

3. Applicant submits that the terms of the proposed in-kind redemption by the Plans meet the standards set forth in section 17(b) of the act. The Plans will have no choice as to the type of consideration to be received in the redemption and neither the Adviser nor IBT as trustee for the Plans will have any opportunity to select the portfolio securities to be distributed. Applicant also states that the securities to be distributed to the Plans will be valued in the same manner as they are valued for purposes of determining the Fund's NAV. In addition, applicant states that the proposed in-kind redemption is consistent with the investment policies of the Fund, as set forth in the Fund's Prospectus.

Applicant's Conditions

Applicant agrees that any order granting the requested relief will be subject to the following conditions:

1. The portfolio securities of the Fund distributed to the Plans pursuant to the redemptions in-kind (the "In-Kind Securities") will be limited to securities that are traded on a public securities market or for which market quotations are available.

2. The In-Kind Securities will be distributed by the Fund on a pro rata basis after excluding: (a) Securities which may not be publicly offered or sold without registration under the Securities Act of 1933; (b) securities issued by entities in countries which (i) restrict or prohibit the holding of securities by non-nationals other than through qualified investment vehicles, such as the Fund or (ii) permit transfers of ownership of securities to be effected only by transactions conducted on a local stock exchange; (c) certain portfolio positions (such as forward foreign currency contracts, futures and options contracts, swap transactions and repurchase agreements) that, although they may be liquid and marketable, involve the assumption of contractual obligations, require special trading facilities or can only be traded with the counterparty to the transaction to effect a change in beneficial ownership; (d) cash equivalents (such as certificates of deposit, commercial paper and repurchase agreements); and (e) other assets which are not readily distributable (including receivables and prepaid expenses). In addition, portfolio securities representing fractional shares, odd lot securities and accruals on such securities may be excluded from portfolio securities distributed in-kind to the Plans. Cash will be paid for the portion of the in-kind distribution represented by the excluded assets set

forth above less liabilities (including accounts payable).

3. The In-Kind Securities distributed to the Plans will be valued in the same manner as they would be valued for purposes of computing the Fund's NAV, which in the case of securities traded on a public securities market for which quotations are available, is their last reported sales price on the exchange on which the securities are primarily traded or at the last sales price on the national securities market, or, if the securities are not listed on an exchange or the national securities market or if there is no such reported price, the most recent bid price.

4. The Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which the proposed in-kind redemption by the Plans occurred, the first two years in an easily accessible place, a written record of such redemption setting forth a description of each security distributed in-kind, the identity of the Plans, the terms of the in-kind distribution, and the information or materials upon which the valuation was made.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 40591; File No. SR-BSE-98-9]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Boston Stock Exchange, Inc. Relating to its Fees Schedule

October 22, 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 October 1, 1998, the Boston Stock Exchange, Inc. ("BSE" 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

The Exchange proposes to amend its fee schedules to: (1) eliminate fees for specialist odd lot trades; (2) increase specialist and floor broker occupancy fees; (3) revise transaction fee maximums under the Competing Specialist Initiative program; (4) increase Members' Dues; and (5) implement a revenue sharing program for member firms ("firms").

The text of the proposed rule change is available at the Office of the Secretary, the BSE 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 Exchange 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 Exchange 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 purpose of the proposed rule change is to amend several of the Exchange's fee schedules as follows:

Floor Operation Fees

The Exchange proposes to eliminate specialist odd lot fees.³ The purpose of this rule change is to support the Exchange's Floor Members' efforts in attracting additional odd lot order flow to the Exchange. The Exchange also proposes to increase specialist and floor broker occupancy fees from \$400 per post per month to \$500 per post per month. The purpose of this increase is to help offset the costs associated with operating the trading floor.

Additionally, the Exchange proposes to revise Competing Specialist Initiative (CSI) transaction fee maximums to:

CTA trade rank	Monthly transaction fee maximum
1-50	\$400

³ Specialist odd lot fees were \$.75 per order.

CTA trade rank	Monthly transaction fee maximum
51-100	300
101-500	250
501+	* 0

* Includes Exchange executions only. For all other executions, the applicable trade rate will continue to apply.

The purpose of this revision is to better align the maximum transaction fees per CSI issue with the associated value of trading each stock.

Membership and Other Fees

The Exchange proposes to increase Membership Dues from \$400 to \$600 per membership per quarter. The purpose of this revision is to better reflect the current value of a membership on the Exchange.

Transaction Fees

The Exchange proposes to implement a revenue sharing program ("credit") with those firms that generate \$50,000 in monthly automated transaction fees. This credit will be applied toward a firm's total monthly transaction fees (the total of Value Charge and Trade Recording and Comparison Fees) once a firm generates \$50,000 in automated fees. However, no firm that receives the credit will pay less than \$7,000 (compared to the current monthly maximum of \$50,000) in automated transaction fees.

The amount of revenue to be shared will be determined by the total amount of transaction related revenue (Value Charge fees, Trade Recording fees, Specialist Transaction fees, Consolidated Tape Revenue and Net ITS fees) the Exchange generates on a monthly basis. Once the Exchange generates \$1,300,000 in monthly transaction related revenue, 50% of the revenue above this amount will be shared with those firms that have generated \$50,000 in monthly automated transaction revenue. This amount will be reviewed periodically by the Executive Committee of the Board of Governors and adjusted as required to meet the costs of operating the trading floor. Each firm that reaches the \$50,000 cap will receive a pro-rata share of the excess revenue based on the total number of Exchange automated executions executed by those firms that reach the cap. However, if the Exchange does not attain its monthly revenue goal, no revenue will be shared for that month.

The application of the credit can be demonstrated by the following example:

Suppose the Exchange generates \$1,500,000 in transaction related revenue (as defined above) for the month. Additionally, four retail/institutional firms each generate \$50,000 in automated transaction fees. Of the four firms, firm 1 executes 150,000 Exchange executions, firm 2—125,000, firm 3—75,000, and firm 4—25,000. Total Exchange executions for these four firms would be 375,000. Total revenue to be shared with these four firms would be \$100,000 ((\$1,500,000 minus \$1,300,000) multiplied by 50%). The credit would be allocated back such that firm 1 would receive a credit of \$40,000 (150,000 divided by 375,000=40%, 40% of \$100,000 \$40,000), firm 2 would receive a credit of \$33,333 (125,000 divided by 375,000=33.33%, 33.33% of \$100,000=\$33,333), firm 3 would receive a credit of \$20,000 (75,000 divided by 375,000=20%, 20% of \$100,000=\$20,000), and firm 4 would receive a credit of \$6,667 (25,000 divided by 375,000=6.67%, 6.67% of \$100,000=\$6,667).

The purpose of the above credit is to offer firms additional incentives to route order flow to the Exchange. This revision represents a continuing effort by the Exchange to provide its membership with a cost-effective market center in which to execute equity transactions.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) ⁴ of the Act, in general, and furthers the objectives of Section 6(b)(4), ⁵ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members. ⁶

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4).

⁶ The Commission notes that the filing may raise questions concerning payment for order flow. To the extent that it does raise such issues, exchange members should consider any associated disclosure obligations, namely pursuant to Rules 10b-10 and 11 Acl-3 under the Act, 17 CFR 240.10b-10 and 17 CFR 240.11 Acl-3, respectively.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change establishes or changes a due, fee, or other charge and, therefore, has become effective pursuant to Section 19(b)(30)(A) and the Act ⁷ and subparagraph (e)(2) of Rule 19b-4 thereunder. ⁸

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.

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, 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 Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-BSE-98-9 and should be submitted by November 19, 1998.

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

Margaret H. McFarland,

Deputy Secretary.

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⁷ 17 U.S.C. 78s(b)(30)(A).

⁸ 17 CFR 240.19b-4(e)(2).

⁹ 17 CFR 200.30-3(a)(12).