

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 20549. Copies of such filing also will be available for inspection and copying at the principal office of GSCC. All submissions should refer to the file number SR-GSCC-95-05 and should be submitted by January 2, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-36551; File No. SR-OCC-95-12]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of a Proposed Rule Change Amending the Agreements Governing Non-Proprietary Cross-Margining Accounts of Market Professionals in the Cross-Margining Program Among The Options Clearing Corporation ("OCC"), the Intermarket Clearing Corporation ("ICC"), and the Chicago Mercantile Exchange, in the Cross-Margining Program Between OCC and ICC, and in the Cross-Margining Program Between OCC and the Kansas City Board of Trade Clearing Corporation

December 4, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 15, 1995, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-OCC-95-12) as described in Items I, II, and III below, which items have been prepared primarily by OCC. On September 12, 1995, and on October 11, 1995, OCC filed amendments to the proposed rule change to include in addition to proposed changes to the agreements governing non-proprietary cross-margining ("XM") accounts in the XM program between OCC, The Intermarket Clearing Corporation ("ICC"), and the Chicago Mercantile Exchange ("CME"), proposed changes to the agreements governing non-proprietary XM accounts in the XM program between OCC and ICC and in the XM program between OCC and the Kansas City Board of Trade Clearing Corporation ("KCC"),

respectively.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 purpose of the proposed rule change is to amend the agreements governing non-proprietary XM accounts of market professionals in the OCC/ICC/CME XM program, in the OCC/ICC XM program, and in the OCC/KCC XM program in order to implement the revised distributional scheme adopted by the Commodity Futures Trading Commission ("CFTC") in the new appendix to the CFTC's bankruptcy rules.³ The proposed rule change also seeks to revise the terms of the agreements governing the proprietary and non-proprietary XM accounts in the OCC/KCC XM program to conform the terms of those agreements to the terms currently used in the forms of agreements in the OCC/ICC/CME XM program and in the OCC/ICC XM program.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.⁴

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The proposed rule change seeks to amend the agreements governing non-proprietary XM accounts of market professionals to correspond with the requirements of the distributional scheme adopted by the CFTC as a new appendix to its bankruptcy rules. The proposed rule change also seeks to conform the terms of the agreements

governing the proprietary and non-proprietary XM accounts in the OCC/KCC XM program to make the terms of those agreements substantially identical to the terms currently used in the forms of agreements in the OCC/ICC/CME XM program and the OCC/ICC XM program.

In November 1991, the Commission and the CFTC approved non-proprietary cross-margining.⁵ As part of the CFTC's approval, it required each futures commission merchant ("FCM") participating in cross-margining to agree that all funds and property in a non-proprietary XM account would be treated as customer property subject to the segregation requirements of the Commodity Exchange Act⁶ and to segregate such fund and property from that of non-XM customers. In addition, the CFTC required each market professional to subordinate its XM related claims to customer claims based on non-XM positions.

Pursuant to that subordination requirement, if a clearing member became insolvent, all non-XM customers of the FCM would be paid their pro-rata share of the combined segregated funds pool, including funds of XM market professionals, before the XM market professionals received any portion of their claims. The subordination was intended to insulate non-XM customers from losses arising from XM accounts. The subordination also ensured that the XM accounts of market professional would not be treated as accounts of securities customers subject to liquidation under the Securities Investors Protection Act of 1970⁷ or the stock broker liquidation provisions of the Bankruptcy Code.⁸ Therefore, the accounts could be liquidated as accounts of commodity customers under the commodity broker liquidation provisions of the Bankruptcy Code⁹ and the CFTC's bankruptcy rules,¹⁰ and both the

⁵ Securities Exchange Act Release Nos. 29991 (November 26, 1991), 56 FR 61458 (order approving OCC/CME non-proprietary XM program); 56 FR 61404 (Comm. F. T. Comm'n 1991) (order approving OCC/CME non-proprietary XM program); 30041 (December 5, 1991) 56 FR 64824 [File Nos. SR-OCC-90-04 and SR-ICC 90-03] (order approving OCC/ICC non-proprietary, market professional cross-margin program); and 56 FR 61406 (Comm. F. T. Comm'n 1991) (order approving OCC/ICC non-proprietary cross-margin program). In August 1993, the Commission approved expansion of the OCC/KCC XM program established in February of 1992 to include non-proprietary positions. Securities Exchange Act Release No. 32708 (August 2, 1993), 58 FR 42586 [File No. SR-OCC-93-13] (order approving OCC/KCC non-proprietary XM program).

⁶ 7 U.S.C. § 6d(2) (1988) and 17 CFR 1.20 (1991).

⁷ 15 U.S.C. §§ 78aaa-78lll (1988).

⁸ 11 U.S.C. §§ 741-752 (1988).

⁹ 11 U.S.C. §§ 761-766 (1988).

¹⁰ 17 CFR 190.01-190.10.

² Letters from Jean M. Cawley, OCC, to Jerry W. Carpenter, Assistant Director, Division of Market Regulation, Commission (September 11, 1995, and October 10, 1995).

³ The CFTC's distributional requirements are set forth in Appendix B to Part 190 of the CFTC's General Regulations. 17 CFR 190. The CFTC's distributional framework was adopted in April 1994. 59 FR 17468 (April 13, 1994).

⁴ The Commission has modified the text of the summaries prepared by OCC.

⁶ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. § 78s(b)(1) (1988).

Commission's order and the CFTC's order approving non-proprietary XM provide for such result.

The CFTC has adopted new rules that provide for a different distributional framework for funds and property carried in a non-proprietary XM account.¹¹ The new revised rules continue the concept of subordination for the purpose of ensuring that the market professionals' securities included in a XM account will be subject to commodity broker liquidation rules but modify the method for property distribution in the event of the liquidation of the firm(s) carrying the non-proprietary XM account. Under the revised distributional scheme, FCMs will continue to make separate calculations for non-XM customers and XM market professionals, and funds deposited pursuant to those calculations will continue to be separately maintained. However, in the event of the failure of the firm(s) carrying the non-proprietary XM accounts, the respective shortfalls, if any, of the pools of funds would be determined as a percentage of the segregation requirement for each pool.

In the event of (i) No shortfall in either pool, (ii) an equal percentage of shortfall in both pools, (iii) a shortfall in the non-XM pool only, or (iv) a greater percentage of shortfall in the non-XM pool than in the XM pool, then the two pools of segregated funds would be combined and non-XM customers and XM market professionals would share pro rata in the combined pool. In the event of (i) a shortfall in the XM pool only or (ii) a greater percentage shortfall in the XM pool than in the non-XM pool, then the two pools of segregated funds would not be combined. Instead, XM market professionals will share pro rata in the pool of XM segregated funds while non-XM customers would share pro rata in the pool of non-XM segregated funds.

In order to implement the new distributional requirements, the clearing organizations operating non-proprietary XM programs must submit amended agreements to the respective regulatory authorities deleting the subordination requirement and substituting a reference to the CFTC's distribution rules. Accordingly, OCC is proposing to make those and other conforming changes¹²

to the agreements governing non-proprietary XM accounts for the XM program among OCC, CME, and ICC, the XM program between OCC and ICC, and the XM program between OCC and KCC.¹³

OCC believes the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because the rule proposal will facilitate the prompt and accurate clearance and settlement of securities transactions and will assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

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

OCC does not believe that the proposed rule change will impact or impose a 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 relating to the proposed rule change have been solicited or received. OCC will notify the Commission of any written comments received by OCC.

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

Within thirty-five 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 ninety 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 OCC consents, the Commission will:

- (a) By order approve such 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, 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 in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to the file number SR-OCC-95-12 and should be submitted by January 2, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,
Deputy Secretary.

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[Rel. No. IC-21565; File No. 812-9698]

CIGNA Variable Products Group, et al.

December 4, 1995.

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

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

APPLICANTS: CIGNA Variable products Group (the "Trust"), CIGNA Investments, Inc. ("CIGNA") and certain life insurance companies and their separate accounts investing now or in the future in the Trust.

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act from the provisions of Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act and Rules 6e-2(b)(15) and 6e-3(T)(b)(15) thereunder.

SUMMARY OF APPLICATION: Applicants seek an order to the extent necessary to permit shares of the Trust and shares of any other investment company that is designed to fund insurance products and for which CIGNA, or any of its affiliates, may serve as investment advisor, administrator, manager, principal underwriter or sponsor (collectively, with the Trust, the "Funds") to be sold to and held by: (a) Variable annuity and variable life insurance separate accounts of both

¹¹ *Supra*, note 3.

¹² The conforming changes include terms that ensure that non-broker-dealer XM market professional will not be treated as "customers" for purposes of Rule 15c3-3 under the Act pursuant to the conditions set forth in the Commission's no-action letter dated July 31, 1995. Letter from Michael Macchiaroli, Associate Director, Division of Market Regulation, Commission, to Jean Cawley, OCC (July 31, 1995).

¹³ In addition, pursuant to the amendment filed on October 11, 1995, OCC proposes to revise the agreements governing the proprietary XM accounts in the OCC/KCC XM program to conform the terms of those agreements to the terms used in the agreements used in the OCC/ICC/CME and OCC/ICC XM programs.

¹⁴ 17 CFR 200.30-3(a)(12) (1994).