not receive any benefit or additional protections thereby.[5]

Applicants submit that the requested relief is appropriate in the public interest, because it would promote competitiveness in the variable annuity contract market by eliminating the need for Applicants to file redundant exemptive applications, thereby reducing their administrative expenses and maximizing the efficient use of their resources. The delay and expense involved in having repeatedly to seek exemptive relief would reduce Applicants' ability effectively to take advantage of business opportunities as they arise.

Applicants further submit that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons.

Applicants thus believe that the requested exemption is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

4. Applicants represent that the 1.25% per annum mortality and expense risk charge is within the range of industry practice for comparable annuity contracts. This representation is based upon an analysis of publicly available information about similar industry products, taking into consideration such factors as, among others, the current charge levels and benefits provided, the existence of expense charge guarantees and guaranteed annuity rates. Jackson National will maintain at its principal offices, available to the Commission, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, Applicants' comparative review.

5. Jackson National has concluded that there is a reasonable likelihood that the Separate Accounts' proposed distribution financing arrangements will benefit the Separate Accounts and their investors. Jackson National represents that it will maintain and make available to the Commission upon request a memorandum setting forth the basis of such conclusion.

6. The Separate Accounts will be invested only in management investment companies that undertake, in the event the company should adopt a plan for financing distribution expenses pursuant to rule 12b–1 under the 1940 Act, to have such plan formulated and approved by the company's board members, the majority of whom are not ''interested persons'' of the management investment company within the meaning of Section 2(a)(19) of the 1940 Act.

Conclusion

For the reasons set forth above, Applicants represent that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–7139 Filed 3–22–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–35502; File No. SR–PSE–94–27]

Self-Regulatory Organizations; The Pacific Stock Exchange Incorporated; Order Approving Proposed Rule Change Relating to Implementation of a Three-Day Settlement Standard

March 16, 1995.

On December 19, 1994, The Pacific Stock Exchange Incorporated (''PSE'') filed a proposed rule change (File No. SR–PSE–94–27) with the Securities and Exchange Commission (''Commission'') pursuant to Section 19(b) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on January 12, 1995 to solicit comments from interested persons.[2] The Commission received one written comment.[3] As discussed below, this order approves the proposed rule change.

I. Description

In October 1993, the Commission adopted Rule 15c6–1 under the Act[4] which establishes three business days after the trade date (''T+3''), instead of five business days (''T+5''), as the standard settlement cycle for most securities transactions. The rule will become effective June 7, 1995.[5] Several of the PSE's rules are interrelated with the standard settlement time frame. The purpose of the proposed rule change is to amend PSE's rules to be consistent with a T+3 settlement standard for securities transactions.

Under PSE Rule 5.7, transactions in stocks traded ''regular'' will be ''ex-dividend'' or ''ex-rights,'' as the case may be, on the second business day preceding the record date fixed by the company or the date of the closing of transfer books, except when PSE's board of directors rules otherwise. Rule 5.7 also provides that should such record date or such closing of transfer books occur upon a day other than a business day, this rule applies for the third preceding business day.

Under Rule 5.9(a)(2), transactions in securities admitted to dealings on an ''issued'' basis settling ''regular way'' will be for delivery on the third business day following the day of the contract. Rule 5.9(a)(3) provides that transactions on a ''seller's option'' basis will be made for delivery at the option of the seller within the time specified in the option, which time may not be less than four business days following the date of the contract. Rule 5.9(a)(4) provides that transactions in rights and warrants may be made on a ''next day'' basis only during the three business days preceding the final day for trading therein.

Rule 9.12(a)(4) requires that no member organization may grant delivery versus payment (''DVP'') or receipt versus payment (''RVP'') privileges to a customer without obtaining an agreement from the customer to provide instructions to its agent no later than the second day after the trade date for RVP trades or no later than the first business day after trade date for DVP trades.

PSE has requested that the proposed rule change become effective on the same date as Rule 15c6–1. Rule 15c6–1 will become effective on June 7, 1995.[6]

II. Written Comment

The Commission received one comment letter from Thomson Trading Services, Inc. (''Thomson'') suggesting that additional regulatory changes may be necessary to implement T+3

---

[5] Applicants represent that, during the Notice Period, the application will be amended to reflect this representation.

[1] 15 U.S.C. § 78s(b) (1988).

[2] Securities Exchange Act Release No. 35193 (January 4, 1995), 60 FR 3015.

[3] Letter from P. Howard Edelstein, President, Electronic Settlements Group, Thomson Trading Services, Inc., to Jonathan G. Katz, Secretary, Commission (February 1, 1995).

[4] 17 CFR 240.15c6–1 (1994).

[5] Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (order adopting Rule 15c6–1 and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).

[6] The transition from five day settlement to three day settlement will occur over a four day period. Friday, June 2, will be the last trading day with five business day settlement. Monday, June 5, and Tuesday, June 6, will be trading days with four business day with three business day settlement. As a result, trades from June 2 and June 5 will settle on Friday, June 9. Trades from June 6 and June 7 will settle on Monday, June 12.

settlement.[7] Thomas believes that the PSE should amend Rule 9.12(a)(5) which requires the use of the facilities of a registered securities depository for confirmation and acknowledgement of all transaction in depository-eligible securities.

III. Discussion

The Commission believes the proposal is consistent with the requirements of Section 6 of the Act.[8] Specifically, Section 6(b)(5) states that the rules of the exchange must be designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information. The PSE rules and other self-regulatory organizations' rules currently establish the standard time frame for settlement of securities transactions. On June 7, 1995, the new settlement cycle of T+3 will be established as mandated by the Commission's Rule 15cb–1. As a result, the PSE's current rule providing for a T+5 settlement cycle will be inconsistent with the Commission rule. This proposal will amend the PSE's rules to harmonize them with the Commission's Rule 15cb–1 and a T+3 settlement cycle.

In addition, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act in that it protects investors and the public interest by reducing risks to clearing corporations, their members, and public investors which are inherent in settling securities transactions. The reduction of the time period for settlement of most securities transactions will correspondingly decrease the number of unsettled trades in the clearance and settlement system at any given time. Thus, fewer unsettled trades will be subject to credit and market risk, and there will be less time between trade execution and settlement for the value of those trades to deteriorate.[9]

While Thomson's letter supports the PSE's efforts to shorten the settlement cycle for securities transactions, Thomson believes that the PSE should amend Rule 9.12(a)(5), which requires the use of the facilities of a registered securities depository for the confirmation and acknowledgement of all transactions in depository-eligible securities where payment for securities purchased or delivery of securities sold is to be made by or to an agent of the customer. The Commission believes that the issue raised by the Thomson letter need not be resolved prior to the approval of the proposed rule change. Discussions regarding Thomson's concerns are underway among the Commission, Thomson, and DTC. DTC has submitted a rule filing that will establish a linkage between DTC and vendors such as Thomson.[10] The Commission intends to consider whether self-regulatory organization rules should continue to preclude use of private vendor systems for confirmation/affirmation services in DVP/RVP trades. However, if the PSE's proposed rule change being approved by this order is not approved prior to the June 7, 1995, effective date of Rule 15c6–1, the PSE rules will conflict with the Commission's Rule 15c6–1.

The Thomson letter suggests that approval of the proposed rule change without amendments to Rule 9.12(a)(5) raises competitive concerns. Under the Act, the Commission's responsibility is to balance the perceived anticompetitive effects of a regulatory policy or decision against the purpose of the Act that would be advanced by the policy or decisions and the costs associated therewith. The Commission notes that any anticompetitive effects pointed to by Thomson are not caused by the proposed rule change being approved by this order but rather by an existing PSE rule. The Commission is reviewing Thomson's claim but does not believe that approval of this proposal will itself create any burdens on competition. Moreover, as discussed above, the rule advances fundamental purposes under the Act, namely the efficient clearance and settlement of securities.

IV. Conclusion

For the reasons stated above, the Commission finds that PSE's proposal is consistent with Section 6 of the Act.[11]

It is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (File No. SR–PSE–94–27) be and hereby is approved and will become effective on June 7, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–7138 Filed 3–22–95; 8:45 am]

BILLING CODE 8010–01–M

[7] *Supra* note 3.

[8] 15 U.S.C. § 78f (1988).

[9] The Commission release adopting Rule 15c6–1 stated that "the value of securities positions can change suddenly causing a market participant to default on unsettled positions. Because the markets are interwoven through common members, default at one clearing corporation or by a major market participant or end-user could trigger additional failures resulting in risk to the national clearance and settlement system." Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891.

[10] Securities Exchange Act Release No. 35332 (February 3, 1995), 60 FR 8102 (notice of proposed rule filing).

[11] 15 U.S.C. § 78f (1988).

[12] 15 U.S.C. § 78s(b)(2) (1988)

[13] 17 CFR 200.30(a) (12) (1994).

[Release No. 34–35511; File No. SR–Amex–95–06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange, Inc., Relating to Options on the Morgan Stanley REIT Index.

March 17, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") [1] notice is hereby given that on February 16, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Amex. The Exchange filed Amendment No. 1 to the proposed rule change on March 9, 1995.[2] 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 Amex proposes to trade options on the Morgan Stanley REIT Index ("REIT Index"), a new index developed by Morgan Stanley & Co. Incorporated ("Morgan Stanley") comprised of real estate investment trusts ("REITs")[3] which are traded on the Amex, the New

[1] 15 U.S.C. 78s(b)(1) (1982).

[2] Amendment No. 1 provides additional information regarding the Index components, and states that the Exchange will file with the Commission pursuant to Section 19(b)(1) of the Act should the number of component securities in the Index exceed 116. See letter from Claire P. McGrath, Managing Director and Special Counsel, Derivatives Securities, to Michael Walinskas, Branch Chief, Division of Market Regulation, Commission, dated March 9, 1995 ("Amendment No. 1").

[3] All components of the Index will be REITs as that term is defined in Sections 856 through 860 of the Internal Revenue Code, 26 U.S.C. §§ 856–60 (1988 & Supp. 1993). *Id.* A REIT is a financial vehicle that allows investors to pool funds for participation in real estate ownership or financing. REITs are subject to special tax treatment and are exempt from corporate level tax if they meet certain qualifications. These qualifications include, but are not limited to, the distribution of 95% of taxable income; that five or fewer individuals cannot own more than 50% of the shares; that over 10% of total assets cannot be sold in one year; and that at least 75% of taxable income be derived from real estate in the form of, for example, rents, mortgages, or gains from the sale of real estate. See letter from Claire P. McGrath, Managing Director and Special Counsel, Derivatives Securities, Amex, to Michael Walinskas, Branch Chief, Division of Market Regulation, Commission, dated March 6, 1995.