

with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants believe that their proposal meets these standards.

2. Section 4(2) of the Act defines a "unit investment trust" as an investment company which "issues only redeemable securities." Section 2(a)(32) defines a "redeemable security" as a security that, upon its presentation to the issuer, entitles the unitholder to receive approximately his or her proportionate share of the issuer's current net assets, or the cash equivalent of those assets. Applicants state that to avoid uncertainty regarding whether the imposition of the DSC in the manner described in the application would cause Units of the Trust to fall outside the definition of "redeemable security," applicants request an exemption from the operation of section 2(a)(32) to the extent necessary to permit implementation of the DSC under the deferred sales charge program.

3. Section 2(a)(35) defines the term "sales load" to be the difference between the sales price and the portion of the proceeds invested by the depositor or trustee. Therefore, applicants submit that this arrangement is within the section 2(a)(35) definition of sales load, but for the timing of the imposition of the charge.

4. Rule 22c-1, promulgated pursuant to the SEC's authority under section 22(c) of the Act, requires that the price of a redeemable security issued by an investment company for purposes of sale, redemption, and repurchase be based on the security's current net asset value. Applicants note that the DSC would be deducted at the time of redemption or repurchase from the unitholder's proportionate liquidation proceeds. Applicants state that in order to avoid any possibility that questions might be raised as to the potential applicability of rule 22c-1, applicants request an exemption from the operation of the provisions of the rule to the extent necessary or appropriate to permit applicants to implement the DSC under the proposed deferred sales charge program.

5. Section 22(d) requires an investment company and its principal underwriter and dealer to sell securities only at a current public offering price described in the investment company's prospectus. Sales loads historically were deemed to be subject to the provisions of section 22(d) because they were traditionally a component of the public offering price; hence all investors were charged the same sales load. Rule 22d-1 was adopted to permit the sale of redeemable securities at prices which

reflect scheduled variations in the sales load. Applicants state that in the interest of clarity, applicants request an exemption from the provisions of section 22(d) in order to permit scheduled variations or waivers of the DSC under certain circumstances.

6. Section 26(a)(2), in relevant part, prohibits a trustee or custodian of a unit investment trust from collecting from the Trust as an expense any payment to a depositor or principal underwriter thereof. Applicants state that in order to avoid any possibility that questions may be raised as to the propriety of the trustee disbursing sales charges to the Sponsor, applicants request an exemption from section 26(a)(2)(C) to the extent necessary to permit the trustee to collect deductions and disburse them to the Sponsor as contemplated by the deferred sales charge program.

7. Section 11(c) prohibits any offers of exchange of the securities of a registered unit investment trust for the securities of any other investment company, unless the terms of the offer have been approved by the SEC under section 11(a). Applicants submit that certain savings in sales related expenses involving repeat investors may appropriately be passed along to such investors, which savings will be recognized by a reduction in the sales charge of the Unit exchanged into. Applicants believe that whether the sales charge on the Unit exchanged is collected up-front or on a deferred basis in no way affects the nature of these savings.

8. Applicants represent that unitholders will not be induced or encouraged to participate in the Exchange or Rollover Privilege through an active advertising or sales campaign. The Sponsor recognizes its responsibility to its customers against generating excessive commissions through churning and represents that the sales charge collected will not be a significant economic incentive to salesman to promote inappropriately the Exchange or Rollover Privilege. The Sponsor also believes that the operation and implementation of the DSC program will be adequately disclosed and explained to potential investors as well as unitholders.

Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Whenever the Exchange Privilege or Rollover Privilege is to be terminated or its terms are to be amended materially, any unitholder of a security subject to that privilege will be given

prominent notice of the impending termination or amendment at least 60 days prior to the date of termination or the effective date of the amendment, provided that: (a) no such notice need be given if the only material effect of an amendment is to reduce or eliminate the sales charge payable at the time of an exchange, to add one or more new Series eligible for the Exchange Privilege or Rollover Privilege, or to delete a Series which has terminated; and (b) no notice need be given if, under extraordinary circumstances, either (i) there is a suspension of the redemption of Units of an Exchange Trust or Rollover Trust under section 22(e) of the Act and the rules and regulations promulgated thereunder, or (ii) an Exchange Trust or Rollover Trust temporarily delays or ceases the sale of its Units because it is unable to invest amounts effectively in accordance with applicable investment objectives, policies, and restrictions.

2. An investor who purchases Units under the Exchange Privilege or Rollover Privilege will pay a lower sales charge than that which would be paid for the Units by a new investor. The reduced sales charge will be reasonably related to the expense of providing such service, and may include an amount that will fairly and adequately compensate the Sponsor.

3. The prospectus of each Series and any sales literature or advertising that mentions the existence of the Exchange Privilege or the Rollover Privilege will disclose that the Exchange Privilege and the Rollover Privilege are subject to termination and that their terms are subject to change.

4. Each Series offering Units subject to a DSC will include in its prospectus the table required by item 2 of Form N-1A (modified as appropriate to reflect the differences between unit investment trusts and open-end management investment companies) and a schedule setting forth the number and date of each installment payment.

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

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 6717-01-M

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of December 9, 1996.

A closed meeting will be held on Thursday, December 12, 1996, at 10:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(4), (8), (9)(A) and (10) and 17 CFR 200.402(a)(4), (8), (9)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Wallman, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the closed meeting scheduled for Thursday, December 12, 1996, at 10:00 a.m., will be:

Institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

Dated: December 4, 1996.

Jonathan G. Katz,
Secretary.

[FR Doc. 96-31336 Filed 12-5-96; 11:48 am]
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[Release No. 34-38013; File No. SR-OCC-96-17]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Source of Prices for Certain Government Securities

December 3, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 8, 1996, The Options Clearing Corporation ("OCC") 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 primarily by OCC. The Commission is publishing this notice to solicit comments from

interested persons on the proposed rule change.

I. Self Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change amends Section 3, Article VII of OCC's By-laws and Rule 604 of OCC's Rules by replacing the Federal Reserve Bank of New York ("NY FED") and the Bank of Canada as OCC's source for U.S. and Canadian Government securities prices with "a source designated by" OCC.

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.²

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

The purpose of the proposed rule change is to amend Section 3, Article VIII of OCC's By-laws and OCC's Rule 604 to eliminate reference to the NY FED and the Bank of Canada as the required sources for U.S. and Canadian Government securities prices. The proposed rule change will allow OCC to receive prices from a source designated by OCC. Currently, Section 3 states that OCC will value U.S. Government securities deposited as contributions to the clearing fund based on bid prices supplied by the NY FED. Additionally, Rule 604 states that OCC will value U.S. Government securities pledged as margin collateral based on bid prices supplied by the NY FED. Section 3 and Rule 604 also require OCC to establish prices for Canadian Government securities based on prices provided by the Bank of Canada.

On October 15, 1996, the NY FED ceased disseminating composite quotations for U.S. Government securities. The NY FED informed OCC that the function of providing prices for U.S. Government securities would be better performed by a commercial service. Prior to such date, OCC's vendor for U.S. Government securities

received its prices from the NY FED. On October 15th, OCC's vendor started receiving U.S. Government securities prices from GovPX, a leading independent provider of financial data. GovPX is one of the most widely used sources of U.S. Government securities prices. Their prices are based on bid and offer quotations reported by five of the six interdealer brokers in U.S. Government securities. OCC intends to continue using Gov PX as its source for U.S. Government securities prices

In addition, Rule 604 currently allows OCC such discretion in the case of other foreign government securities. This amendment would make the language of Rule 604 consistent as it pertains to the source of U.S., Canadian, and other countries government securities prices. Furthermore, the proposed rule change would give OCC the flexibility to use a vendor that supplies, in OCC's opinion, the most reliable prices for U.S. and Canadian Government securities. Finally, the proposed rule change would eliminate the necessity to file a proposed rule change each time a specific named vendor ceases to supply price quotations.

OCC believes the proposed rule change is consistent with Section 17A of the Act and the rules and regulations thereunder because the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions.

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

OCC does not believe that the proposed rule change would impose any burden on competition.

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

Comments were not and are not intended to be solicited by OCC with respect to the proposed rule change, and none were received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)³ of the Act and pursuant to Rule 19b-4(e)(3)⁴ promulgated thereunder because the proposal is concerned solely with the administration of the self-regulatory organization. At any time within sixty days of the filing of such rule change, the Commission may summarily

¹ 15 U.S.C. § 78s(b)(1) (1988).

² The Commission has modified the text of the summaries prepared by OCC.

³ 15 U.S.C. § 78s(b)(3)(A)(iii) (1988).

⁴ 17 CFR 240.19b-4(e)(3) (1996).