

Appendix—Continued

December 21, 1995	Deadline for motions by any party requesting oral argument. The Commission will schedule oral argument only when it is a necessary addition to the written filings [see 39 CFR 3001.116].
February 2, 1996	Expiration of the Commission's 120-day decisional schedule [see 39 U.S.C. § 404(b)(5)].

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-36360; File No. SR-NSCC-95-12]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Granting Temporary Approval of a Proposed Rule Change Limiting the Use of Letters of Credit To Collateralize Clearing Fund Contributions

October 11, 1995.

On August 21, 1995, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-NSCC-95-12) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the Federal Register on September 8, 1995.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change on a temporary basis through September 30, 1996.³

I. Description

NSCC's rule change modifies the amount of a member's required clearing fund deposit that may be collateralized by letters of credit. Specifically, the rule change increases the minimum cash contribution for any member that uses letters of credit from \$50,000 to the greater of \$50,000 or 10% of that member's required clearing fund deposit up to a maximum of \$1,000,000. In

addition, the rule change provides that only 70% of a member's required clearing fund deposit may be collateralized with letters of credit. The rule change also adds headings to the clearing fund formula section of NSCC's rules for purposes of clarity and includes other nonsubstantive drafting changes. The effect of the rule change is to increase the liquidity of the clearing fund and to limit NSCC's exposure to unusual risks resulting from the reliance on letters of credit.

When NSCC first filed this change, the impetus was to improve NSCC's liquidity resources by requiring additional deposits of cash and cash equivalents. Since that time, NSCC has obtained additional liquidity resources through a line of credit with a major New York clearinghouse bank. NSCC currently has a three hundred million dollar line of credit that can be used for liquidity purposes, and the letters of credit in the NSCC clearing fund are available as collateral for this line of credit.

II. Discussion

Section 17A(b)(3)(F) of the Act requires that a clearing agency's rules be designed to ensure the safeguarding of securities and funds in its custody or control or for which it is responsible and to protect investors and the public interest.⁴ The Commission believes NSCC's proposal to limit the use of letters of credit to collateralize clearing fund obligations should make NSCC's clearing fund more liquid. A liquid clearing fund is necessary to ensure the safety and soundness of a clearing agency. Therefore, NSCC's proposal is consistent with the requirements under the Act with regard to NSCC's obligation to safeguard securities and funds and to protect the interests of investors and of the public.

Although letters of credit are a useful means of funding clearing agency guarantee deposits, their unrestricted use may present risks to clearing agencies. Because letters of credit reflect the issuer's promise to pay funds upon presentation of stipulated documents by the holder, a clearing agency holding letters of credit will be exposed to risk

should the issuer refuse to honor its promise to pay. Furthermore, because under the Uniform Commercial Code the issuer may defer honoring a payment request until the close of business on the third banking day following receipt of the required documents, a clearing agency making a payment request either may have to await payment or may have to seek alternative short-term financing. This waiting period could reduce a clearing agency's liquidity and thereby could hinder its ability to meet its payment obligations on a timely basis.⁵

NSCC has experienced over a 200% increase in both cash and securities deposited as clearing fund collateral since the proposal first received temporary approval. Because cash and securities are generally more liquid than letters of credit, the enhanced level of such deposits should help to ensure the liquidity of the clearing fund in the event of a major member insolvency, catastrophic loss, or major settlement loss. By reducing the risk associated with the use of letters of credit, the proposal is consistent with NSCC's responsibilities under the Act to safeguard securities or funds in its custody or control and to protect investors and the public in general.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and particularly with Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-95-12) be and hereby is approved on a temporary basis through September 30, 1996.

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

⁵ The Division of Market Regulation ("Division") is still concerned that 70% may be too high a percentage of a member's clearing fund deposit that may be collateralized with letters of credit. Consequently, the Division is continuing its review of the 70% concentration limit and its effect on NSCC's clearing fund.

⁶ 17 CFR 200.30-3(a)(12) (1994).

⁴ 15 U.S.C. 78q-1(b)(3)(F) (1988).

¹ 15 U.S.C. 78s(b)(1) (1988).

² Securities Exchange Act Release No. 36172 (August 31, 1995), 60 FR 46878.

³ The proposed rule change was originally filed on October 27, 1989, and was approved temporarily through December 31, 1990. Securities Exchange Act Release No. 27664 (January 31, 1990), 55 FR 4297 [File No. SR-NSCC-89-16]. Subsequently, the Commission granted a number of extensions to the temporary approval to allow the Commission and NSCC sufficient time to review and assess the use of letters of credit as clearing fund collateral. Most recently, the Commission extended temporary approval through September 30, 1995. Securities Exchange Act Release No. 34745 (September 29, 1994), 59 FR 50949 [File No. SR-NSCC-94-18].

Margaret H. McFarland,

Deputy Secretary.

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[Rel. No. IC-21415; 811-6280]

Anthem Funds Trust; Application

October 11, 1995.

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

ACTION: Notice of Application for Deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: Anthem Funds Trust.

RELEVANT ACT SECTIONS: Order requested under section 8(f).

FILING DATES: The application was filed on September 8, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearings requests should be received by the SEC by 5:30 p.m. on November 6, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, N.W., Washington, D.C. 20549. Applicant, 1000 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204.

FOR FURTHER INFORMATION CONTACT: David W. Grim, Law Clerk, at (202) 942-0571, or Robert A. Robertson, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is a registered open-end management investment company which was organized as an Indiana business trust on January 17, 1991. On February 8, 1991, applicant filed a Notification of Registration on Form N-8A pursuant to section 8(a) of the Act and a registration statement on Form N-1A under section 8(b) of the Act and

under the Securities Act of 1933. The registration statement became effective on May 17, 1991, and the initial public offering commenced immediately thereafter. Applicant was called "Sagamore Funds Trust" and was comprised of three series of shares from January 17, 1991 until June 30, 1994. On June 30, 1994, applicant changed its name to "Anthem Funds Trust." On May 2, 1994, applicant filed an amendment to its registration statement under the Securities Act of 1933 to register six separate series of common stock. This registration statement became effective on July 1, 1994, and the initial public offering of these separate series commenced immediately thereafter. Presently, applicant is comprised of nine series: Aggressive Growth Fund, Value Fund, Growth & Income Fund, Equity Income Fund, Balanced Fund, Income Fund, Government Securities Fund, Intermediate U.S. Government Securities Fund, and Municipal Securities Fund.

2. On April 28, 1995, applicant's Board of Trustees (the "Board") unanimously authorized through a written consent action a Plan of Liquidation (the "Plan") under which all of the assets of applicant would be sold and the assets distributed to applicant's unitholders on June 30, 1995 (the "Liquidation Date").

3. On May 24, 1995, definitive proxy materials were filed with the SEC. On or about May 24, 1995, definitive proxy materials were distributed to applicant's unitholders. On June 23, 1995, applicant's unitholders approved the Plan.

4. As of May 31, 1995, there were 7,712 units outstanding of the Aggressive Growth Fund, 14,609 units outstanding of the Value Fund, 132,852 units outstanding of the Growth & Income Fund, 7,461 units outstanding of the Equity Income Fund, 103,733 units outstanding of the Balanced Fund, 5,958 units outstanding of the Income Fund, 34,570 units outstanding of the Government Securities Fund, 6,428 units outstanding of the Intermediate U.S. Government Securities Fund, and 5,040 units outstanding of the Municipal Securities Fund. At that time, the Aggressive Growth Fund had net assets of \$87,143 or a net asset value of \$11.30 per unit, the Value Fund had net assets of \$153,848 or a net asset value of \$10.53 per unit, the Growth & Income Fund had net assets of \$1,541,725 or a net asset value of \$11.60 per unit, the Equity Income Fund had net assets of \$80,489 or a net asset value of \$10.79 per unit, the Balanced Fund had net assets of \$1,182,805 or a net asset value

of \$11.40 per unit, the Income Fund had net assets of \$59,072 or a net asset value of \$9.91 per unit, the Government Securities Fund had net assets of \$351,213 or a net asset value of \$10.16 per unit, the Intermediate U.S. Government Securities Fund had net assets of \$63,587 or a net asset value of \$9.89 per unit, and the Municipal Securities Fund had net assets of \$50,968 or a net asset value of \$10.11 per unit.

5. On the Liquidation Date, applicant paid a liquidating distribution in cash to its unitholders in the amount \$1,760,913. All unitholders received a distribution per unit equal to the net asset value of shares held on the Liquidation Date. Anthem Capital Management, Inc., the adviser of applicant (the "Adviser"), received a distribution per unit equal to the net asset value of shares held on the Liquidation Date reduced by unamortized organizational costs. Unitholders of the Aggressive Growth Fund received a total distribution of \$64,547 or a distribution per unit of \$11.33; unitholders of the Value Fund received a total distribution of \$69,179 or a distribution per unit of \$10.57; the Adviser received a total distribution of \$36,949 or a distribution per unit of \$8.52 as unitholder of the Growth & Income Fund, and all other unitholders of the Growth & Income Fund received a total distribution of \$680,519 or a distribution per unit of \$11.65; unitholders of the Equity Income Fund received a total distribution of \$62,226 or a distribution per unit of \$10.82; the Adviser received a total distribution of \$42,098 or a distribution per unit equal to \$9.41 as unitholder of the Balanced Budget Fund, and all other unitholders of the Balanced Fund received a total distribution of \$483,988 or a distribution per unit of \$11.43; unitholders of the Income Fund received a total distribution of \$49,933 or a distribution per unit of \$9.95; the Adviser received a total distribution of \$39,402 and a distribution per unit of \$8.00 as unitholder of the Government Securities Fund, and all other unitholders of the Government Securities Fund received a total distribution of \$131,070 or distribution per unit of \$10.23; unitholders of the Intermediate U.S. Government Securities Fund received a total distribution of \$49,898 or distribution per unit of \$9.93; and unitholders of the Municipal Securities Fund received a total distribution of \$51,103 or a distribution per unit of \$10.14.

6. All expenses incurred in connection with the liquidation, approximately \$47,000, were and will