Market Portfolio and 0.57% for the Capital Growth Portfolio) is less than the 0.70% sum of the investment management fee and the deduction for other expenses currently imposed against the assets of the three corresponding Sub-Accounts of the Separate Account.

20. The application states that a Special Meeting of Separate Account Voters was held on March 12, 1996. The proposed transactions were approved at the Special Meeting by the vote of a majority of the outstanding voting securities with respect to each Sub-Account of the Separate Account. Applicants state that on September 22, 1995, a registration statement was filed on Form N–14 in connection with the Reorganization.

Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission to grant an exemption from any provision, rule or regulation of the 1940 Act to the extent necessary or 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. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

2. Applicants request exemptions from Sections 26(a)(2)(C) and 27(a)(2) of the 1940 Act to the extent necessary to permit the deduction of the 0.80% mortality risk charge from the assets of the Continuing Separate Account. Applicants represent that the annuity rate guarantee charge under the Contracts is within the range of industry practice for comparable annuity contracts issued by other insurance companies. This representation is based upon Washington National's analysis of publicly available information about such other contracts, taking into consideration the particular annuity features of the comparable contracts, including such factors as current charge levels, charge level or annuity rate guarantees, the manner in which the charges are imposed and the markets in which the contracts have been offered. Applicants state that Washington National will maintain a memorandum, available to the Commission upon request, setting forth in detail the products analyzed in the course of, and the methodology and results of, its review.

3. Applicants state that amounts derived from the annuity rate guarantee charge that exceed the expenses that the deductions were designed to cover will be offset by aggregate expenses of Washington National, which will include any distribution expenses not reimbursed by the contingent deferred sales charge. In such circumstances, a portion of the annuity rate guarantee charge could be viewed as providing for a portion of the costs relating to distribution of the Contracts.

4. Applicants state that there is currently no distribution financing arrangement for the Contracts because no new Contracts are being distributed. Nevertheless, Applicants represent that there is a reasonable likelihood that the distribution financing arrangement for the Continuing Separate Account (to the extent that such an arrangement may be deemed to exist) will benefit the Continuing Separate Account and the Contract owners. Applicants state that Washington National will maintain a memorandum, available to the Commission upon request, setting forth in detail the basis for this conclusion.

5. Washington National represents that the assets of the Continuing Separate Account will be invested only in a management investment company which undertakes, in the event it 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 a board of directors, 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. 96–13457 Filed 5–29–96; 8:45 am]

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[Release No. 34–37238, File No. SR–NYSE–96–06]

Self-Regulatory Organizations; New York Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to Continued Listing Standards for Specialized Securities

May 22, 1996.

On March 18, 1996, the New York Stock Exchange, Inc. (''NYSE'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to establish continued listing criteria for certain specialized securities.

The proposed rule change was published for comment in Securities Exchange Act Release No. 37056 (Apr. 1, 1996), 61 FR 15547 (Apr. 8, 1996). No comments were received on the proposal.

Currently, the NYSE has listing standards for certain specialized securities: stock warrants, foreign currency warrants and currency index warrants, stock index warrants, contingent value rights (''CVRs'') [3] other securities, and equity-linked debt securities (''ELDS'').[4] The uniform listing standards for specialized securities require one million shares outstanding, 400 holders, $4 million aggregate market value and a minimum life of one year.[5]

With this rule proposal, the Exchange proposes to establish uniform continued listing criteria for these specialized securities in paragraphs 801 and 802 of the Exchange's Listed Company Manual (''Manual'') to correspond to the initial listing standards. The NYSE would consider delisting these specialized securities when the number of publicly-held shares is less than 100,000, the

[1] 15 U.S.C. § 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] CVRs are unsecured obligations of an issuer that provide for a possible cash payment upon maturity depending upon the price performance of an affiliate's equity security.

[4] ELDS are intermediate-term (two to seven years), non-convertible, hybrid securities, the value of which is based, at least in part, on the value of another issuer's common stock or other equity security. ELDS may pay periodic interest or may be issued as zero-coupon instruments with no payments to holders prior to maturity. Moreover, ELDS may be subject to a ''cap'' on the maximum principal amount to be repaid to holders upon maturity and, additionally, may feature a ''floor'' on the minimum principal amount to be repaid to holders upon maturity.

[5] There are additional standards for several of these securities. For example, ELDS relating to any underlying U.S. security may not exceed five percent of the total outstanding shares of such underlying security.

number of holders is less than 100, and the aggregate market value of shares outstanding is less than $1,000,000.

Moreover, the Exchange is proposing additional requirements for securities that are related to other securities. For stock warrants and CVRs, the NYSE would require that the related security remain listed. For ELDS, the issuer of the linked security must remain subject to the reporting obligations of the Act and the linked security must remain trading in a market in which there is last sale reporting. The Exchange also will require the issuer of specialized debt securities to be able to meet its obligations on such debt. For all specialized securities listed pursuant to paragraph 703 of the Manual, the Exchange will delist any specialized securities if the related or linked securities are delisted for violation of the Exchange's ''Corporate Responsibility'' criteria in Section 3 of the Manual.[6]

The proposed rule change also eliminates the delisting criteria relating to creation of a class of non-voting common stock. The Exchange believes that these criteria are no longer appropriate because the Exchange currently has listing criteria specifically addressing non-voting common stock. Finally, the proposed rule change would delete the current warrant continued listing criteria and include stock, foreign currency and currency index, and stock index warrants within the new uniform continued listing criteria. The Exchange believes that the continued listing criteria for warrants do not conform to the current warrant listing standards.

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, with the requirements of Section 6(b).[7] Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between issuers.

The Commission believes that the development and enforcement of adequate standards governing the listing of securities on an exchange is an activity of critical importance to exchange markets and to the investing public. Listing standards serve as a means for the self-regulatory organizations (''SROs'') to screen issuers and to provide listed status only to bona fide companies with substantial float, investor base, and trading interest to ensure sufficient liquidity for fair and orderly markets. Listing standards also enable an exchange to assure itself of the bona fides of the company and its past trading history. In this regard, over the past several years the Exchange has proposed, and the Commission has approved, uniform initial listing standards for specialized securities.

With this rule proposal, the Exchange proposes uniform continued listing criteria to correspond to the initial listing standards adopted for specialized securities. The Commission believes that adequate maintenance standards are of equal importance to the development of adequate standards for initial inclusion on an exchange. The Commission notes that once an issue has been initially approved for listing, the Exchange must monitor continually the status and trading characteristics of that issue to endure that it continues to meet exchange standards for trading depth and liquidity.

In this regard, the Commission believes that the quantitative continuing listing standards for specialized securities will ensure that there is sufficient public float and investor interest in the securities to support continued trading consistent with fair and orderly markets. Further, the additional requirements for specialized securities that are related to other securities should ensure, among other things, that these securities cannot, through continued listing, become a surrogate for trading a security that has been delisted due to corporate responsibility violations.[8] As described above, for continued listing of stock warrants and CVRs, the Exchange will require that the related security be, and remain, a NYSE listed security. For ELDS, the issuer of the linked security must remain subject to the reporting obligations of the Act and the linked security must remain subject to last sale reporting. The Commission believes that these standards are appropriate under the Act and will ensure that the linked or related securities have adequate transparency and information available and meet certain minimum requirements. With respect to CVRs and stock warrants, the additional requirements should also help to address concerns that such securities will not become a surrogate for trading other securities not eligible for NYSE listing.

In summary, the Commission believes that the maintenance criteria, established by the rule proposal, should help to ensure the stability of the marketplace, as well as protect investors, by subjecting the securities of an issuer to delisting if the listed security fails to meet the new maintenance standards.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[9] that the proposed rule change (SR–NYSE–96–06) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–13459 Filed 5–29–96; 8:45 am]

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[6] Section 3 (Corporate Responsibility) includes, among others, policies concerning voting rights, quorums, and shareholder approval.

[7] 15 U.S.C. § 78f(b).

[8] *See supra* note 6 and accompanying text.

[9] 15 U.S.C. 78s(b)(2).

[10] 17 CFR 200.30–3(a)(12).

SMALL BUSINESS ADMINISTRATION

[License No. 03/03–0205]

Eastern Virginia Small Business Investment Corporation; Notice of Issuance of a Small Business Investment Company License

On July 31, 1995, an application was filed by Eastern Virginia Small Business Investment Corporation, 2101 Parks Avenue, Suite 803, Virginia Beach, Virginia, with the Small Business Administration (SBA) pursuant to Section 107.102 of the Regulations governing small business investment companies (13 C.F.R. 107.102 (1996)) for a license to operate as a small business investment company.

Notice is hereby given that, pursuant to Section 301(c) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA issued License No. 03/03–0205 on May 14, 1996, to Eastern Virginia SBIC to operate as a small business investment company.

(Catalog of Federal Domestic Assistance Program No. 59.011, Small Business Investment Companies)

Dated: May 21, 1996.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 96–13501 Filed 5–29–96; 8:45 am]

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