consummation of the reorganization is conditioned upon receipt from the SEC of the order requested herein.

## **Applicants' Legal Analysis**

1. Section 17(a) of the Act, in pertinent part, prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, acting as principal, from selling to or purchasing from such registered company, any security or other property. Section 17(b) provides that the SEC may exempt a transaction from section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act.

2. Rule 17a–8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all the assets involving registered investment companies that may be affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors/trustees and/or common officers provided that certain

conditions are satisfied.

The proposed reorganization may not be exempt from the prohibitions of section 17(a) by reason of rule 17a-8 because the Acquiring Fund and the Acquired Fund may be affiliated for reasons other than those set forth in the rule. Mellon owns 100% of the outstanding voting securities of Dreyfus, the adviser to the Acquired Fund. In addition, Mellon holds with power to vote more than 50% of the outstanding voting securities of the Acquiring Fund. Therefore, the Acquiring Fund may be deemed an affiliated person of the Acquired Fund for reasons not based solely on their common adviser.

4. Applicants believe that the terms of the reorganization satisfy the standards of section 17(b). Each Fund's board, including the disinterested trustees and directors, has reviewed the terms of the reorganization and have found that participation in the reorganization as contemplated by the Reorganization Agreement is in the best interests of Dreyfus/Laurel Funds, Dreyfus/Laurel Series, and each Fund, and that the interests of existing shareholders of each Fund will not be diluted as a result of the reorganization. Each board considered the compatibility of the investment objectives, policies and

restrictions of the two Funds and found that they were similar in that both Funds emphasized investment in international equity securities.

5. Section 17(d) prohibits any affiliated person of a registered investment company, acting as principal, from effecting any transaction in which such registered investment company is a joint participant with such person in contravention of SEC rules and regulations. Rule 17d–1 provides that no joint transaction may be consummated unless the SEC first

approves the transaction.

6. The Funds may be affiliated persons of each other, and the proposed transaction might be deemed to be a joint enterprise or other joint arrangement. Applicants believe that the terms of the reorganization are consistent with the provisions, policies and purposes of the Act in that they are reasonable and fair to all parties, do not involve overreaching, and are consistent with the investment policies of each of the Funds. The participation in the reorganization by each Fund also is not on a basis different from or less advantageous than that of other participants.

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

## Margaret H. McFarland,

Deputy Secretary.

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[Release No. 34–35298; File Nos. SR-NYSE-94–48 and SR-PSE 94–37]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the New York Stock Exchange, Inc. and the Pacific Stock Exchange, Inc., Relating to the Off-Site Storage of Customer Options Account Information

January 30, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on December 20, 1994, the New York Stock Exchange, Inc. ("NYSE"),² and on December 23, 1994, the Pacific Stock Exchange, Inc. ("PSE") (together, the "Exchanges"), submitted to the Securities and Exchange Commission

("SEC" or "Commission") the proposed rule changes as described in Items I and II below, which Items have been prepared by the Exchanges. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons.

## I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

Currently, paragraph (c), "Maintenance of Customer Records," of NYSE Rule 722, "Supervision of Accounts," and paragraph (d)(3), "Maintenance of Customer Records," of PSE Rule 9.18, "Doing a Public Business in Options," require that background and financial information of customers be maintained at both the branch office servicing the customer's account and at the principal supervisory office with jurisdiction over the branch office. NYSE Rule 722(c) and PSE Rule 9.18(d)(3) also require that copies of account statements of options customers be maintained at both the branch office supervising the accounts and at the principle supervisory office with jurisdiction over that branch for the most recent six-month period. The Exchanges propose to amend their rules to provide that the customer information and account statements currently maintained at the principal supervisory office may be maintained at a location other than the principal supervisory office if the documents and information are readily accessible and promptly retrievable.

The text of the proposed rule changes is available at the Office of the Secretary, NYSE, at the Office of the Secretary, PSE, and at the Commission.

## II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, the self-regulatory organizations included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments they received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organizations have prepared summaries, set forth in Section (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organizations' Statements of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

Currently, the rules of the NYSE and the PSE require that both the branch

<sup>&</sup>lt;sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>&</sup>lt;sup>2</sup> On January 27, 1995, the NYSE submitted a letter requesting accelerated approval of its proposal. See Letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Glenn Barrentine, Team Leader, Division of Market Regulation, Commission, dated January 27, 1995.