benefits provided under the Policies and varies from insured to insured based upon issue age, gender (except where unisex rates are mandated by law), smoking status and risk class. Cost of insurance rates on amounts added by face increase are based on the same factors, but determined based upon the time of increase instead of issue.

19. A mortality and expense risk charge is deducted from Policy Value at the beginning of each Policy month, at a rate of .067% through the later of the tenth Policy year and the youngest life insured's attained age 55. Currently, it is expected that this charge will reduce to .0215 per month thereafter, although the Company reserves the right not to reduce this charge.

20. Charges will be imposed on certain transfers of Policy Values, including a $35 charge for transfers in any Policy month after the first transfer, a $15 charge for each asset allocation rebalancing transfer and a $5 charge for each dollar cost averaging transfer when Policy Value does not exceed $15,000.

Applicants' Legal Analysis

1. Section 27(a)(3) of the 1940 Act provides that the amount of sales charge deducted from any of the fist twelve monthly payments of a periodic payment plan certificate may not exceed proportionately the amount deducted from any other such payment, and that the amount deducted from any subsequent payment may not exceed proportionately the amount deducted from any other subsequent payment. This prohibition is commonly referred to as the ''stair-step'' rule.

2. Rule 6e–3(T)(b)(13)(ii) provides an exemption from Section 27(a)(3), provided that the proportionate amount of sales charge deducted from any payment does not exceed the proportionate amount deducted from any prior payment.

3. Under the Policies described herein, a Policy owner paying premiums in excess of the Target Premium in any of the first ten Policy years will pay a 5.5% front-end sales load on the portion of the premium up to the Target Premium, but will pay no front-end sales load on premiums about the Target Premium in that year. Applicants submit that this sales load structure could be deemed to violate Section 27(a)(3). In addition, a Policy owner paying more than a Target Premium in any of the first ten Policy years who subsequently makes a premium payment equal to the Target Premium will pay a higher front-end sales in that subsequent Policy year. Consequently, the exemption provided in Rule 6e–3(T)(b)(13)(ii) would be unavailable.

4. According to the Applicants, Section 27 was designed to protect Policy owners against sales load structures that deducted large amounts of front-end sales charges so early in the life of a Policy that little of the Policy owner's early payments were actually invested, or if an owner redeemed in the early years of an investment, that investor would recoup little of his or her investment upon redemption. Applicants assert that the front-end sales load structure under the Policies does not present these concerns. Rather, Applicants state that they expect that by imposing a lower front-end sales load on premiums in excess of the Target Premium, the Company will lower the aggregate level of sales load paid in each of the first ten Policy years (or the first ten years after a face amount increase).

5. Applicants state that the Company's front-end sales load structure significantly benefits Policy owners by eliminating sales charges on payments in excess of Target Premiums in any Policy year. According to the Applicants, the Company could avoid the stair-step issue presented by Section 27(a)(3) and Rule 6e–3(T) simply by imposing a higher front-end load on the full amount of premium payments in each Policy year, including amounts over the Target Premium. Under this arrangement, however, a Policy owner would pay a higher overall sales load, and would be left with a smaller percentage of his or her premium payment for investment under the Policy. Further, if the Company were to impose the higher sales charge on premiums about the Target Premium, it would generate more revenue from the Policies than it believes necessary to support the distribution costs associated with the Policies.

6. Rule 6e–3(T)(b)(13)(ii) contains an exception to its policy prohibiting increases in sales load that allow insurance companies to charge a lower sales charge or amounts transferred to a flexible premium variable life insurance policy from another plan of insurance, and thereafter to impose a full sales charge on later premium payments. Applicants contend that this exception implicitly recognizes that insurance companies incur lower costs on premium payments that consist of amounts transferred from other policies and permits insurance companies to pass those costs savings through to Policy owners. For the same reason, Applicants submit that the Company should be permitted to pass through to Policy owners its reduced costs with respect to premiums about the Target Premium by reducing its front-end sales load on premiums above the Target Premium in each Policy year that a front-end sales load applies.

Conclusion

For the reasons set forth above, Applicants submit that the requested exemptions from the provisions of Section 27(a)(3) of the 1040 Act and Rule 6e–3(T)(b)(13)(ii) thereunder, are in accordance with the standards of Section 6(c) of the 1940 Act, and with the protection of investors and the purposes and policies of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–11231 Filed 5–3–96; 8:45 am]

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[Release No. 34–37149; File No. SR–DCC–96–05]

Self-Regulatory Organizations; Delta Clearing Corp.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to a Change in Interdealer Brokers

April 29, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on April 17, 1996, Delta Clearing Corp. (''DCC'') 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 DCC. 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 revise the procedures for DCC's Over-The-Counter Options Trading System by including in the definition of ''RMJ'' a statement that all references to RMJ in the procedures shall be deemed to be references to the broker then performing the duties and responsibilities of RMJ under the procedures.

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

In its filing with the Commission, DCC included statements concerning the purpose of and basis for the proposed rule change and discussed any

[1] 15 U.S.C. 78s(b)(1) (1988).

comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DCC 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

Through its options clearing system, DCC clears trades in over-the-counter options that have been agreed to through the facilities of RMJ Options Trading Corp. (''RMJ'').[3] RMJ has informed DCC that it intends to eliminate its options trading business. The purpose of the proposed rule change is to allow DCC to replace RMJ with Euro Broker Maxcor Inc. The proposed rule change amends the definition of RMJ contained in Article I of the DCC's procedures to state that all references to RMJ in the procedures shall be deemed references to the broker then performing the duties and responsibilities of RMJ under the procedures.

The proposed rule change will facilitate the prompt and accurate clearance and settlement of securities transactions. Therefore, the proposed rule change is consistent with the requirements of the Act, specifically Section 17A of the Act, and the rules and regulations thereunder.[4]

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

DCC does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Comments were neither solicited nor 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) of the Act[5] and Rule 19b–4(e)(4) thereunder[6] in that the proposal effects a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 communication 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at DCC. All submissions should refer to File No. SR–DCC–96–05 and should be submitted by May 28, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

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[2] The Commission has modified parts of these statements.

[3] For a complete description of the DCC's options clearance system, refer to Securities Exchange Act Release No. 26450 (January 18, 1989), 54 FR 2010 (Order granting DCC temporary registration as a clearing agency).

[4] 15 U.S.C. 78q–1 (1988).

[5] 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

[6] 17 CFR 240.19b–4(e)(4) (1995).

[7] 178 CFR 200.30–3a(a)(12) (1995).

[Release No. 34–37150; File No. SR–NASD–96–14]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Requirement That Members Provide Information to Other Regulators for Regulatory Purposes

April 29, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on April 4, 1996, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change,[2] as described in Items I, II, and III below, which Items have been prepared by NASD. 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 NASD is filing a proposed rule change to amend NASD Rules 8210 and 8220.[3] The NASD is proposing to amend Rule 8210 to require members to provide information to domestic and foreign self-regulatory organizations, associations, securities or contract markets or regulators with which the Association has entered into information sharing agreements for regulatory purposes and to the NASD's Market Surveillance Committee. Pursuant to Amendment No. 1, the NASD is amending Rule 8220 to authorize any Market Surveillance Committee to require any member to submit a report in writing with regard to any matter connected with such member's business or business practices, and to inspect the books, records and accounts of any member. Below is the text of the proposed rule change. Proposed new language is italicized.

[1] 15 U.S.C. 78s(b)(1).

[2] On April 19, 1996, the NASD filed Amendment No. 1 to the proposed rule change. Letter from Suzanne E. Rothwell, Associate General Counsel, NASD, to Mark P. Barracca, Special Counsel, Division of Market Regulation, SEC, dated April 19, 1996.

[3] Pursuant to a new rule numbering system for the NASD Manual anticipated to be effective no later than May 1, 1996, Sec. 5 of Art. IV and the Resolution of the Board of Governors thereto of the Rules of Fair Practice that are the subject of this proposed rule change will become Rules 8210 and 8220, respectively. Securities Exchange Act Release No. 36698 (Jan. 11, 1996), 61 FR 1419 (Jan. 19, 1996) (order approving File No. SR–NASD–95–51).