paper; (c) the aggregate sales loads and distribution-related fees of the acquiring company and the acquired company are limited; and (d) the acquired company has a policy that prohibits it from acquiring securities of registered open-end investment companies or registered unit investment trusts in reliance on section 12(d)(1)(F) or (G).

3. The Asset Allocator Fund requests relief from section 12(d)(1)(G)(i)(II) to the extent necessary to permit an Asset Allocator Portfolio and any Future Funds to operate as a fund of funds within each requirement of section 12(d)(1)(G) of the Act, with the exception of the requirement that the Asset Allocator Portfolios limit their investments in individual securities to Government securities and short-term paper.

4. 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 the exemption is consistent with the public interest and the protection of investors. Applicants believe that the structure of the Asset Allocator Portfolios will be substantially the same as the statutory fund of funds now permitted under section 12(d)(1)(G). Applicants also believe that Asset Allocator Portfolios' proposed direct investments in securities and instruments as described in the application do not raise any of the concerns that the requirements of section 12(d)(1)(G) were designed to address.

Applicants' Conditions

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

1. Applicants will company with all provisions of section 12(d)(1)(G), except for section 12(d)(1)(G)(i)(II) to the extent that it restricts the Asset Allocator Portfolios from investing in individual securities or instruments described in the application.

2. Before approving any investment advisory contract for the Asset Allocator Fund under section 15 of the Act, the Board of Trustees of the Asset Allocator Fund, including a majority of the Trustees who are not ''interested persons'' as defined in section 2(a)(19) of the Act, shall find that the investment advisory fee, if any, charged under the contract is based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's investment advisory contract. The finding, and the basis upon which the finding was made, will be recorded fully in the minute books of the Asset Allocator Fund.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39734; File No. SR–Amex–97–41]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Trading Differentials for Option Contracts

March 9, 1998.

On November 3, 1997, the American Stock Exchange, Inc. (''Amex'' or ''Exchange'') submitted to the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities and Exchange Act of 1935 (''Exchange Act'' or ''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to allow the Exchange to establish, upon the filing of a rule change proposal pursuant to Section 19(b)(3)(A) of the Exchange Act, the trading differentials for option contracts traded on the Exchange.

The proposed rule change was published for comment in the **Federal Register** on December 1, 1997.[3] No comments were received on the proposal. This order approves the proposal.

Exchange Rule 952 currently provides that the minimum fractional change for stock options trading at $3.00 or higher shall be one-eighth and for stock options trading under $3.00 shall be one-sixteenth. Additionally, Rule 951C provides that the minimum fractional change for stock index options shall be one-eighth for stock index options trading at a premium greater than $300.00 and stock index options less than $300.00 shall be one-sixteenth. The Exchange now proposes to amend Rules 952 and 951C to give the Board of Governors the authority to establish the minimum fractional changes for options. Until such time as the Board determines to use its authority to change the minimum fractional changes, the current rules described above will apply. The Exchange believes that the proposal will allow the Exchange to revise its minimum fractional changes quickly in response to changes adopted in the underlying stock markets and at the other options exchanges. When the Board of Governors determines to change the minimum trading increments, the Exchange will designate such a change as a stated policy, practice, or interpretation with respect to the administration of Rules 952 and 951C within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act and will file a rule change for immediate effectiveness upon filing with the Commission.

As derivatives securities, the prices of options are determined in references to the prices of the underlying securities. Consequently, the Exchange believes that where practicable, the Exchange should have minimum increments comparable to those applicable to the securities underlying its options.[4]

The Commission finds that the proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Sections 6 and 11A of the Act.[5] Specifically, the Commission believes that permitting the Exchange to establish trading differentials for option contracts upon the filing of a proposal under Section 19(b)(3)(A) of the Act will help to facilitate securities transactions, to remove impediments to and perfect the mechanism of a free and open market, to foster competition and coordination with persons engaged in regulating securities, and to promote just an equitable principles of trade.

The Commission previously has approved a rule proposal that allows the Exchange to establish trading increments for equity securities.[6] The

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

[2] 17 CFR 240.19b–4.

[3] *See* Exchange Act Release No. 39347 (November 21, 1997), 62 FR 63576 (December 1, 1997).

[4] *See* Exchange Act Release No. 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (Commission order approving a change in the minimum increment to 1/16th for equity securities listed on the American Stock Exchange); Exchange Act Release No. 38678 (May 27, 1997), 62 FR 30363 (June 3, 1997), (Commission order approving a change in the minimum increment to 1/16th for Nasdaq-listed equity securities); and Exchange Act Release No. 38897 (Aug. 1, 1997), 62 FR 42847 (Aug. 8, 1997) (Commission order approving a change in the minimum increment to 1/16th for NYSE-listed equity securities).

[5] *See* 15 U.S.C. 78f(b) and 78k–1. In approving this rule change, the Commission notes that it has considered the proposal's impact on efficiency, competition, and capital formation, consistent with Section 3 of the Act. *Id.* at 78c(f).

[6] *See* Exchange Act Release No 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (Commission order approving a change in the minimum increment to 1/16th for equity securities listed on the American Stock Exchange); Exchange Act Release No. 38678 (May 27, 1997), 62 FR 30363 (June 3, 1997), (Commission order approving a change in the minimum increment to 1/16th for Nasdaq-listed equity securities); and Exchange Act Release No. 38897 (Aug. 1, 1997), 62 FR 42847 (Aug. 8, 1997) (Commission order approving a change in the

Commission believes that permitting the Exchange to establish trading differentials for option contracts upon the filing of a proposal under Section 19(b)(3)(A) of the Act will provide flexibility to the Exchange and thereby enhance the quality of the market for affected Amex-listed options. Allowing the Amex to quote in finer increments will facilitate quote competition. This should help produce more accurate pricing of options and should result in tighter quotations. Furthermore, if the quoted markets are improved by reducing the minimum increment, the change could result in added benefits to the markets such as reduced transaction costs.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[7] that the proposed rule change (SR–Amex–97–41) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

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minimum increment to 1/16th for NYSE-listed equity securities).

[7] 15 U.S.C. 78s(b)(2).

[8] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39730; File No. SR–BSE–97–09]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange, Inc. Relating to its Specialist Performance Evaluation Program

March 6, 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 December 17, 1997, the Boston Stock Exchange, Inc. (''BSE'' 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 and to grant accelerated approval to the proposed rule change.

[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 seeks to amend its specialist performance evaluation program (''SPEP'') pilot with the addition of several objective measures, the deletion of the floor broker questionnaire, a change from using trade statistics to using share statistics for the price improvement and depth measures, a readjusted point system, readjusted threshold levels and/or weights for all of the measures, and a change in the review period for the program from tri-annual to quarterly. The proposed pilot program is intended to expire on December 31, 1998.[3]

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.

[3] The Commission initially approved the BSE's SPEP pilot program in Securities Exchange Act Release No. 22993 (March 10, 1986), 51 FR 8298 (March 14, 1986) (File No. SR–BSE–84–04). The Commission subsequently extended the pilot program in Securities Exchange Act Release Nos. 26162 (October 6, 1988), 53 FR 40301 (October 14, 1988) (File No. SR–BSE–87–06); 27656 (January 30, 1990), 55 FR 4296 (February 7, 1990) (File No. SR–BSE–90–01); 28919 (February 26, 1991), 56 FR 9990 (March 8, 1991) (File No. SR–BSE–91–01); and 30401 (February 24, 1992), 57 FR 7413 (March 2, 1992) (File No. SR–BSE–92–01). The BSE was permitted to incorporate objective measures of specialist performance into its pilot program in Securities Exchange Act Release No. 31890 (February 19, 1993), 58 FR 11647 (February 26, 1993) (File No. SR–BSE–92–04) (''February 1993 Approval Order''), at which point the initial pilot program ceased to exist as a separate program. The current pilot program was subsequently extended in Securities Exchange Act Release Nos. 33341 (December 15, 1993), 58 FR 67875 (December 22, 1993) (''December 1993 Approval Order''); 35187 (December 30, 1994), 60 FR 2406 (January 9, 1995); 36668 (January 2, 1996), 61 FR 672 (January 9, 1996) (January 1996 Approval Order) (Pilot extended until December 31, 1996); and 38128 (January 17, 1997), FR (January, 1997) (Pilot extended until December 31, 1997).

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

1. Purpose

Since the inception of the pilot program in February 1993, the Exchange has continuously reviewed and fine-tuned the SPEP to ensure that its specialists are providing competitive and quality executions. In addition to looking for new objective measures of performance, the Exchange has periodically changed the threshold levels and weights of the existing measures. After an extensive review of overall Exchange performance in the areas of price improvement and depth, areas which the Exchange's Market Performance Committee and Board of Governors has determined are critical to market quality, the Exchange is proposing to measure price improvement in three categories covering all market spreads (the current program focuses only on greater than eighth spreads) and to heavily weight both the price improvement and depth measures.

As occurs under the current program, only regular way, unconditioned buy and sell market and marketable limit orders will qualify for inclusion in the program, blocks of time will be excluded from the program in the event of trading halts and system problems which impact the validity of quotes; orders will be eligible for measurement only if received after the primary market opens the stock; stocks subject to competition will be included in the program; the same staff and committee review time frames and available actions will apply; and quarterly results will continue to be used in allocating stocks.

The Exchange seeks to change the review periods from tri-annual to quarterly, with each period beginning January, April, July, and October. The Exchange believes that these shortened review periods will permit a more frequent review process and a faster response to evident performance, as well as enable specialists to address potential low performance areas more efficiently.

Turnaround Time, which measures the average number of seconds from the receipt of an order for 1299 shares or less in BEACON until it is executed (in whole or in part), stopped or canceled, will remain unchanged. Holding Orders Without Action, which measures the percentage of orders (all order sizes included) which are neither executed (in whole or in part), stopped nor canceled within twenty-five seconds,