

and/or the survivors of railroad employees. All reports contain a one-line entry for each such payment or

adjustment. The RRB proposes no changes to Form BA-9.

Estimate of Annual Respondent Burden

The estimated annual respondent burden is as follows:

Form No.	Annual re-sponses	Time (min)	Burden (hrs)
BA-9	1,072	75	1,340

Additional Information or Comments:

To request more information or to obtain a copy of the information collection justification, forms, and/or supporting material, please call the RRB Clearance Officer at (312) 751-3363. Comments regarding the information collection should be addressed to Ronald J. Hodapp, Railroad Retirement Board, 844 N. Rush Street, Chicago, Illinois 60611-2092. Written comments should be received within 60 days of this notice.

Chuck Mierzwa,

Clearance Officer.

[FR Doc. 98-33417 Filed 12-16-98; 8:45 am]

BILLING CODE 7905-01-M

Dated: December 9, 1998.

Beatrice Ezerski,

Secretary to the Board.

[FR Doc. 98-33418 Filed 12-16-98; 8:45 am]

BILLING CODE 7905-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-23596; 812-10730]

Northern Institutional Funds, et al.; Notice of Application

December 10, 1998.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for exemption under section 6(c) of the Investment Company Act of 1940 ("Act") from section 15(a) of the Act and rule 18f-2 under the Act as well as certain disclosure requirements.

SUMMARY OF APPLICATION: Applicants request an order to permit them to hire subadvisers and materially amend subadvisory agreements without shareholder approval, and grant relief from certain disclosure requirements.

APPLICANTS: Northern Institutional Funds ("NIF"), Northern Funds ("Northern Funds") (collectively, the "Trusts"), The Northern Trust Company ("Northern"), Northern Trust Quantitative Advisors, Inc. ("Quantitative"), and The Northern Trust Company of Connecticut ("Connecticut") (collectively, the "Advisers").

FILING DATE: The application was filed on July 21, 1997, and amended on July 6, 1998, and December 7, 1998.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 4, 1999, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature

of the writer's interest, the reason for the request, and the issues contested.

Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 50 South LaSalle Street, Chicago, Illinois 60675.

FOR FURTHER INFORMATION CONTACT: Edward P. Macdonald, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 Fifth Street, N.W. Washington, D.C. 20549 (tel. 202-942-8090).

Applicant's Representations

1. The Trusts are open-end management investment companies organized as Massachusetts business trusts and registered under the Act. NIF currently has 17 portfolios and Northern Funds currently has 25 portfolios (collectively, the "Portfolios"), each of which has its own investment objectives and policies.

2. Northern, the investment adviser for thirty-five Portfolios, is an Illinois state-chartered bank and is exempt from registration under the Investment Advisers Act of 1940 ("Advisers Act"). Quantitative, the investment adviser to four NIF Portfolios and three Northern Portfolios, is registered under the Advisers Act. Connecticut, currently not an investment adviser to any of the Portfolios, is a state-chartered trust company exempt from registration under the Advisers Act. Connecticut specializes in evaluating and monitoring the qualifications and performance of investment advisers. Quantitative, Northern, and Connecticut are all under the common control of Northern Trust Corporation.

3. Applicants propose to implement an Adviser/Subadviser structure for the Portfolios. Under Applicants' proposed structure, Northern and/or Quantitative each would serve as a co-Adviser with Connecticut, who would offer its expertise in evaluating and monitoring

RAILROAD RETIREMENT BOARD

Determination of Quarterly Rate of Excise Tax for Railroad Retirement Supplemental Annuity Program

In accordance with directions in Section 3221(c) of the Railroad Retirement Tax Act (26 U.S.C., Section 3221(c)), the Railroad Retirement Board has determined that the excise tax imposed by such Section 3221(c) on every employer, with respect to having individuals in his employ, for each work-hour for which compensation is paid by such employer for services rendered to him during the quarter beginning January 1, 1999, shall be at the rate of 27 cents.

In accordance with directions in Section 15(a) of the Railroad Retirement Act of 1974, the Railroad Retirement Board has determined that for the quarter beginning January 1, 1999, 38.1 percent of the taxes collected under Sections 3211(b) and 3221(c) of the Railroad Retirement Tax Act shall be credited to the Railroad Retirement Account and 61.9 percent of the taxes collected under such Sections 3211(b) and 3221(c) plus 100 percent of the taxes collected under Section 3221(d) of the Railroad Retirement Tax Act shall be credited to the Railroad Retirement Supplemental Account.

investment subadvisers ("Subadvisers"), to one or more Portfolios. The Advisers would have overall responsibility for the Portfolios and would recommend Subadvisers to the Trusts' boards of trustees ("Boards"). The Advisers would monitor each Subadviser's compliance with each Portfolio's investment objectives and policies, would review the performance of each Subadviser, and would periodically report each Subadviser's performance to the Board. As compensation for their services, the Advisers would receive a fee from the Portfolios.

4. Under investment advisory agreements between the Advisers and the Subadvisers ("Subadvisory Agreements") the specific investment decisions for each Portfolio would be made by each Subadviser subject to supervision by the Advisers and ultimately the Boards. The Subadvisers' fees would be paid by the Advisers out of the fee they receive from the Portfolios.

5. Applicants request an exemption from section 15(a) of the Act and rule 18f-2 under the Act to permit Subadvisers approved by the Boards to serve as portfolio managers for the Portfolios without obtaining shareholder approval.¹ Shareholder approval would continue to be required for any Subadviser that is an "affiliated person," as defined in section 2(a)(3) of the Act, of the Portfolio or an Adviser other than by reason of serving as a Subadviser of the Portfolio (an "Affiliated Subadviser").

6. Applicants also request an exemption from the various disclosure provisions described below that may require the Portfolios to disclose the fees paid by the Adviser to the Subadvisers. Each Portfolio will disclose the following (both as a dollar amount and as a percentage of a Portfolio's net assets): (1) aggregate fees paid to the Advisers and Affiliated Subadvisers; and (2) aggregate fees paid to Subadvisers other than Affiliated Subadvisers ("Aggregate Fee Disclosure"). For any Portfolio that employs an Affiliated Subadviser, the Portfolio will provide separate

disclosure of any fees paid to such Affiliated Subadviser.

Applicants' Legal Analysis

Shareholder Voting

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except pursuant to a written contract which has been approved by the vote of a majority of the outstanding voting securities of the registered investment company. Rule 18f-2 under the Act provides that each series of stock in a series investment company effected by a manner must approve that matter if the Act requires shareholder approval.

2. Section 6(c) authorizes the SEC to exempt persons or transactions from the provisions of the Act to the extent that such exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the Act.

3. Applicants request an order under section 6(c) of the Act from section 15(a) of the Act and rule 18f-2 under the Act to permit them to enter into and materially amend Subadvisory Agreements without shareholder approval. Applicants assert that when the Portfolios implement the Adviser/Subadviser structure, a Portfolio's investors will rely on the Advisers to select Subadvisers best suited to achieve the Portfolio's investment objectives. Applicants assert that Connecticut, which will serve as co-Adviser to the Portfolios, has over fifteen years of experience evaluating investment advisory firms. In evaluating investment advisers, Connecticut considers, among other factors, the adviser's level of expertise, relative performance, consistency of performance compared with investment discipline and philosophy, investment personnel, financial strength, and quality of service. Applicants state that, in addition to selecting and monitoring Subadvisers, the Advisers will supervise the Portfolios' overall investment programs.

4. Applicants state that, from the perspective of an investor, the role of the Subadvisers will be similar to that of individual portfolio managers employed by traditional investment advisory firms. Applicants assert that the requested relief would allow the Portfolios to operate the proposed Adviser/Subadviser structure more efficiently. Applicants also note that each Portfolio's investment advisory agreement with the Advisers will

remain subject to the shareholder approval requirements of section 15 of the Act and rule 18f-2 under the Act.

Fee Disclosure

Applicants also request relief under section 6(c) of the Act from certain disclosure requirements to provide Aggregate Fee Disclosure.

5. Form N-1A is the registration statement used by open-end investment companies. Items 3, 6(a)(i), and 15(a)(3) of Form N-1A require disclosure of the method and amount of an investment adviser's compensation.

6. Form N-14 is the registration form for business combinations involving open-end investment companies. Item 3 of Form N-14 requires the inclusion of a "table showing the current fees for the registrant and the company being acquired and pro forma fees, if different, for the registrant after giving effect to the transaction."

7. Rule 20a-1 under the Act requires proxies solicited with respect to an investment company to comply with Schedule 14A under the Securities Exchange Act of 1934 ("Exchange Act"). Item 22(a)(3)(iv) of Schedule 14A requires a proxy statement for a shareholder meeting at which a new fee will be established or an existing fee will be increased to include a table of the current and pro forma fees. Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8), and 22(c)(9), taken together, require a proxy statement for a shareholder meeting at which the advisory contract will be voted upon to include the "rate of compensation of the investment adviser," the "aggregate amount of the investment adviser's fees," a description of "the terms of the contract to be acted upon," and, if a change in the advisory fee is proposed, the existing and proposed fees and the difference between the two fees.

8. Form N-SAR is the semi-annual report filed with the SEC by registered investment companies. Item 48 of Form N-SAR requires investment companies to disclose the rate schedule for fees paid to their investment advisers, including the Subadvisers.

9. Regulation S-X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholder reports filed with the SEC. Sections 6-07(2)(a), (b), and (c) of Regulation S-X require that investment companies include in their financial statements information about investment advisory fees.

10. Applicants assert that the information provided in the Aggregate Fee Disclosure would give investors adequate information to compare the

¹ Applicants request that the relief also apply to any registered open-end management investment company created in the future and each series for which Northern and Connecticut, or any entity controlling, controlled by, or under common control with Northern and Connecticut acts as investment adviser ("Future Funds"). All registered open-end management investment companies that currently intend to rely on the requested order are named as applicants and any Future Fund that relies on the order will do so only in accordance with the terms and conditions contained in the application.

advisory fees of the Portfolios with those of other funds. Applicants also assert that some Subadvisers use a "posted" rate schedule to set their fees, particularly at lower asset levels. Based upon the Advisers' discussions with prospective Subadvisers, applicants believe that some organizations may be unwilling to serve as Subadvisers at any fee rate other than their "posted" fee rates, unless the rate negotiated for the Portfolios is not publicly disclosed. Applicants state that requiring disclosure of each Subadviser's fees may deprive the Advisers of their bargaining power while producing no benefit to shareholders, since the total advisory fee the shareholders pay would not be affected.

Applicants' Conditions

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

1. The Advisers will provide general investment management services to the Portfolios, including overall supervisory responsibility for the general management and investment of the Portfolios' securities, and, subject to review and approval by each Board with respect to its respective Portfolios, will: (a) set the Portfolios' overall investment strategies; (b) recommend and select Subadvisers; (c) allocate and reallocate the Portfolio's assets among Subadvisers in those cases where a Portfolio has more than one Subadviser; (d) monitor and evaluate Subadviser performance; and (e) implement procedures to ensure that the Subadvisers comply with the relevant Portfolio's investment objective, policies, and restrictions.

2. Before a Portfolio may rely on the requested order, the operation of the Portfolio as described in the application will be approved by a majority of the Portfolio's outstanding voting securities, as defined in the Act, or, in the case of a new Portfolio whose public shareholders purchase shares on the basis of a prospectus containing the disclosure addressed in condition 3 below, by the sole shareholder before offering shares of such Portfolio to the public.

3. Each Portfolio relying on the requested order will disclose in its prospectus the existence, substance, and effect of the order granted pursuant to this application. In addition, each Portfolio will hold itself out to the public as employing the Adviser/Subadviser structure described in the application. The prospectus will prominently disclose that the Advisers have ultimate responsibility to oversee Subadvisers and to recommend their hiring, termination, and replacement.

4. Within ninety (90) days of the hiring of any new Subadviser, the affected Portfolio will furnish its shareholders all information about the new Subadviser. The information will include any change in the disclosure caused by the addition of a new Subadviser of the Portfolio. The Portfolios will meet this obligation by providing shareholders within 90 days of the hiring of a new Subadviser an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Exchange Act, except as modified by Aggregate Fee Disclosure.

5. No Trustee, director, or officer of a Trust or the Advisers will own direct or indirectly (other than through a pooled investment vehicle over which such person does not have control) any interest in any Subadviser except for (a) ownership of interests in the Advisers or any entity that controls, is controlled by or is under common control with the Advisers; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Subadviser or an entity that controls, is controlled by or is under common control with a Subadviser.

6. The Advisers will not enter into a Subadvisory Agreement with any Affiliated Subadviser without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Portfolio.

7. At all times, a majority of the members of each Board, including a majority of the trustees will be persons who are not "interested persons" of the Trusts as defined in section 2(a)(19) of the Act ("Independent Trustees"), and the nomination of new or additional Independent Trustees will be placed within the discretion of the then existing Independent Trustees.

8. When a Subadviser change is proposed for a Portfolio with an Affiliated Subadviser the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board's minutes, that such change is in the best interests of the Portfolio and its shareholders and does not involve a conflict of interest from which the Advisers or the Affiliated Subadviser derives an inappropriate advantage.

9. Each Portfolio will disclose in its registration statement the respective Aggregate Fee Disclosure.

10. At all times, independent counsel knowledgeable about the Act and the duties of Independent Trustees will be engaged to represent the Independent Trustees of the Trust involved. The

selection of such counsel will be placed within the discretion of the Independent Trustees.

11. The Advisers will provide the Board of each Trust, no less frequently than quarterly, with information about the Advisers' profitability for each Portfolio using an Adviser/Subadviser structure. Such information will reflect the impact on profitability of the hiring or termination of Subadvisers during the quarter.

12. Whenever a Subadviser to a particular Portfolio is hired or terminated, the Advisers will provide the Board with information showing the expected impact on the Advisers' profitability.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-33364 Filed 12-16-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40780; File No. SR-CBOE-98-48]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendments Nos. 1 and 2 by the Chicago Board Options Exchange, Inc. Relating to the Exchange's Rapid Opening System (ROS)

December 10, 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 November 4, 1998, the Chicago Board Options Exchange, Inc. ("CBOE" 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 CBOE. On December 9, 1998, the CBOE filed Amendment No. 1 to the proposed rule change with the Commission.³ On December 9, 1998, the CBOE also filed Amendment No. 2 to the proposed rule change with the Commission.⁴ The

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 204.19b-4.

³ In Amendment No. 1, the Exchange replaced its original proposal. See Letter from Timothy Thompson, Director, Regulatory Affairs, Legal Department, CBOE, to Michael Walinskas, Deputy Associate Director, Division of Market Regulation ("Division"), Commission, dated December 8, 1998 ("Amendment No. 1").

⁴ In Amendment No. 2, the Exchange corrected technical errors in the notice. See Letter from Timothy Thompson, Director, Regulatory Affairs,