(''Galaxy Adviser''). The Board noted that the investment advisory contract between applicant and the Shawmut Adviser would be terminated and that the Shawmut Adviser and the Galaxy Adviser would become affiliated persons as a consequence of the Reorganization. Accordingly, the Board determined such reorganization was in the best interests of applicant's shareholders.

4. Applicant states that the Reorganization was undertaken in compliance with rule 17a–8. In addition to determining that the Reorganization was in the best interests of applicant's shareholders, the Board also determined that the interests of existing shareholders of applicant would not be diluted as a result of the sales of applicant's net assets to The Galaxy Fund.

5. On September 8, 1995, preliminary copies of a combined proxy/prospectus were filed with the SEC. On September 29, 1995, a definitive proxy/prospectus was transmitted to the SEC and subsequently mailed to applicant's shareholders. At a special meeting of applicant's shareholders on October 30, 1995, applicant's shareholders approved the reorganization plan.

6. On December 4, 1995, the properties and assets of each of applicant's portfolios were valued and subsequently conveyed to a corresponding portfolio of The Galaxy Fund. Applicant's shareholders received Trust Shares or Retail Shares, respectively, in the corresponding portfolio of The Galaxy Fund equal in value to their Trust Shares or Investment Shares, respectively, in complete liquidation of applicant. No brokerage commissions were paid as a result of the above-mentioned conveyance.

7. Pursuant to the reorganization, four of The Galaxy Fund portfolios, Connecticut Municipal Money Market Fund, Massachusetts Municipal Money Market Fund, Growth and Income Fund, and Small Cap Value Fund had nominal assets and liabilities before the reorganization and were designed to continue investment operations of applicant's Connecticut Money Fund, Massachusetts Money Fund, Growth and Income Fund, and Small Cap Fund.

8. Applicant's remaining seven portfolios transferred substantially all of their assets and known liabilities to the remaining portfolios of The Galaxy Funds as follows: Prime Money Fund, Limited Term Fund, Fixed Income Fund, Intermediate Government Fund, Connecticut Intermediate Fund, Massachusetts Intermediate Fund, and Growth Equity Fund, respectively, transferred into Money Market Fund, Short-Term Bond Fund, Corporate Bond Fund, Intermediate Government, Income Fund, Connecticut Municipal Bond Fund, Massachusetts Municipal Bond Fund, and Equity Growth Fund, respectively.[1]

9. Expenses of the reorganization were borne by one or both of Shawmut and Fleet.

10. As of the date of the application, applicant had no shareholders, assets, or liabilities. Applicant is not a party to any litigation or administrative proceeding. Applicant is neither engaged, nor proposes to engage, in any business activities other than those necessary for the winding-up of its affairs.

11. Applicant continues to exist as a business trust under the laws of the Commonwealth of Massachusetts. Applicant represents that it will terminate its existence upon receipt of notice and order from the Commission that is has ceased to be an investment company.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–29615 Filed 11–19–96; 8:45 am]

BILLING CODE 8010–01–M

[1] As of the date of the reorganization, the Corporate Bond Fund had issued only Trust Shares. Therefore, holders of both Trust Shares and Investment Shares of the Fixed Income Fund received Trust Shares of the Corporate Bond Fund. Applicant states that the fee/load structure of the Trust Shares of the Corporate Bond Fund is lower than that of the Investment Shares of the Fixed Income Fund. Applicant thus believes that the holders of Investment Shares will benefit from receiving the Trust Shares.

[Release No. 34–37945; File No. SR–Amex–96–32]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 To Proposed Rule Change by the American Stock Exchange, Inc., To Amend the Firm Facilitation Exemption

November 3, 1996.

I. Introduction

On September 10, 1996, 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 Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend its firm facilitation exemption.

Notice of the proposed rule change appeared in the Federal Register on September 26, 1996.[3] No comments were received on the proposed rule change. The Exchange subsequently filed Amendment No. 1 to the proposed rule change on November 4, 1996.[4] This order approves the Amex's proposal, as amended.

II. Background and Description

In May of this year, the Exchange received Commission approval to expand the firm facilitation exemption[5] from position and exercise limits to all non-multiply-listed Exchange option classes.[6] Currently, only a member firm who facilitates and executes an order for its own customer[7] may qualify for a firm facilitation exemption.

The Amex is proposing to amend the firm facilitation exemption in two ways. First, a member firm who facilitates its own customer whose account it carries, whether the firm executes the order itself or gives the order to an independent broker for execution may qualify for the exemption. Second, the facilitation exemption will be expanded to include member firms who facilitate another member's customer order. Such customer order must be for execution only against the member firm's proprietary account. Further, unlike a member firm that facilitates its own customer, the resulting position will not be carried by the facilitating member firm.[8]

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 37706 (September 20, 1996), 61 FR 50524 (September 26, 1996).

[4] In Amendment No. 1, the Amex revised the proposed rule language of Commentary .10 to Exchange Rule 904 and Commentary .02 to Exchange Rule 904C so that a member firm who receives a customer order for execution only against the member firm's proprietary account may qualify for the facilitation exemption. *See* letter from Claire P. McGrath, Managing Director and Special Counsel, Derivative Securities Amex, to Ivette Lopez, Assistant Director, Office of Market Supervision, Division of Market Regulation, Commission, dated November 4, 1996 (''Amendment No. 1'').

[5] The Amex notes that a facilitation trade is a transaction that involves crossing an order of a member firm's public customer with an order from the member firm's proprietary account.

[6] *See* Securities Exchange Act Release No. 37179 (May 8, 1996), 61 FR 24520 (May 15, 1996) (approval order for File No. SR–Amex–96–11).

[7] The Amex defines a customer order as one that is entered, cleared, in which the resulting position is carried with the firm.

[8] The Commission notes that any solicitation of a member by another member or customer to facilitate a customer order must comply with the relevant Exchange rules concerning solicited transactions.

III. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b)(5).[9] Specifically, the Commission believes that by allowing member firms an exemption from position limits to facilitate large customer orders, whether they are firms who accept customer orders for execution only against the member firm's proprietary account, or they are firms who carry their own customers' accounts and positions, the depth and liquidity of the market will be enhanced in a manner consistent with the protection of investors and the public interest. Further, permitting a member firm who facilitates its own customer order to qualify for the exemption whether it executes the order itself or gives it to an independent broker for execution should provide firms with flexibility in handling such orders while still requiring compliance with the rule's requirements.

The Commission believes that the Amex's proposal to amend its firm facilitation exemption will accommodate the needs of investors as well as market participants without substantially increasing concerns regarding the potential for manipulation and other trading abuses. The Commission also believes that the proposed rule change will further enhance the potential depth and liquidity of the options market as well as the underlying markets by providing Exchange members greater flexibility in executing large customer orders. Moreover, the Commission is relying on the absence of discernible manipulation problems under the Amex's current firm facilitation exemption as an indicator that the proposal is appropriate.

In addition, the Amex's existing safeguards that apply to the current facilitation exemption will continue to serve to minimize any potential disruption or manipulation concerns. First, the facilitation firm must receive approval from the Exchange prior to executing facilitating trades. Second, a facilitation firm must, within five business days after the execution of a facilitation exemption order, hedge all exempt options positions that have not previously been liquidated, and furnish to the Exchange documentation reflecting the resulting hedging positions. In meeting this requirement, the facilitation firm must liquidate and establish its customer's and its own options and stock positions or their equivalent in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. In addition, a facilitation firm is not permitted to use the facilitation exemption for the purpose of engaging in index arbitrage. The Commission believes that these requirements will help to ensure that the facilitation exemption will not have an undue market impact on the options or on any underlying stock positions.

Third, the facilitation firm is required to promptly provide to the Exchange any information or documents requested concerning the exempted options positions and the positions hedging them, as well as to promptly notify the Exchange of any material change in the exempted options position or the hedge.

Fourth, neither the member's nor the customer's order may be contingent on ''all or none'' or ''fill or kill'' instructions, and the orders may not be executed until Exchange Rule 950(d), Commentary .02 (crossing order) procedures have been satisfied and market participants have been given a reasonable time to participate in the order.

Fifth, the facilitation firm may not increase the exempted option position once it is closed, unless approval from the Amex is again received pursuant to a reapplication.

Lastly, violation of any of these provisions, absent reasonable justification or excuse, will result in the withdrawal of the facilitation exemption and may form the basis for subsequent denial of an application for a facilitation exemption.

In summary, the Commission continues to believe that the safeguards built into the facilitation exemptive process will serve to minimize the potential for disruption and manipulation concerns, while at the same time benefiting market participants by allowing member firms greater flexibility to facilitate large customer orders. The Commission also notes that the facilitation exemption will be monitored in the same manner, whether the facilitation is done by the member firm for its own customer and executed by the firm itself or given to an independent broker for execution, or whether the facilitation is done by another member firm willing to facilitate the order of another member firm's customer. Further, as noted above, any firm solicitation to facilitate a customer order must comply with the Amex's solicitation rules as well as with the Amex's facilitation and crossing rules. Lastly, the Commission believes that the Amex has adequate surveillance procedures to surveil for compliance with the rule's requirements. Based on these reasons, the Commission believes that it is appropriate for the Amex to amend its firm facilitation exemption.

The Commission finds good cause to approve Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register. Specifically, because the revised rule language contained in Amendment No. 1 only serves to clarify the Exchange's original intent, no new regulatory concerns are raised. In addition, the Amex's rule proposal was subject to a full notice and comment period, and no comments were received. Accordingly, the Commission believes that it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve Amendment No. 1 to the proposed rule change on an accelerated basis.

Interested persons are invited to submit written data, views, and arguments concerning Amendment No. 1 to the rule proposal. 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 Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of the Amex. All submissions should refer to File No. SR-Amex–96–32 and should be submitted by [insert date 21 days from date of publication].

IV. Conclusion

For the foregoing reasons, the Commission finds that the Amex's proposal to amend its firm facilitation exemption is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[10] that the proposed rule change (SR-Amex–96–32), as amended, is approved.

[9] 15 U.S.C. 78f(b)(5) (1988).

[10] 15 U.S.C. § 78s(b)(2) (1988).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[11]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–29611 Filed 11–19–96; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–37947; File No. SR–CHX–96–26]

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 to Proposed Rule Change Relating to Enhanced SuperMAX and Timed Enhanced SuperMAX

November 13, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] notice is hereby given that on October 9, 1996, the Chicago Stock Exchange, Incorporated (''CHX'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change and an amendment[2] to the proposed rule change as described in Items I, II, and III 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.

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

Pursuant to Rule 19b–4 of the Act[3] the Exchange requests permanent approval of its Enhanced SuperMAX and Timed Enhanced SuperMAX pilot program, located in subsections (e) and (f) of Rule 37 of Article XX.

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 CHX 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 CHX 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

On May 22, 1995, the Commission approved a proposed rule change of the CHX that allows specialists on the Exchange, through the Exchange's MAX system, to provide order execution guarantees that are more favorable than those required under CHX Rule 37(a), Article XX.[4] That approval order contemplated that the CHX would file with the Commission specific modifications to the parameters of MAX that are required to implement various options available under this new rule.

On July 27, 1995, the Commission approved a proposed rule change of the CHX that implemented two options available under this new rule.[5] These two new options, Enhanced SuperMAX and Timed Enhanced SuperMAX were approved on a pilot basis until July 31, 1996. The Commission extended the pilot program until December 31, 1996 and requested that the CHX provide a report to the Commission, by August 31, 1996,[6] describing its experience with the pilot program. On August 30, 1996, the CHX submitted the report.

The purpose of the proposed rule change is to request permanent approval of the pilot program. As stated above, the two options available in the pilot program are Enhanced SuperMAX and Timed Enhanced SuperMAX. Enhanced SuperMAX is merely a reactivation of the Exchange's Enhanced SuperMAX program, a program originally approved by the Commission on a pilot basis in 1991.[7] The proposed Enhanced SuperMAX program differs from the original pilot program approved in 1991 in that it is available starting at 8:45 a.m. instead of 9:00 a.m. This program also differs from the Exchange's SuperMAX program in that under this program, certain orders are ''stopped'' at the consolidated best bid or offer and are executed with reference to the *next* primary market sale instead of the previous primary market sale. Timed Enhanced SuperMAX is a slight variation on the Enhanced SuperMAX program. It executes orders in the same manner as the Enhanced SuperMAX program except that if there are no executions in the primary market after the order has been stopped for a designated time period, the order is executed at the stopped price at the end of such period. Such period, known as a time out period, is pre-selected by a specialist on a stock-by-stock basis based on the size of the order, may be changed by a specialist no more frequently than once a month, and may be no less than 30 seconds.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

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

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

Written comments were neither solicited nor received with respect to the proposed rule change.

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

Within 15 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W.,

---

[11] 17 CFR 200.30–3(a)(12).

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

[2] On November 8, 1996 the CHX submitted an amendment (''Amendment No. 1'') to the proposed rule change. Letter from David Rusoff, Esq., Foley & Lardner, to Janet W. Russell-Hunter, Special Counsel, Division of Market Regulation, Commission, dated November 7, 1996. In Amendment No. 1, the CHX replaced the text of the proposed rule change originally filed with rule text changed to reflect previously inadvertently omitted language.

[3] 17 CFR 240.19b–4.

[4] *See* Securities Exchange Act Release No. 35753 (May 22, 1995), 60 FR 28007.

[5] *See* Securities Exchange Act Release No. 36027 (July 27, 1995), 60 FR 39465.

[6] *See* Securities Exchange Act Release No. 37491 (July 29, 1996), 61 FR 40690.

[7] *See* Securities Exchange Act Release No. 30058 (December 10, 1991), 56 FR 65765.