



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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FOR RELEASE: Monday, October 29

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COMMISSION TO RECONSIDER PERMITTING A MUTUAL FUND TO PURCHASE SHARES OF OTHER FUNDS IN THE GROUP AND TO CONSIDER CHANGES IN ELECTION OF CBOE BOARD MEMBERS

The Commission will consider again at an open meeting on Wednesday, October 31, at 10:00 a.m., whether to permit an exemption so that Vanguard Special Tax Advantaged Retirement Fund (the Retirement Fund) may purchase shares of other Vanguard Funds in excess of limitations imposed by the Investment Company Act of 1940.

In another matter, the Commission will consider proposed rule changes by the Chicago Board of Options Exchange, Inc. (CBOE) which would (1) increase the representation of floor members on the CBOE Board of Directors and (2) allow CBOE members to elect the Executive Committee chairman.

The meeting will be in the Commission Meeting Room, Room 1C30, 450 Fifth Street, N.W., Washington, D.C. Staff officials will participate in a briefing immediately following the Commission meeting.

Section 12(d)(1) of the Investment Company Act of 1940 imposes certain limitations that, among other things, prohibit an investment company from acquiring more than 3 percent of another investment company's voting stock, etc. The section was promulgated because of Congressional concern about pyramiding, layering of fees and undue organizational complexities. The Retirement Fund, to obtain greater

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efficiency and diversification in its investment program, is asking Commission approval to exceed the limitations imposed by Section 12(d)(1).

On September 11, the Commission at an open meeting, in considering the Retirement Fund application to purchase shares of other Vanguard Funds, authorized issuance of a notice giving interested persons until October 9, 1984, to request a hearing. No hearing requests have been filed. The Commission also directed the SEC Division of Investment Management to present the Retirement Fund application for reconsideration after expiration of the notice period.

It further directed the Division to seek additional supporting evidence concerning the cost savings that can reasonably be expected to result from structuring the Retirement Fund as a fund holding company. In addition, the Commission asked for information showing how the Retirement Fund intends to deal with conflicts of interest that would result from having the same individuals serve as trustees of the Retirement Fund and trustees of the underlying Vanguard Funds.

On October 10, 1984, counsel for the Retirement Fund submitted additional information giving anticipated cost savings that should result by structuring the Retirement Fund as a Fund holding company compared with the alternative of establishing multiple accounts for retirement investors, each of which would invest in a different Vanguard Fund. Counsel has, furthermore, indicated that a ten

percent limitation on the amount of shares of any one underlying Vanguard Fund (that the Retirement Fund could purchase) would address the potential conflicts of interest issue.

The CBOE has proposed a rule change that would increase membership of the CBOE's Board of Directors from 21 to 24 by increasing the number of floor members from 6 to 9. Currently, the 21 directors consist of 6 floor members, 6 public members (members who directly or through their organization deal with the public), 4 independents, 3 members at large and two officers of the CBOE, (the Chairman of the Board and the President of the Exchange).

The other proposed rule change provides that in the event there is more than one candidate for Chairman of the Executive Committee, the Chairman would be elected by a plurality of CBOE members voting at an annual meeting of the membership. Currently the Chairman who is responsible for executing the day-to-day functions is appointed by the Board of Directors.

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