

AUSA in connection with the offering by AUSA of Variable Contracts. In addition, Investment Advisors will be the investment adviser to Strategic Variable Funds and each of the Underlying Hubs. Applicants assert that Investment Advisors and AUSA are governed by their obligations to the various funds at different levels, and that any allocation or reallocation by Investment Advisors of a Subaccount's assets among Underlying Spokes/Underlying Hubs will be made in accordance with these obligations. Finally, Applicants argue that AUSA's and Investment Advisors' self-interest will prompt them to maximize benefits to all shareholders, and not disrupt the operations of Strategic Variable Funds or any of the Underlying Spokes or Underlying Hubs.

5. Applicants believe that Strategic Variable Funds' asset and administrative fee will be justified by the incremental benefits, not otherwise available, of the professional assets allocation service that Investment Advisors would provide for investors choosing Strategic Variable Funds. In addition, Applicants note that, as required by Condition 4 below, before a Subaccount may adopt an asset allocation and administrative fee, the directors of Strategic Variable Funds, including the independent directors, must find that the fee is based on services that are in addition to, rather than duplicative of, services provided under any Underlying Hub's advisory contract. Moreover, Applicants assert that no fees for duplicative services can exist at the Underlying Spoke level, because no advisory fees are or will be charged at the Underlying Spoke level.

6. Applicants also state that no layering of sales charges will exist. Condition 5 below requires that Strategic Variable Funds' acquisition, disposition, or holding of interests directly in the Underlying Spokes and indirectly in the Underlying Hubs shall not be subject, directly or indirectly, to any sales charges or service fees as defined in Rule 2830 of the Conduct Rules of the National Association of Securities Dealers, Inc.

7. Accordingly, Applicants believe that the requested exemption from Section 12(d)(1) is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies of the 1940 Act.

Section 17(a)

8. Section 17(a) of the 1940 Act makes it unlawful for an affiliated person of a registered investment company to sell securities to, or purchase securities

from, the company. Section 17(b) provides that the Commission shall exempt a proposed transaction from Section 17(a) if evidence establishes that: (a) the terms of the proposed transaction are reasonable and fair and do not involve overreaching; (b) the proposed transaction is consistent with the policies of the registered investment company involved; and (c) the proposed transaction is consistent with the general provisions of the 1940 Act.

9. Applicants request exemptive relief from the prohibitions of Section 17(a) to allow the transactions described in the application. Applicants assert that the relief is consistent with the standards of Section 17(b), and that such relief should be granted for the same reasons set forth above under the discussion of Section 12(d)(1) of the 1940 Act.

Applicants' Conditions

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

1. Strategic Variable Funds and each Underlying Hub will be part of the same "group of investment companies," as defined in Rule 11a-3 under the 1940 Act, and the Underlying Spokes will be registered separate accounts (of subaccounts thereof) established by AUSA in connection with its offering of the Variable Contracts.³

2. No Underlying Hub shall acquire securities of any other investment company in excess of the limits contained in Section 12(d)(1)(A) of the 1940 Act, and no Underlying Spoke shall acquire securities of any other investment company except in conformity with Section 12(d)(1)(E) of the 1940 Act.

3. A majority of the directors⁴ of Strategic Variable Funds will not be "interested persons," as defined in Section 2(a)(19) of the 1940 Act ("Independent Directors").

4. Before approving any advisory contract under Section 15 of the 1940

³ Because the Underlying Spokes will be unit investment trusts, they do not fall within the technical definition of "group of investment companies" under Rule 11a-3(a)(5) of the 1940 Act, which only applies to open-end investment companies. Applicants note that although the Underlying Spokes do not technically comply with the definition, the policy underlying a requirement that all funds in a "fund of funds" be part of the same group of investment companies is served by the proposed structure because AUSA is an affiliated person of Investment Advisors.

⁴ Although Strategic Variable Funds will be a separate account of an insurance company, and not a corporation, trust, or similar entity. Applicants state that Strategic Variable Funds will create a board of individuals who will function as "directors" of Strategic Variable Funds within the meaning of Section 2(a)(12) of the 1940 Act for purposes of exercising the function of directors under the 1940 Act and the rules thereunder.

Act, the directors of Strategic Variable Funds, including a majority of the Independent Directors, shall find that advisory fees charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Hub's advisory contract. Such finding, and the basis upon which the finding was made, will be recorded fully in the minute books of Strategic Variable Funds.

5. Strategic Variable Funds' acquisition, disposition, or holding of interests directly in the Underlying Spokes and indirectly in the Underlying Hubs shall not be subject, directly or indirectly, to any sales charges or service fees as such terms are defined in Rule 2830 of the Conduct Rules of the National Association of Securities Dealers, Inc.

6. Applicants will provide the following information, in electronic format, to the Chief Financial Analyst of the Division of Investment Management of the Commission: monthly average total assets for each Subaccount and each of its Underlying Spokes and Underlying Hubs; monthly purchases and redemptions (other than by exchange) for each Subaccount and each of its Underlying Spokes and Underlying Hubs; monthly exchanges into and out of each Subaccount and each of its Underlying Spokes; month-end allocations of each Subaccount's assets among its Underlying Spokes; annual expense ratios for each Subaccount and each of its Underlying Spokes and Underlying Hubs; and a description of any vote taken by the unit holders of any Underlying Spoke, including a statement of the percentage of votes cast for and against the proposal by Strategic Variable Funds and by the other unit holders of the Underlying Spoke. Such information will be provided as soon as reasonably practicable following each fiscal year-end of Strategic Variable Funds (unless the Chief Financial Analyst shall notify Strategic Variable Funds or Investment Advisors in writing that such information need no longer be submitted).

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

Margaret H. McFarland,
Deputy Secretary.

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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 September 23, 1996.

A closed meeting will be held on Friday, September 27, 1996, at 9:30 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 Friday, September 27, 1996, at 9:30 a.m., will be:

Institution and settlement of injunctive actions.

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.

September 23, 1996.
Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-37696; File No. SR-CBOE-96-44]

**Self-Regulatory Organizations;
Chicago Board Options Exchange,
Inc.; Order Approving Proposed Rule
Change and Notice of Filing and Order
Granting Accelerated Approval of
Amendment No. 1 Thereto Relating to
the Listing and Trading of Options on
the Goldman, Sachs Technology
Composite Sub-Indexes**

September 17, 1996.

On July 2, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of

1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to list and trade options on six different narrow-based indexes, each of which is composed of components from the GSTI Composite Index ("GSTI Composite Index").³ The six sub-indexes are: the GSTI Internet Index ("Internet Index"), the GSTI Software Index ("Software Index"), the GSTI Semiconductor Index ("Semiconductor Index"), the GSTI Hardware Index ("Hardware Index"), the GSTI Services Index ("Services Index"), and the GSTI Multimedia Networking Index ("Multimedia Index") (collectively "GSTI Sub-Indexes" or "Sub-Indexes"). Notice of the proposed rule change appeared in the Federal Register on August 8, 1996.⁴ No comments were received on the proposal. On September 16, 1996, CBOE filed Amendment No. 1 to the proposal to address issues related to index maintenance criteria.⁵ This order approves the proposal, as amended, and solicits comments on Amendment No. 1.

I. Description of the Proposal

The purpose of the proposal is to permit the Exchange to list and trade cash-settled, European-style index options on the GSTI Sub-Indexes. Each GSTI Sub-Index is narrow-based, modified-capitalization weighted, and composed of components of the GSTI Composite Index. Goldman, Sachs & Co. has designated a GSTI Committee ("Committee") to oversee the selection of GSTI Sub-Index components, as discussed below.

Index Design. As discussed in greater detail in SR-CBOE-96-43, the GSTI Composite Index is comprised of the universe of securities that satisfy objective criteria (GSTI Index Rules").⁶

¹ 15 U.S.C. § 78s(b)(1) (1988 & Supp. V 1993).

² 17 CFR 240.19b-4 (1994).

³ Concurrent with this order, the Commission is approving a CBOE proposal to list and trade options on the Goldman Sachs Technology Composite Index; a broad-based, capitalization weighted index composed of the universe of technology-related company stocks meeting certain objective criteria, as amended. See Securities Exchange Act Release No. 37693 ("SR-CBOE-96-43"). A list of components for the Composite Index or any of the Sub-Indexes is available at the Commission or CBOE.

⁴ Securities Exchange Act Release No. 37509 (July 31, 1996), 61 FR 41434.

⁵ Letter from Eileen Smith, CBOE, to Stephen M. Youhn, SEC, dated September 16, 1996.

⁶ All securities satisfying the following criteria are automatically included in the GSTI Composite Index: First, a company's stock must trade on the New York Stock Exchange, the American Stock Exchange or through the facilities of the Nasdaq, and be a "reported security" under rule 11Aa3-1. Only outstanding common shares are eligible for inclusion. Additionally, only foreign companies whose primary market is in the United States will

Upon inclusion in the GSTI Composite Index, the Committee then selects and assigns stocks to the GSTI Sub-Indexes based upon relevant qualitative criteria. Furthermore, any stock in a Sub-Index must appear in the GSTI Composite Index. Stocks may be represented in one or more GSTI Sub-Indexes, however, not all GSTI Composite Index components necessarily will be assigned to a GSTI Sub-Index. All of the components of the GSTI Composite Index currently trade on the New York Stock Exchange ("NYSE"), the American Stock Exchange or Nasdaq.

Calculation. The Sub-Index will be calculated by CBOE on a real-time basis using last-sale prices and will be disseminated every 15 seconds by CBOE.⁷ If a component security is not currently being traded on its primary market, the most recent price at which the security traded on such market will be used in the Index calculation.

The Sub-Indexes are calculated on a "modified capitalization-weighted" method, which is a hybrid between equal weighting (which may impose liquidity concerns for smaller-cap stocks) and capitalization weighting (which may result in two or three stocks dominating an index's performance). Under the method employed for each of the sub-indexes, the maximum weight for the largest stock in the sub-index will be set to no higher than 25% on the semiannual rebalancing date. The maximum weight for the second largest stock will be set to no higher than 20% of the maximum weight for the third largest stock and any stock thereafter will be set to no higher than 15% on the rebalancing date. The weight of all the remaining Sub-Index stocks shall be market capitalization weighted. Thus, the weights of these remaining stocks

be eligible for the Index; American Depositary Receipts are not eligible. Second, the total market capitalization of the company's stock must be equal to or greater than the capitalization "cutoff" value. The initial base period "cutoff" value will be \$600 million, but this value will be adjusted on each semiannual rebalancing date (as described below) to reflect the price performance of the Index since the base period and rounded up to the nearest \$50 million. Index constituents with capitalization below 50% of the "cutoff" value on a semiannual rebalancing date shall be removed after the close on the effective date of the rebalancing. Third, company stocks with a public float below 20% of shares issued and outstanding are not eligible for inclusion in the Index. Fourth, the company stock must have annualized share turnover of 30% or more, based on its average daily share volume for the six calendar months prior to inclusion in the Index. Fifth, the components must be from a group of Standard Industrial Classification codes or Russell Industry codes.

⁷ Telephone conversation between Eileen Smith, CBOE and Sharon Lawson, SEC, on September 17, 1996. The original filing proposed that the Sub-Index values be calculated by CBOE or a designee of Goldman, Sachs.