

For the SEC, by the Division of Investment Management, under delegated authority.
Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 96-5842 Filed 3-11-96; 8:45 am]
BILLING CODE 8010-01-M

[Rel. No. IC-21811; File No. 812-9864]

The Northwestern Mutual Life Insurance Company

March 6, 1996.

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

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

APPLICANT: The Northwestern Mutual Life Insurance Company ("NML").

RELEVANT 1940 ACT SECTIONS AND RULES: Order requested under Section 6(c) for exemptions from Section 9(a).

SUMMARY OF THE APPLICATION: Applicant seeks an order exempting itself and its affiliates, in their capacities as investment advisers, principal underwriters and depositors, from the disqualification provisions of Section 9(a) with respect to NML's separate accounts organized as unit investment trusts ("UITs") that derive assets from the sale of variable annuity contracts. The exemptions, subject to certain conditions, would apply to NML's (and its affiliates') officers, directors and employees who do not participate directly in the management or administration of the separate accounts or their underlying management investment companies, or in the sale of their variable annuity contracts.

FILING DATES: The application was filed on November 29, 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 by writing the Commission's Secretary and serving Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on April 1, 1996, and should be accompanied by proof of service on Applicant, 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Applicant, The Northwestern Mutual Life Insurance Company, 720 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, Attention John M. Bremer, Senior Vice President, Secretary and General Counsel.

FOR FURTHER INFORMATION CONTACT:

Joseph G. Mari, Senior Special Counsel, or Wendy Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance Products, Division of Investment Management.

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

Applicant's Representations

1. NML is a Wisconsin life insurance company that is authorized to sell life insurance and annuities in all 50 states and the District of Columbia. NML is a co-depositor of NML Variable Annuity Account B, its separate account that funds variable annuity contracts (the "Separate Account").

2. The Separate Account is organized as a UIT and is registered under the Securities Act of 1933 and the 1940 Act. The Separate Account funds benefits under individual variable annuity contracts. The assets of the Separate Account are invested exclusively in shares of Northwestern Mutual Series Fund, Inc., a registered open-end management investment company (the "Fund").

3. Northwestern Mutual Investment Services, Inc. ("NMIS"), an indirect wholly-owned subsidiary of NML, is the principal underwriter of the Separate Account. NMIS is registered as a broker-dealer under the Securities Exchange Act of 1934 (the "1934 Act") and as an investment adviser under the Investment Advisers Act of 1940.

Applicant's Legal Analysis

1. Section 9(a) automatically disqualifies a company from serving as an investment adviser, depositor or principal underwriter to a registered investment company if the company or an affiliate has an employee, officer or director who has been convicted of a securities-related offense or enjoined by a court from serving in a securities-related position.

2. Rules 6e-2 and 6e-3(T) under the 1940 Act provide certain exemptions from the automatic disqualification provisions of Section 9(a). Rules 6e-2 and 6e-3(T) restrict the applicability of Section 9(a) to persons who participate directly in the management or administration of the separate account and the underlying fund, or in the sale

of the variable life contracts funded by the separate account.

3. There is no rule affording similar relief regarding insurance company separate accounts funding variable annuity contracts, such as the Separate Account.

4. NML has approximately 2,931 non-officer employees and 4,852 insurance agents who are registered representatives of NMIS, in addition to its officer and directors. Section 9(a) applies to NML, as depositor and principal underwriter of the Separate Account, and to its affiliates, as investment advisers and principal underwriters, of registered investment companies.

5. Section 9(a) would automatically disqualify NML and its affiliates from serving as depositor, principal underwriter or investment adviser if any one of their employees became disqualified under Section 9(a), even if the employee worked in one of NML's businesses not regulated under the 1940 Act and did not participate in the management or administration of the Separate Account or the Fund, or in the sale of the variable annuity contracts.

6. NML seeks an order limiting the automatic disqualification provisions of Section 9(a) with respect to the Separate Account to the same extent available under Rules 6e-2 and 6e-3(T) to separate accounts funding variable life insurance contracts. NML asserts that the intended focus of Section 9(a) is on the operation of investment companies and not on ancillary businesses unrelated to investment company operations and management. NML states that its requested relief is consistent with the purpose of Section 9(a).

7. Currently, whenever any officer, trustee or employee of NML becomes subject to the automatic disqualification provisions of Section 9(a), NML must apply for a Commission order pursuant to Section 9(c) of the 1940 Act to exempt the person and NML from those disqualification provisions. The requirements to submit such applications could place an undue burden on both NML and the Commission without any public benefit if the individual does not participate in the management or administration of the Separate Account, the Fund or NMIS.

8. Additionally, NML currently maintains, and will continue to maintain, monitoring procedures to identify any insurance agent, or officer, director, or employee who does not function as an insurance agent or registered representative, subject to statutory disqualification.

Conditions for Relief

NML agrees that if the requested exemption are granted, NML will maintain a list of its officers, directors and employees who participate directly in the management or administration of any variable annuity separate account of NML and any registered investment company underlying NML's variable annuity separate accounts. NML also will maintain a list of its agents who, as registered representatives of NMIS, offer and sell variable annuity contracts. These lists will be maintained at NML's home office and will be available to the staff of the Commission. The individuals named on the lists will continue to be subject to the automatic disqualification provisions of Section 9(a).

Applicant submits, for the reasons stated herein, that the requested exemptions from Section 9(a) of the 1940 Act meet the standards set out in Section 6(c) of the 1940 Act. Applicant asserts that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the policies 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. 96-5841 Filed 3-11-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-36920; International Series Release No. 945; File No. SR-CBOE-96-09]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 to Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to the Listing and Trading of Options on the Mexican Indice de Precios y Cotizaciones

March 5, 1996.

Pursuant to Section 19(b)(1) of the Securities and Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on February 27, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" 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 CBOE proposes to provide for the listing and trading on the Exchange of options on the Indice de Precios y Cotizaciones ("IPC" or "Index"), a cash-settled, broad-based index designed to represent the overall Mexican equity market. The IPC was created, and is maintained, by the Mexican Stock Exchange ("Bolsa") and is widely recognized as the benchmark index for Mexico.

The text of the proposed rule change is available at the Office of the Secretary, CBOE 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 CBOE 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 CBOE 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 permit the Exchange to list and trade cash-settled, European-style stock index options on the IPC, a broad-based, capitalization-weighted index comprised of 35 of the largest and most active stocks listed on the Bolsa. The Exchange believes that options on the Index will provide investors with a low-cost means of participating in the performance of the Mexican economy and hedging against the risk of investing in that economy.

Index Design

The Index was designed by and is maintained by the Bolsa. These stocks were selected for inclusion in the IPC based upon a combination of criteria relating to their trading volume and market capitalization. The Bolsa reviews a component's compliance with these criteria every two months. There are three criteria which could keep a potential replacement component stock from being added to the Index. First, suspended issues or those which have a material possibility of being suspended will not be included in the Index.

Second, in the case of companies with multiple classes of stock, no additional class of the same company will be included in the Index if the total of the various classes is greater than 15% of the weight of the Index. For example, Telefonos de Mexico Class L ("TELMEX L") represents approximately 21% of the Index, therefore TELMEX Class A shares are not eligible for inclusion in the Index. Third, if a company is a subsidiary of another company that is in the Index and it represents more than 75% of the assets of the holding company it will not be included.

The IPC is composed of stocks from eighteen (18) industry groups including: Telecommunications, Diversified Holding Companies, Banks, Broadcasting, Building Materials, Mining, and Financial Services. The median capitalization of the firms in the Index on February 2, 1996, was 6.581 billion Pesos (\$889.38 million at the exchange rate of 7.4 pesos per dollar prevailing on February 2, 1996). The average market capitalization of these firms was \$1.553 billion on the same date and using the same rate of exchange. The individual market capitalization of these firms ranged from \$11.956 billion to \$36.29 million on February 2, 1996. The largest stock accounted for 21.99% of the Index, while the smallest accounted for 0.07%. The top five stocks in the Index by weight accounted for 49.71% of the Index.

Calculation

The Index is capitalization weighted and its value is determined by multiplying the price of each stock times the number of shares outstanding, adding those sums and then dividing by a divisor which gave the Index a value of 0.78 on its base date of October 30, 1978. The Index had a closing value of 2862.59 on February 28, 1996. This divisor is adjusted for pertinent changes as described below in the section titled "Maintenance."

Maintenance

The Index will be maintained by the Bolsa. To maintain continuity of the Index, the divisor of the Index will be adjusted to reflect certain events relating to the component stocks. These events include, but are not limited to, ordinary cash dividends, changes in the number of shares outstanding, spin-offs, certain rights issuances, and mergers and acquisitions. When components are substituted, the Bolsa makes every effort to notify the public in advance of the upcoming changes. If it becomes necessary to replace a component between reviews, the Bolsa maintains a