specifically, the NYSE proposes to: (1) modify the definition of ''exempt account;'' (2) require no margin for exempt account transactions involving mortgage-related securities and major foreign sovereign debt securities (NYSE Rule 431(e)(2)(F)); and (3) require margin equal to 0.5% of current market value for exempt account transactions involving highly rated foreign debt securities and margin equal to 3% of current market value for exempt account transactions involving all other investment grade debt securities (proposed NYSE Rule 431(e)(2)(G)).[3] The NYSE also proposes to adopt NYSE Rule 431(e)(2)(H), which will limit the amount of uncollected marked to market losses which may be deducted from a member organization's net capital.

Copies of the proposed rule change are available at the NYSE 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 NYSE 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 NYSE has prepared summaries, set forth in Sections A, B, the 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

The NYSE proposes to amend NYSE Rule 431 to revise the margin requirements for non-equity securities and to expand the types of non-equity securities eligible for exempt account treatment. According to the NYSE, Regulation T of the Board of Governors of the Federal Reserve System (''FRB''), which establishes initial margin requirements, currently provides that transactions in non-equity securities are subject to ''good faith'' requirements when done in a margin account and have no FRB margin requirements when done in a ''good faith'' account. Therefore, the maintenance margin requirements of NYSE Rule 431 are particularly important because they provide ongoing safety and soundness levels for positions maintained in customers' accounts.

The NYSE proposes to revise NYSE Rule 431 to: (1) provide that the margin for highly rated foreign sovereign debt securities[4] will equal the margin required for U.S. debt secuties under NYSE Rule 431(e)(2)(A);[5] (2) reduce the margin for exempted securities other than U.S. debt securities from 15% to 7% of the current market value (NYSE Rule 431(e)(2)(B)); and (3) reduce the margin for investment grade debt securities[6] from 20% to 10% of the

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[10] 17 CFR 200.30–3(a)(12).

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

[2] The margin required for U.S. government obligations under NYSE Rule 431(e)(2)(A) varies according to the length of time to maturity.

[3] The text of proposed NYSE Rule 431(e)(2)(G)(i) indicates that the required margin for exempt account transactions involving highly rated foreign sovereign debt will be .5% of current market value. However, in the portion of the filing describing the proposed rule change, the NYSE indicates that the proposed margin level for exempt account transactions involving highly rated foreign sovereign debt will be .05% of current market value. The NYSE clarified that the proposed margin requirement for these securities is .5% of current market value. Telephone conversation between Donald van Weezel, Managing Director, Regulatory Affairs, NYSE, and Yvonne Fraticelli, Attorney, Division of Market Regulation, Commission, on May 20, 1998.

[4] The NYSE's proposal defines ''highly rated foreign sovereign debt securities'' as debt securities (including major foreign sovereign debt securities) issued or guaranteed by the government of a foreign country, its provinces, states or cities, or a supranational entity, if at the time of the extension of credit [regarding] (sic) the issue, the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor ranked junior to or on a parity with the issue or the guarantee is assigned a rating (implicitly or explicitly) in one of the top two rating categories by at least one nationally recognized statistical rating organization. *See* proposed NYSE Rule 431(a)(9).

[5] NYSE Rule 431(e)(2)(A) establishes the following margin requirements for U.S. government debt: (1) 1% of the current market value for obligations with less than one year to maturity; (2) 2% of the current market value for obligations with one year but less than three years to maturity; (3) 3% of the current market value for obligations with three years but less than five years to maturity; (4) 4% of the current market value for obligations with five years but less ten years to maturity; (5) 5% of the current market value for obligations with ten years but less than 20 years to maturity; and (6) 6% of the current market value for obligations with 20 years or more to maturity.

[6] The proposal defines *investment grade debt securities* as any debt securities (including those issued by the government of a foreign country, its provinces, states or cities, or a supranational entity), if at the time of the extension of credit [regarding] (sic) the issue, the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor