

Exchange adopted interpretation and policy .03 to Rule 37 of Article XX on a pilot basis to permit "stopped" market orders in minimum variation markets.⁶ Prior to the pilot program, no Exchange rule required specialists to grant stops in minimum variation markets if an out-of-range execution would result.⁷ Although the Exchange has a policy regarding the execution of stopped market orders generally, the Exchange believes it is necessary to establish a separate policy for executing stopped market orders when there is a minimum variation market.

The Exchange's general policy regarding the execution of stopped orders is to execute them based on the next primary market sale. If this policy were used in a minimum variation market, it would cause the anomalous result of requiring the execution of all pre-existing order even if those orders are not otherwise entitled to be filled.⁸

The Exchange's proposed policy will prevent unintended results by continuing a pilot program for "stopped" market orders in minimum variation markets.⁹ Specifically, the pilot program requires the execution of stopped market orders in minimum variation markets after a transaction takes place on the primary market at the stopped price or worse (higher for buy orders and lower for sell orders), or after the applicable Exchange share volume is

⁶ See 1992 Approval Order, *supra*, note 1.

⁷ The term "out-of-range" means either higher or lower than the price range in which the security traded on the primary market during a particular trading day.

⁸ For example, assume the market in ABC stock is 20-20 $\frac{1}{4}$; 50 x 50 with $\frac{1}{8}$ th being out of range. A customer places an order with the Exchange specialist to buy 100 shares of ABC at the market and a stop is effected. The order is stopped at 20 $\frac{1}{8}$ and the Exchange specialist includes the order in his quote by bidding the 100 shares at 20. If the next sale on the primary market is for 100 shares at 20, adopting the Exchange's existing general policy to minimum variation markets would require the specialist to execute the stopped market order at 20. However, because the stopped market order does not have time or price priority, its execution triggers the requirement for the Exchange specialist to execute all pre-existing bids (in this case 5,000 shares) based on the Exchange's rules of priority and precedence. This is so even though the pre-existing bids were not otherwise entitled to be filled.

In the above example, Exchange Rule 37 (Article XX) requires the Exchange specialist to fill orders at the limit price only if such orders would have been filled had they been transmitted to the primary market. Therefore, the 100 share print at 20 in the primary market would cause at the most 100 of the 5,000 share limit order to be filled on the Exchange. However, the Exchange's general policy regarding stopped orders, if applied to minimum variation markets, would require the 100 share stopped market order to be filled, and as a result, all pre-existing bids at the same price to be filled in accordance with Exchange Rule 16 (Article XX) (Precedence of Bids at Same Price).

⁹ See 1992 Approval Order, *supra*, note 1.

exhausted. In no event will a stopped order be executed at a price inferior to the stopped price.¹⁰ The Exchange believes that the proposed policy will continue to benefit customers because they might receive a better price than the stop price, yet it also protects Exchange specialists by eliminating their exposure to executing potentially large amounts of pre-existing bids or offers when such executions would otherwise not be required under Exchange rules.

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.

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

The Exchange does not believe that 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

No written comments were either solicited or received.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such other 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 the 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

¹⁰ Exchange Rule 28 (Article XX) states:

An agreement by a member or member organization to "stop" securities at a specified price shall constitute a guarantee of the purchase or sale by him or it of the securities at the price or its equivalent in the amount specified.

If an order is executed at a less favorable price than that agreed upon, the member or member organization which agreed to stop the securities shall be liable for an adjustment of the difference between the two prices.

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 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, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-95-10 and should be submitted by July 24, 1995.

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

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-35908; File No. SR-NYSE-95-14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the New York Stock Exchange, Inc. Relating to the Permanent Approval of Its Pilot Program for Stopping Stock Under Amendments to Rule 116.30

June 28, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on March 31, 1995, the New York Stock Exchange, Inc. ("NYSE" 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 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

The proposed rule change consists of a request for permanent approval of amendments to Rule 116.30 with respect to the ability of specialists to stop stock in eighth point markets.¹ The

¹ The NYSE received approval to amend Rule 116.30, on a pilot basis, in Securities Exchange Act

text of the proposed rule change is available at the Office of the Secretary, NYSE, and at the Commission.

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 self-regulatory organization 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 self-regulatory organization 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

The purpose of the proposed rule change is to seek permanent approval of amendments to Exchange Rule 116.30 that permit a specialist to grant a stop in a minimum variation market. The practice of "stopping" stock by specialists on the Exchange refers to a guarantee by the specialist that an order the specialist receives will be executed at no worse a price than the contra-side price in the market when the specialist receives the order, with the understanding that the order may in fact receive a better price.

Formerly, Exchange Rule 116.30 permitted a specialist to "stop" stock only when the quotation spread was at least twice the minimum variation (*i.e.*, for most stocks $\frac{1}{4}$ point), with the specialist then being required to narrow the quotation spread by making a bid or offer, as appropriate, on behalf of the order that is being stopped.

For three years, on March 21, 1991, March 16, 1992, and March 22, 1993, the Commission approved, on a one-year pilot basis each time, amendments to the rule that permit a specialist to stop stock in a minimum variation market (generally referred to as an $\frac{1}{8}$ -

point market).² The Exchange sought these amendments on the grounds that many orders would receive an improved price if stopping stock in $\frac{1}{8}$ point markets were permitted. The amendments to Rule 116.30 permit a specialist, upon request, to stop individual orders of 2,000 shares or less, up to an aggregate of 5,000 shares of multiple orders, in an $\frac{1}{8}$ point market.³ A specialist may stop an order of a specified larger order size threshold, or a larger aggregate number of shares, after obtaining Floor Official approval.

In the Commission's 1994 Approval Order, which extended the pilot until March 21, 1995, the Commission asked the Exchange to submit a fourth monitoring report on the stopping stock pilot.⁴ Subsequently, the Commission approved an extension of the pilot until July 21, 1995 so that the Commission would have additional time to evaluate the new information provided in the fourth monitoring report and to ensure that Rule 116.30, as amended, does not harm public customers with limit orders on the specialist's book.⁵

The monitoring report has been submitted to the Commission under separate cover. The Exchange believes that the results obtained by its monitoring effort during the pilot period show that the amendments to Rule 116.30 enable specialists to better serve investors through the ability to offer price improvement to stopped orders, while having relatively little adverse impact on other orders on the book. The Exchange continues to believe that these results support the Commission's granting of permanent approval of the proposed rule change to Rule 116.30.

2. Statutory Basis

The basis under the Act for the proposed rule change is the requirement under Section 6(b)(5) that an Exchange have rules that are designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. The Exchange's proposal to make the provisions of Rule

116.30 permanent is consistent with these objectives in that it permits the Exchange to better serve its customers by enabling specialists to execute customer orders at improved prices.

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

The Exchange does not believe that 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

The Exchange has neither solicited or received written comments on the proposed rule change.⁶

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

Within 35 days of the publication of this notice in the **Federal Register** or within such other 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 the 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., 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.,

⁶ The Commission has received a negative comment letter regarding permanent approval of the NYSE's procedures for stopping stock in minimum variation markets. See letter from Junius W. Peake, Monfort Professor of Finance, University of Northern Colorado, to Secretary, SEC, dated March 1, 1995.

Release No. 28999 (Mar. 21, 1991), 56 FR 12964 (Mar. 28, 1991) (File No. SR-NYSE-90-48) ("1991 Approval Order"). The Commission subsequently extended the NYSE's pilot program in Securities Exchange Act Release Nos. 30482 (Mar. 16, 1992), 57 FR 10198 (Mar. 24, 1992) (File No. SR-NYSE-92-02) ("1992 Approval Order"); 32031 (Mar. 22, 1993), 58 FR 16563 (Mar. 29, 1993) (File No. SR-NYSE-93-18) ("1993 Approval Order"); 33792 (Mar. 21, 1994), 59 FR 14437 (Mar. 28, 1994) (File No. SR-NYSE-94-06) ("1994 Approval Order"); and 35309 (Jan. 31, 1995) 60 FR 7247 (Feb. 7, 1995) (File No. SR-NYSE-95-02) ("January 1995 Approval Order").

² See 1991, 1992, and 1993 Approval Orders, *supra*, note 1.

³ The NYSE has stated, both to the Commission and to its members, that specialists should only stop stock in a minimum variation market when an imbalance exists on the opposite side of the market and such imbalance is of sufficient size to suggest the likelihood of price improvement. See, *e.g.*, letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Mary N. Revell, Branch Chief, Division of Market Regulation, SEC, dated December 27, 1990; NYSE information memo #1809, dated September 12, 1991.

⁴ See 1994 Approval Order, *supra*, note 1.

⁵ See January 1995 Approval Order, *supra*, note 1.

Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-NYSE-95-14 and should be submitted by July 24, 1995.

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

Margaret H. McFarland,

Deputy Secretary.

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[Rel. No. IC-21165; No. 812-9392]

Anchor National Life Insurance Company, et al.

June 26, 1995.

AGENCY: Securities and Exchange Commission ("Commission").

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

APPLICANTS: Anchor National Life Insurance Company ("Anchor National"), Variable Annuity Account Four (the "Variable Account"), and SunAmerica Capital Services, Inc. ("SunAmerica").

RELEVANT 1940 ACT SECTIONS: Order requested pursuant to Section 6(c) of the 1940 Act for exemptions from the provisions of Sections 26(a)(2)(C) and 27(c)(2) thereof.

SUMMARY OF APPLICATION: Applicants seek an order permitting the deduction of mortality and expense risk and distribution expense risk charges from: the assets of the Variable Account in connection with the offer and sale of certain flexible payment deferred annuity contracts ("Existing Contracts") and any annuity contracts substantially similar in all material respects to the Existing Contracts ("Future Contracts," together with Existing Contracts, the "Contracts") which may be sold in the future by the Variable Account; or the assets of any other separate account ("Future Accounts," together with the Variable Account, the "Accounts") established in the future by Anchor National in connection with the issuance of Future Contracts.

FILING DATE: The application was filed on December 21, 1994, and amended on June 16, 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 on the application by writing to the Secretary of the Commission and

serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the commission by 5:30 p.m. on July 21, 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 Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 5th Street NW., Washington, DC 20549. Applicants, Susan L. Harris, Esq., SunAmerica Inc., 1 SunAmerica Center, Century City, Los Angeles, California 90067-6022.

FOR FURTHER INFORMATION CONTACT: Kevin M. Kirchoff, Senior Counsel, or Patrice M. Pitts, Special Counsel, Office of Insurance Products (Division of Investment Management), at (202) 942-0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application; the complete application is available for a fee from the Public Reference Branch of the Commission.

Applicants' Representations

1. Anchor National is a stock life insurance company incorporated under the laws of the State of California.

2. SunAmerica will serve as distributor of the Contracts. SunAmerica is registered as a broker-dealer pursuant to the Securities Exchange Act of 1934.

3. The Variable Account was established by Anchor National as a separate investment account on November 8, 1994, to act as a funding medium for variable annuity contracts. The Variable Account is registered pursuant to the 1940 Act as a unit investment trust.

4. The Variable Account presently consists of eighteen subaccounts, each of which will invest in the shares of one of four available separate investment series of the Anchor Series Trust or one of fourteen available separate investment series of the SunAmerica Series Trust. Additional underlying funds may become available in the future. Both the Anchor Series Trust and the SunAmerica Series Trust are registered pursuant to the 1940 Act as diversified, open-end, management investment companies.

5. The Variable Account and each of its subaccounts is administered and accounted for as part of the general business of Anchor National, but the income, gains or losses of each

subaccount are credited to or charged against the assets held in that subaccount in accordance with the terms of the Contracts, without regard to other income, gains or losses of any other subaccount or arising out of any other business Anchor National may conduct.

6. The Contracts are available for retirement plans which do not qualify for the special federal tax advantages available pursuant to the International Revenue Code and for retirement plans which do qualify for the federal tax advantages available pursuant to the Internal Revenue Code. The Contracts provide for the accumulation of contract values and payment of annuity benefits on a fixed and variable basis.

7. Purchase payments under the Contracts may be made to the general account of Anchor National under one of the Contracts' fixed account options (the "Fixed Account"), the Variable Account, or allocated between them. The minimum initial purchase payment for a Contract issued on a qualified or non-qualified basis is \$50,000 and additional purchase payments may be made in amounts of at least \$500.

8. If the contract owner dies during the accumulation period, a death benefit will be payable to the beneficiary upon receipt by Anchor National of due proof of death. The standard death benefit is equal to the greater of:

- (1) The contract value at the end of the valuation period during which due proof of death (and an election of the type of payment to the beneficiary) is received by Anchor National; or
- (2) The total dollar amount of purchase payments, minus the sum of:
 - (a) The total amount of any partial withdrawals and partial annuitizations, and
 - (b) Premium taxes incurred.

9. Where permitted by state law, Anchor National will provide an enhanced death benefit. During the first seven contract years, the enhanced death benefit is determined by recomputing the standard death benefit by accumulating all amounts under (2) above annually at 4% (3% if the contract owner was age 70 or older on the date of issue) to the date of death. After the seventh contract year, the enhanced death benefit is the greater of the amount recomputed as above, or the following:

The contract value at the seventh contract anniversary, plus any purchase payments made since that anniversary, minus the sum of:

- (1) The total amount of partial withdrawals and partial annuitizations since such seventh anniversary, and