

to set the margin "add-on" percentage for Mexican Peso Warrants at 12% for both initial and maintenance margin, with a minimum add-on for out-of-the-money warrants of 8%. If, as a result of the Exchange's routine monitoring of margin adequacy, the CBOE determines that a different percentage would be appropriate, the Exchange will file a proposal with the Commission pursuant to section 19(b) of the Act to modify the margin add-on percentages applicable to Mexican Peso Warrants.

The Exchange believes that Amendment No. 1 to the proposed rule change is consistent with section 6 of the Act, in general, and furthers the objectives of section 6(b)(5) of the Act,<sup>5</sup> in particular, in that the proposal will promote just and equitable principles of trade and will contribute to the protection of investors and the public interest.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange does not believe that Amendment No. 1 to the proposed rule change will impose any inappropriate burden on competition.

*(c) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments on Amendment No. 1 to the proposed rule change were neither solicited nor received.

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

Within 35 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 Exchange consents, the Commission will:

- (a) By order approve such proposed rule change, as amended, or
- (b) Institute proceedings to determine whether the proposed rule change, as amended, should be disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to the proposed rule change. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. Copies of the submission, all

subsequent amendments, all written statements with respect to the proposed rule change, as amended, that are filed with the Commission, and all written communications relating to the proposed rule change, as amended, 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 Section, 450 Fifth Street NW., Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to File No. SR-CBOE-95-12 and should be submitted by April 5, 1995.

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

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

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[Release No. 34-35464; International Series Release No. 791; File No. SR-Phlx-95-03]

**Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Customized Foreign Currency Options Transaction Size**

March 9, 1995.

On January 17, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to reduce the minimum transaction size for customized foreign currency options ("Customized FCOs") from 300 to 200 contracts. Notice of the proposed rule change appeared in the **Federal Register** on January 30, 1995.<sup>3</sup> No comment letters were received on the proposed rule change. This order approves the Exchange's proposal.

On November 1, 1994, the Commission approved the Exchange's proposal to trade Customized FCOs.<sup>4</sup> Presently, Phlx Rule 1069(a)(6) imposes a 300 contract minimum for opening Customized FCO transactions. The

Exchange represents that a number of midsized corporations and institutions have told the Exchange that the current minimum contract value is too large for their purposes. The Exchange, therefore, proposed to reduce the minimum opening transaction size for Customized FCO transactions to 200 contracts.<sup>5</sup>

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, the requirements of Section 6(b)(5)<sup>6</sup> in that the proposal is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, and to protect investors and the public interest. Specifically, the Commission believes that the proposed rule change is designed to make the Customized FCO market accessible to smaller corporate FCO users while maintaining the focus of this market towards institutional investors. As a result, the Commission believes that the proposal may serve to add liquidity to this market which would benefit all users of Customized FCO's.

Moreover, even with lowering the minimum opening transaction size to 200 contracts, the average value of an opening Customized FCO transaction will be approximately \$10 million.<sup>7</sup> The Commission believes that this level is sufficient to ensure that Customized FCO market continues to be used almost exclusively by institutional investors. The Commission also notes that this dollar value is equivalent to the minimum opening transaction size that the Commission required in approving proposals by the American Stock Exchange,<sup>8</sup> the Chicago Board Options Exchange,<sup>9</sup> and the Pacific Stock Exchange<sup>10</sup> for trading flexible exchange options ("FLEX Options"). As a result, the Commission believes that this proposal does not raise any regulatory concerns that were not adequately addressed by the Exchange when the

<sup>5</sup> The Exchange represents that the average value of a 300 contract Customized FCO transaction, at prevailing exchange rates, is approximately \$15 million. Reducing the minimum opening transaction size to 200 contracts would still result in an average minimum transaction value of approximately \$10 million.

<sup>6</sup> 15 U.S.C. 78(b)(5) (1988).

<sup>7</sup> See *supra* note 5.

<sup>8</sup> See Securities Exchange Act Release No. 32781 (August 20, 1993), 58 FR 45360 (August 27, 1993).

<sup>9</sup> See Securities Exchange Act Release Nos. 32694 (July 29, 1993), 58 FR 41814 (August 5, 1993), and 31920 (February 24, 1993), 58 FR 12280 (March 3, 1993).

<sup>10</sup> See Securities Exchange Act Release No. 34364 (July 13, 1994), 59 FR 36813 (July 19, 1994).

<sup>5</sup> 15 U.S.C. 78f(b)(5) (1988).

<sup>6</sup> 17 CFR 200.30-3(a)(12) (1994).

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

<sup>2</sup> 17 CFR 240.19b-4 (1992).

<sup>3</sup> See Securities Exchange Act Release No. 35261 (January 23, 1995), 60 FR 5745 (January 30, 1995).

<sup>4</sup> See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720 (November 8, 1994) ("Exchange Act Release No. 34925").

Commission approved the trading of Customized FCOs.<sup>11</sup>

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change (SR-Phlx-95-03) is hereby approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Rel. No. IC-20948; No. 812-9074]

**Aetna Insurance Company of America, et al.**

March 9, 1995.

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

**ACTION:** Notice of application for an order under the Investment Company Act of 1940 ("1940 Act").

**APPLICANTS:** Aetna Insurance Company of America ("Aetna"); Variable Annuity Account I of Aetna ("Account I"), Variable Annuity Account II of Aetna ("Account II"), and any other Separate Accounts established in the future by Aetna ("Future Accounts," and together with Accounts I and II, "Separate Accounts") to support certain group and individual deferred variable annuity contracts ("Contracts") or other variable annuity contracts that are substantially similar in all material respects to the Contracts ("Other Contracts") and that may be issued in the future by Aetna;<sup>1</sup> Aetna Life Insurance and Annuity Company ("ALIAC"), the principal underwriter of the Contracts; and Any Member Broker-Dealer of the National Association of Securities Dealers, Inc. ("NASD") That May In The Future Serve As Principal Underwriter For The Contracts ("Future Underwriters").

**RELEVANT 1940 ACT SECTIONS:** Order requested under Section 6(c) of the 1940 Act granting exemptions from the provisions of Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.

**SUMMARY OF APPLICATION:** Applicants seeking an order permitting the deduction of a mortality and expense risk change from the assets of the Separate Accounts in connection with

the issuance and sale of the Contracts or Other Contracts.

**FILING DATE:** The application was filed on June 24, 1994, and amended on December 23, 1994 and February 23, 1995.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving the Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on April 3, 1995, 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 may request notification of a hearing by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street NW., Washington, DC 20549. Applicants, c/o Aetna Insurance Company of America, 151 Farmington Avenue, Hartford, Connecticut 06156.

**FOR FURTHER INFORMATION CONTACT:** Yvonne M. Hunold, Assistant Special Counsel, or Wendy F. Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance Products (Division of Investment Management).

**SUPPLEMENTARY INFORMATION:** Following is a summary of the application; the complete application is available for a fee from the Commission's Public Reference Branch.

**Applicants' Representations**

1. Aetna, a stock life insurance company, is a wholly-owned subsidiary of Aetna Life Insurance and Annuity Company ("ALIAC"), which is, in turn, a wholly-owned subsidiary of Aetna Life and Casualty Company. Aetna is in the process of qualifying to do business and obtaining licenses to sell insurance in all jurisdictions except New York.

2. The Separate Accounts are or will be established by Aetna for the purpose of funding variable annuity contracts. The Separate Accounts are or will be registered under the 1940 Act as unit investment trusts. Assets of the Separate Accounts will be allocated among the shares of one or more registered open-end investment companies ("Funds"), some of which may be managed by ALIAC or its affiliates.

3. ALIAC is the principal underwriter of the Contracts and may act as investment adviser to some of the Funds. ALIAC is registered as a broker-dealer under the Securities Exchange

Act of 1934 and as an investment adviser under the Investment Advisers Act of 1940. ALIAC is a member of NASD.

4. Non-tax qualified Contracts are funded through Account I and Contracts purchased and used in connection with retirement plans under Sections 401(a) or 403(b) of the Internal Revenue Code, as amended ("Code") are funded through Account II. Individual Contracts qualifying for favorable federal income tax treatment under Section 408 of the Code and Contracts purchased by deferred compensation plans under Section 457 of the Code may be funded through either Account I or Account II.

5. The Contracts may provide for, among other things single or installment premium payments, or a combination of the two, and deferred or immediate annuity payments on a fixed or variable basis beginning on a date elected by the Contract owners and in no event later than certain contractually established dates ("Retirement Date"). Additionally, Contract owners may allocate premium payments to: (a) One or more of the Funds available under a Contract; (b) in some Contracts to a fixed Interest Option, which is part of Aetna's general account; and (c) in some Contracts to a Credited Interest Option, with or without a market value adjustment upon redemption prior to the end of a guaranteed term, and assets attributable to such an option may be held in Aetna's general account or in a non-insulated, none-utilized separate account of Aetna.<sup>2</sup>

6. The Contracts provide for the payment of a standard death benefit equal to the greater of (i) the cash value of the Contract account, or (ii) the sum of purchase payments less any withdrawals, or (iii) the contract holder's account value at the most recent seventh year anniversary of the Contract adjusted for purchase payments, withdrawals and amounts applied to an annuity option. The Contracts also provide for the payment of an enhanced death benefit equal to the greater of (i) the cash value of the Contract account, or (ii) during the first year of the Contract, the amount of premiums paid (adjusted for any withdrawals and any amount paid to an annuity option), or (iii) during subsequent years of the Contract, an

<sup>11</sup> See Exchange Act Release No. 34925, *supra* note 4.

<sup>12</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>13</sup> 17 CFR 200.30-3(a)(12) (1994).

<sup>1</sup> Applicants have undertaken to amend their application during the Notice Period to include the representation that Future Contracts will be substantially similar "in all material respects" to the Contract.

<sup>2</sup> Applicants are not requesting Commission review of whether the Fixed Interest Option or any other Credited Interest Option under the Contracts are securities required to be registered under the 1933 Act. Applicants will not consider any order issued as a result of this application to be an expression of any view by the Commission on this issue.