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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-21948; File No. 812-10046]

Connecticut General Life Insurance Company, et al.

May 9, 1996.

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

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

APPLICANTS: Connecticut General Life
Insurance Company ("CG Life"), CG
Variable Annuity Separate Account II
(the "Variable Account"), and Cigna
Financial Advisors, Inc. ("CFA").

RELEVANT 1940 ACT SECTIONS: Order
requested under Section 6(c) of the 1940
Act for exemptions from Sections
26(a)(2)(C) and 27(c)(2) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants
seek an order permitting CG Life to
deduct a mortality and expense risk
charge from: (i) the assets of the Variable
Account, in connection with the offer
and sale of certain flexible premium
deferred annuity contracts (the
"Existing Contracts") and any contracts
("Future Contracts") offered in the
future by CG Life which are
substantially similar in all material
respects to the Existing Contracts; and
(ii) the assets of any separate account
("Future Account") established in the
future by CG Life, in connection with
the offer and sale of Future Contracts.
Applicants propose that the order
extend to any broker-dealer ("Other
Broker-Dealers") which may serve in the
future as principal underwriter with
respect to the Contracts or Future
Contracts, and which is or will be
registered with the Commission as a
broker-dealer under the Securities
Exchange Act of 1934 (the "1934 Act"),
and a member of the National
Association of Securities Dealers (the
"NASD").

FILING DATE: The application was filed
March 15, 1996.

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 on this application by writing

to the Secretary of the SEC and serving
applicants with a copy of the request,
personally or by mail. Hearing requests
must be received by the Commission by
5:30 p.m. on June 3, 1996, and should
be accompanied by proof of service on
applicants in the form of an affidavit or,
for lawyers, by certificate of service.
Hearing requests should state the nature
of the interest, the reason for the
request, and the issues contested.
Persons may request notification of the
date of a hearing by writing to the
Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth
Street NW., Washington, DC 20549.
Applicants: Robert A. Picarello, Esq.,
S-321, Connecticut General Life
Insurance Company, 900 Cottage Grove
Road, Hartford, CT 06152, with copies
to George N. Gingold, Esq., 197 King
Phillip Drive, West Hartford, CT 06117-
1409 and Michael Berenson, Esq.,
Jorden Burt Berenson & Johnson LLP,
1025 Thomas Jefferson Street NW., Suite
400 East, Washington, DC 20007-0805.

FOR FURTHER INFORMATION CONTACT:
Peter R. Marcin, Law Clerk, or Patrice
M. Pitts, Special Counsel, Office of
Insurance Products, Division of
Investment Management, at (202) 942-
0670.

SUPPLEMENTARY INFORMATION: Following
is a summary of the application. The
complete application is available for a
fee from the Public Reference Branch of
the SEC.

Applicants' Representations

1. CG Life, a stock life insurance
company domiciled in Connecticut, is a
wholly-owned subsidiary of CIGNA
Holdings, Inc., which is wholly owned
by CIGNA Corporation.

2. CG Life established the Variable
Account under Connecticut law on
January 25, 1994. The Variable Account
is a unit investment trust registered
under the 1940 Act. The Variable
Account will fund the Existing
Contracts.¹

3. CFA will serve as the distributor of
and the principal underwriter for the

Existing Contracts, and is expected to
serve as the distributor of and the
principal underwriter for Future
Contracts. CFA is a wholly-owned
subsidiary of Connecticut General
Corporation, which is wholly owned by
CIGNA Corporation. CFA is a broker-
dealer registered under the 1934 Act, an
investment adviser registered under the
Investment Advisers Act of 1940, and a
member of the NASD. Broker-dealers
other than CFA may serve as
distributors of, and principal
underwriters for, the Existing Contracts
and Future Contracts. Such Other
Broker-Dealers shall be registered under
the 1934 Act, and members of the
NASD.

4. The Variable Account consists of
subaccounts (the "Subaccounts"). The
assets of each Subaccount will be
invested in a corresponding portfolio of
one of five investment companies (the
"Funds"). Each of the Funds is a
registered, diversified, open-end
management investment company
consisting of one or more investment
portfolios which pursue different
investment objectives and policies.
Currently, seventeen investment
portfolios of the Funds are available as
investment options under the Existing
Contracts; the number and identity of
available Funds and investment
portfolios may change.

5. The Existing Contracts are
combination fixed and variable annuity
contracts issued on a group basis in the
State of New York.² The Existing
Contracts may be purchased on a non-
tax qualified basis or with the proceeds
from certain plans qualifying for
favorable tax treatment under the
Internal Revenue Code of 1986, as
amended (the "Code"). The minimum
initial premium for a Contract used in
connection with a non-tax qualified
plan is \$2,500; a minimum initial
premium of \$2,000 will be permitted for
an individual retirement annuity under
Section 408 of the Code. Subsequent
premium payments must equal at least
\$100.

6. The Existing Contracts also provide
for a guaranteed death benefit. If the
Existing Contract owner dies before the
annuity date, CG Life will pay a death
benefit to the beneficiary, upon receipt
of due proof of death and a payment
election. The death benefit will be the
greatest of: (a) the sum of all premium

¹ The Commission issued an order pursuant to
Section 6(c) of the 1940 Act granting exemptions
from the provisions of Sections 26(a)(2)(C) and
27(c)(2) of the 1940 Act to permit CG Life to impose
on Existing Contracts issued through the Variable
Account a mortality and expense risk charge at an
annual rate of 1.20 percent. Investment Company
Act Release Nos. 21096 (May 25, 1995) (order) and
21035 (Apr. 28, 1995) (notice). CG Life will waive
the collection of the additional 0.05% mortality and
expense risk charge on Existing Contracts issued on
or after May 1, 1996, until the Commission issues
an order approving the 1.25% mortality and
expense risk charge proposed herein. A 1.20%
mortality and expense risk charge will continue to
apply to all Existing Contracts issued before May 1,
1996, even if the requested relief is granted.

² As used herein, the term "Contract owner"
refers to a certificate owner under a group contract
(i.e., each of the Existing Contracts) having all
ownership rights regarding his or her participation
in that Existing Contract. The term "Contract,"
when used in the singular, shall refer to the
certificate evidencing participation in an Existing
Contract.

payments made, minus the sum of all partial withdrawals; (b) the annuity account value as of the time the death benefit election is effective or deemed to become effective; or (c) the annuity account value on the seven-year anniversary of the Existing Contract (and each succeeding contract anniversary occurring at any seven-year interval thereafter) immediately preceding the date the death benefit election is effective or is deemed to become effective, adjusted for any subsequent premium payments, partial withdrawals and charges. If the death benefit becomes payable after the Existing Contract owner's 85th birthday (or the annuitant's 85th birthday, if the Existing Contract owner is not a natural person), the amount payable will be the greater of (a) or (b) above. If the beneficiary designated in the Existing Contract has predeceased the Existing Contract owner, CG Life will pay the death benefit in one lump sum to the estate of the beneficiary, upon receipt of due proof of death of the Existing Contract owner and beneficiary.

7. CG Life will deduct an annual administrative fee of \$35 on Existing Contracts having a contract value of less than \$100,000. Until the earlier of the annuity date or surrender of the Contract, this fee will be deducted pro rata from all of the Subaccounts in which the Contract owner invests. If a variable payout has been selected after the annuity date, the fee will be deducted proportionately and in installments from the annuity payments. The annual administrative fee partially compensates CG Life for administrative services associated with the Existing Contracts and the Variable Account. CG Life also proposes to deduct a daily administrative expense charge equal annually to 0.15% of the average daily net asset value of the Variable Account.

8. CG Life will rely upon and comply with Rule 26a-1 under the 1940 Act in deducting both the annual administrative fee and the daily administrative charge. CG Life does not anticipate a profit from either administrative charge. These administrative charges are guaranteed not to increase for a Contract once that Contract has been issued.

9. Upon partial withdrawal or full surrender of Contract value, a contingent deferred sales charge (the "CDSC") may be deducted from purchase payments which have been credited to a Contract for fewer than seven years. Each Contract year, however, a Contract owner may withdraw up to 15% of the premium payments paid to date without imposition of a CDSC. CG Life

guarantees that the aggregate CDSC under a Contract will not exceed 8.5% of total premiums paid by a Contract owner.

10. CG Life proposes to impose a daily charge equal to an annual effective rate of 1.25% of the value of the net assets of the Variable Account to compensate CG Life for assuming certain mortality and expense risks in connection with the Existing Contracts. Applicants state that approximately 0.75% of the 1.25% charge is attributable to mortality risk, and approximately 0.50% is attributable to expense risk. The mortality and expense risk charge is guaranteed not to increase for a group contract (i.e., each of the Existing Contracts) once that group contract has been issued.

11. If the mortality and expense risk charge is insufficient to cover the actual costs of the risks assumed, CG Life will bear the loss. If the charge exceeds actual costs, this excess will be profit to CG Life and will be available for any corporate purpose, including payment of expenses relating to the distribution of the Existing Contracts. CG Life expects a reasonable profit from the mortality and expense risk charge.

12. The mortality risk borne by CG Life arises from the contractual obligation of CG Life to make annuity payments regardless of how long all annuitants or any individual annuitant may live, and the guarantee of a death benefit. The expense risk assumed by CG Life under the Existing Contracts is that the administrative charges assessed under the Existing Contracts may be insufficient to cover actual administrative expenses incurred by CG Life.

13. CG Life may incur premium taxes relating to the Existing Contracts, and will deduct these taxes upon withdrawal, annuitization or payment of the death benefit. CG Life reserves the right to deduct charges made for federal, state and local taxes incurred by CG Life in the future.

Applicants' Legal Analysis and Conditions

1. Section 6(c) of the 1940 Act authorizes the commission to exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from the provisions of the 1940 Act and the rules promulgated thereunder if and to the extent that such exemption is 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.

2. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in pertinent part, prohibit

a registered unit investment trust and any depositor thereof or underwriter therefor from selling periodic payment plan certificates unless the proceeds of all payments (other than sales load) are deposited with a qualified bank as trustee or custodian and held under arrangements which prohibit any payment to the depositor or principal underwriter except a fee, not exceeding such reasonable amount as the Commission may prescribe, for performing bookkeeping and other administrative services of a character normally performed by the bank itself.

3. Applicants request an order of the Commission under Section 6(c) of the 1940 Act granting exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of a mortality and expense risk charge from: (i) the assets of the Variable Account in connection with the offer and sale of Existing Contracts and Future Contracts; and (ii) the assets of any Future Account, in connection with the offer and sale of Future Contracts. Applicants propose that the order extend to Other Broker-Dealers which may serve in the future as principal underwriter for the Existing Contracts or Future Contracts. Applicants believe that the requested exemptions are 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.

4. Applicants assert that the relief would promote competitiveness in the variable annuity market by eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses and maximizing efficient use of resources. Applicants submit that the delay and expense involved in having to seek exemptive relief repeatedly would impair the ability of CG Life to take advantage effectively of business opportunities as those opportunities arise, and would not provide any additional benefit or protection to Contract owners. Indeed, Contract owners may be disadvantaged as a result of additional overhead costs incurred by the Applicants, any Future Account, or Other Broker-Dealers.

5. Applicants assert that the 1.25% mortality and expense risks charge to be assessed under the Existing Contracts and Future Contracts is/will be reasonable in relation to the risks assumed by CG Life under the Existing Contracts and the Future Contracts, and that assessment of the charge is/will be consistent with the protection of investors because it is a reasonable and proper insurance charge for the risks

assumed and the costs incurred by CG Life.

6. Applicants assert that the 1.25% mortality and expense risk charge to be assessed under the Existing Contracts and Future Contracts is/will be within the range of industry practice with respect to comparable annuity products. Applicants represent that this determination is based upon Applicants' analysis of publicly available information about similar industry products, taking into consideration such factors as: current charge levels; benefits provided; charge level guarantees; and guaranteed annuity rates. Applicants represent that CG Life will maintain at its home office, and make available to the Commission upon request, a memorandum detailing the methodology used in, and the results of, the Applicants' comparative survey.

7. Applicants acknowledge that the CDSC will likely be insufficient to cover all costs relating to the distribution of the Existing Contracts. To the extent distribution costs are not covered by the CDSC, CG Life will recover its distribution costs from the assets of the general account. Those assets may include that portion of the mortality and expense risk charge which is profit to CG Life. Applicants represent that CG Life has concluded that there is a reasonable likelihood that the distribution financing arrangement proposed under the Existing Contracts and Future Contracts will benefit the Variable Account, the Future Accounts, Contract owners, and Future Contract owners. The basis for this conclusion is set forth in a memorandum which will be maintained by CG Life at its home office and will be made available to the Commission upon request.

8. CG Life represents that the Variable Account and any Future Account will invest only in open-end management investment companies which undertake, in the event such companies should adopt a plan for financing distribution expenses pursuant to Rule 12b-1 of the 1940 Act, to have such plan formulated and approved by the company's board of directors/trustees, a majority of whom are not interested persons of any such company.

Conclusion

Applicants assert that for the reasons and upon the facts set forth above, the requested exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act 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. 96-12238 Filed 5-15-96; 8:45 am]

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[Release No. 34-37191; File No. SR-CTA/CQ-96-1]

Consolidated Tape Association; Order Granting Approval of Proposed Restatements and Amendments to the Restated Consolidated Tape Association Plan and the Consolidated Quotation Plan

May 9, 1996.

I. Introduction

On December 26, 1995, the Consolidated Tape Association ("CTA") and Consolidated Quotation ("CQ") Plan Participants filed with the Securities and Exchange Commission ("Commission" or "SEC") amendments to the Restated CTA Plan and CQ Plan pursuant to Rule 11Aa3-2 of the Securities Exchange Act of 1934 ("Act"). Notice of the filing appeared in the Federal Register on January 25, 1996.¹ No comment letters were received in response to the Notice. For the reasons stated below, the Commission has determined to approve the filing.

II. Description

A. Overview of the Changes

The changes to the CQ and CTA Plans broaden "concurrent uses" of the CTA and CQ facilities, incorporate a number of housekeeping changes, and consolidate and reorganize the "Financial Matters" provisions of both plans. In an attempt to make the plans less legalistic, and therefore easier to read, the filing expands the use of definitions used throughout the plans, and deletes certain language that is almost two decades old and outdated. Furthermore, the amendments provide the Participants with greater flexibility in prescribing contract and other requirements for vendor and subscriber services, including the use of the Subscriber Addendum or such alternate requirements as the Participants may prescribe.

B. Second Restatement of the CTA Plan

The filing restates and amends the Restated CTA Plan.² The restatement

¹ Securities Exchange Act Release No. 36725 (January 17, 1996), 61 FR 2321.

² The Commission declared the CTA Plan effective as of May 17, 1974. See Securities

(the "Second Restatement of the CTA Plan") incorporates into the Restated CTA Plan the 17 substantive amendments, and 16 charges amendments, to the Restated CTA Plan that the Commission has previously approved and incorporates the additional amendments submitted to the Commission.³

The amendments (1) revise the form of agreement⁴ into which the Participants require vendors and certain end users to enter (the "Consolidated Vendor Form") and (2) introduce a form of addendum (the "Subscriber Addendum") that the Participants, under appropriate circumstances, will allow vendors to attach to, or to incorporate into, agreements with certain subscribers as a surrogate for the form of agreement that the participants currently require subscribers to execute.

C. Restated CQ Plan

The filing restates and amends the CQ Plan.⁵ The restatement (the "Restated CQ Plan") incorporates into the CQ Plan the 21 substantive amendments, and 6 changes amendments, to the CQ Plan that the Commission has previously approved and incorporates the additional amendments submitted to the Commission.⁶

The Participants are also proposing to use the revised Consolidated Vendor Form and the Subscriber Addendum in connection with the Restated CQ Plan, in the same manner as in the proposed Second Restatement of the CTA Plan.

III. Discussion

The Commission has determined that the Second Restatement of the CTA Plan and the Restated CQ Plan are consistent with the Act. Rule 11Aa3-2(c)(2) under

Exchange Act Release No. 10787 (May 10, 1974), 39 FR 17799. The Participants filed a restatement and amendment of that Plan (the "Restated CTA Plan") with the Commission on May 12, 1980. The Commission approved the Restated CTA Plan on July 16, 1980. See Securities Exchange Act Release No. 16983 (July 16, 1980) 45 FR 49414.

³ A description of the amendments and a listing of the attachments were included in the Notice of Filing of Amendment (see, note 1 *supra*), and are incorporated by reference herein.

⁴ The Participants submitted the version of the Consolidated Vendor Form currently in use to the Commission on October 12, 1989. The Commission published a notice of the effectiveness of the Consolidated Vendor Form on September 6, 1990. See Securities Exchange Act Release No. 28407 (September 6, 1990) 55 FR 37276.

⁵ AMEX and NYSE submitted the version of the CQ Plan currently in effect to the Commission on July 25, 1978. The Commission granted permanent approval of that plan effective as of January 22, 1980. See Securities Exchange Act Release No. 16518 (January 22, 1980), 45 FR 6521.

⁶ A description of the amendments and a listing of the attachments were included in the Notice of Filing of Amendment (see, note 1, *supra*), and are incorporated by reference herein.