

the Adviser, other than by reason of serving as subadviser to the Fund or a Future Fund ("affiliated Subadviser").

#### Applicants' Legal Analysis

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 under a written contract approved by a majority of the investment company's outstanding voting shares. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a matter must approve the matter if the Act requires shareholder approval.

2. Section 6(c) of the Act authorizes the Commission to exempt persons or transactions from the provisions of the Act to the extent that the exemption is necessary or 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. Applicants believe that their requested relief meets this standard for the reasons discussed below.

3. Applicants assert that the Fund's investors rely on the Adviser to select, monitor, and replace subadvisers best suited to manage the Fund's portfolio. Applicants represent that the Adviser has experience in performing these functions. Applicants submit that, from the perspective of an investor, the role of the subadvisers is comparable to that of individual portfolio managers employed by other investment company advisory firms. Applicants submit that the requested relief will allow the multi-manager structure of the Fund to operate more efficiently. Applicants note that the Advisory Agreement will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

#### Applicants' Conditions

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

1. Before a Future Fund may rely on the requested order, the operation of the Future Fund in the manner described in the application will be approved by its initial shareholder before shares of the Future Fund are made available to the public.

2. The Trust will disclose in its prospectus the existence, substance, and effect of any order granted pursuant to the application. In addition, the Fund and any Future Fund will hold itself out to the public as employing the sub-adviser structure described in the application. The prospectus with respect to the Fund and any Future Fund will prominently disclose that the

Adviser is responsible for overseeing the subadvisers and recommending their hiring, termination, and replacement.

3. Neither the Fund nor any Future Fund will enter into a Subadvisory Agreement with any Affiliated Subadviser, without the Subadvisory Agreement, including the compensation to be paid under that Agreement, being approved by the shareholders of the applicable Fund.

4. At all times, a majority of the Board will be persons each of whom is not an "interested person" of the Fund or any Future Fund as defined in section 2(a)(19) of the Act ("Independent Trustees"), and the nomination of new or additional Independent Trustees will be at the discretion of the then-existing Independent Trustees.

5. No trustee of officer of the Trust or director or officer of the Adviser will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by the trustee, director, or officer) any interest in any subadviser, except for (i) ownership of interests in the Adviser or any other entity that controls, is controlled by, or is under common control with the Adviser; or (ii) ownership of less than one percent of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a subadviser or any entity that controls, is controlled by, or is under common control with a subadviser.

6. When a change of a subadviser is proposed for the Fund or any Future Fund 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 the change is in the best interests of the Fund or in the Future Fund and its shareholders and does not involve a conflict of interest from which the Adviser or the Affiliated Subadviser derives an inappropriate advantage.

7. Within 90 days of the hiring of a subadviser for the Fund or any Future Fund, its shareholders will be furnished all information about the subadviser that would be included in a proxy statement, including any change in such disclosure caused by the addition of the new subadviser. The Adviser will meet this condition by providing shareholders, within 90 days of the hiring of a subadviser, with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Securities Exchange Act of 1934.

8. The Adviser, subject to review and approval by the Board, will provide general investment management services to the Fund and any Future

Fund, including overall supervisory responsibility for the general management and investment of such Fund's portfolio. In this capacity, the Adviser will: (i) set overall investment strategies for the Fund; (ii) recommend subadvisers for the Fund; (iii) when appropriate allocate and reallocate the Fund's assets among subadvisers; and (iv) monitor and evaluate the investment performance of the subadvisers, including their compliance with the Fund's investment objective, policies, and restrictions.

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

**Margaret H. McFarland,**  
Deputy Secretary.

[FR Doc. 99-23608 Filed 9-9-99 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41822; File No. SR-CBOE-99-47]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Inc. To Increase the Size of Orders Eligible for Automatic Execution for Certain Classes of Options

September 1, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 23, 1999, the Chicago Board Options Exchange, Inc. ("CBOE" 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 CBOE. On August 23, 1999, the CBOE submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> 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 CBOE is proposing to increase the size limit of orders in certain classes of

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, the CBOE makes additional representations regarding trading system and market maker capacity. See letter from Christopher R. Hill, Attorney, CBOE, to Michael A. Walinskas, Associate Director, Division of Market Regulation, Commission, dated August 20, 1999 ("Amendment No. 1").

options contracts which are eligible for entry into the CBOE's Retail Automatic Execution System ("RAES") to 50 contracts, in order to match the size limits of orders which will be eligible for entry into the automatic execution system of the Philadelphia Stock Exchange ("Phlx").

## 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 CBOE 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 CBOE 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

CBOE Rule 6.8(e) limits the size of RAES orders to twenty or fewer contracts.<sup>4</sup> As of August 20, 1999, options on Dell Computers (DLQ) are listed only on the Phlx, options on International Business Machines Corp. (IBM), Johnson & Johnson (JNJ), and Coca Cola (KO) are listed only on the CBOE, and Ford Motor Corporation (F) is dually listed on both the CBOE and the Phlx. However, in conformity with procedures of The Options Clearing Corporation ("OCC") established under the Joint Exchange Options Plan ("Plan"), the Phlx recently sent notification to the OCC, the Commission, and the other options exchanges that it is seeking to multiply list options on IBM, JNJ, and KO. The CBOE has done likewise with respect to DLQ. As a result, on Monday, August 23, 1999, pursuant to OCC procedures, the Phlx plans to commence trading options on IBM, JNJ, and KO, and the CBOE plans to commence trading options on DLQ.

On August 19, 1999, the Phlx announced, pursuant to Rule 1080(c), that its order size limit for automatic execution for DLQ, IBM, JNJ, and KO will be 50 contracts. The current size limit for automatic execution of orders in F is already 50 contracts.

<sup>4</sup> Subsequently, the Commission has approved a proposed rule filing by the CBOE to increase the size limit of all RAES orders to 50 contracts. See Securities Exchange Act Release No. 41821 (September 1, 1999) (SR-CBOE-99-17).

Therefore, pursuant to CBOE Rule 6.8 and Interpretation and Policy .01, the CBOE proposes to increase the RAES order size limit in F, IBM, JNJ, and KO to 50 contracts, and to set the initial order size limit for DLQ at 50 contracts, in order to match the size limits for orders in these option classes which are eligible for automatic execution on the Phlx.

The Exchange represents that RAES has the capacity to accommodate a RAES order limit size of 50 contracts in DLQ, IBM, JNJ, and KO, both in terms of systems capacity as well as the market-making capacity of market-makers participating in RAES.<sup>5</sup>

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act, in general, and furthers the objectives of Sections 6(b)(5) and 6(b)(8) of the Act in particular, in that it is designed to remove unnecessary burdens on competition, as well as remove impediments to and perfect the mechanism of a free and open market and a national market system, for the benefit of investors and the public interest.

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

The CBOE does not believe that the proposed rule change will impose any 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 solicited or received with respect to the proposed rule change.

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

Because the foregoing rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange, it has become effective pursuant to section 19(b)(3)(A)(i) of the Act and subparagraph (f)(1) of Rule 19b-4 thereunder. 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.

<sup>5</sup> See Amendment No. 1.

## 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 20549-0609. 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 in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-99-47 and should be submitted by October 1, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 99-23612 Filed 9-9-99; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41833; File No. SR-NASD-99-07]

### Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change by the National Association of Securities Dealers, Inc. Creating a Discovery Guide for Use in NASD Arbitrations

September 2, 1999.

#### I. Introduction

On January 29, 1999, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary NASD Regulation, Inc. ("NASD Regulation"), filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> Under its

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.