SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24464; 812–11938]

CIGNA Funds Group, et al.; Notice of Application

May 23, 2000.

AGENCY: Securities and Exchange Commission (''SEC'' or ''Commission'').

ACTION: Notice of an application under section 17(b) of the Investment Company Act of 1940 (''Act'') for an exemption from section 17(a) of the Act.

SUMMARY OF THE APPLICATION: Applicants request an order to permit Life Insurance Company of North America (''LINA'') to transfer some or all of its portfolio of ''equity securities'' of companies which comprise the ''Standard & Poor's 500 Composite Stock Price Index'' (''S&P 500 Securities'' and ''S&P 500,'' respectively) to a series of CIGNA Funds Group (''CFG'') in exchange for shares of the series.

Applicants: CFG and LINA.

Filing Dates: The application was filed on January 12, 2000, and amended on May 22, 2000.

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. Hearing requests should be received by the SEC by 5:30 p.m. on June 15, 2000, 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 by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549–0609. Applicants, Cigna Corporation, 900 Cottage Grove Road, Hartford, CT 06152–2215.

FOR FURTHER INFORMATION CONTACT: Bruce R. MacNeil, Staff Attorney, (202) 942–0634, or Nadya B. Roytblat, Assistant Director, (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTAL INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549–0102 (telephone (202) 942–8090).

Applicants' Representations

1. CFG is an open-end management investment company registered under the Act. One of CFG's series is the Charter Large Company Stock Index Fund (''Fund''). The Fund is an index fund that replicates the composition of the S&P 500.

2. Times Square Capital Management, Inc. (the ''Adviser'') is an investment adviser registered under the Investment Adviser Act of 1940 and serves as the investment adviser to the Fund. The Adviser is an indirect wholly owned subsidiary of Cigna Corporaiton (''CIGNA'').

3. LINA is a life insurance company and an indirect wholly owned subsidiary of CIGNA. LINA is a provider of group life insurance and investment products and services. LINA has invested a portion of its portfolio of assets in S&P 500 Securities.

4. Applicants state that four shareholders own approximately 98% of the outstanding shares of the Fund. Applicants seek relief to enable LINA to invest in-kind in the Fund in the event one or more of these four shareholders redeems some or all of their shares and the redemption results in the Fund's assets being reduced below a level required for the Fund to be economically viable.

5. Applicants propose that LINA would sell some or all of its S&P 500 Securities to the Fund in exchange for shares of the Fund (the ''Transfer''). The Transfer will not affect the proportionate composition of the Fund's portfolio since the S&P 500 Securities transferred by LINA will replicate the composition of the S&P 500. The Transfer would take place as soon as practicable following a large redemption of Fund shares and a determination by the Adviser that the Transfer was necessary for the Fund to maintain critical mass.

6. The S&P 500 Securities would be valued at the last quoted sale price on the business day immediately prior to the Transfer, the same method that is used to calculate the Fund's new asset value. The number of shares to be issued by the Fund to LINA would be determined by dividing the value of the S&P 500 Securities by the current net asset value of the Fund's shares.

Applicants' Legal Analysis

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or any affiliated person of such person, acting as principal, from selling to or purchasing from such investment company any security or other property.

2. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include (a) any person directly or indirectly controlling, controlled by, or under common control with the other person and (b) if the other person is an investment company, any investment adviser of that company. Applicants state that both CFG and LINA may be deemed to be an affiliated person of the other under section 2(a)(3) because they may be deemed to be under the common control of CIGNA. LINA thus is an affiliated person of an affiliated person of the Fund, and the Transfer may be prohibited by section 17(a).

3. Section 17(b) of the Act provides that the SEC may exempt a transaction from the provisions of section 17(a) if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

4. Applicants submit that the terms of the Transfer satisfy the standards set forth in section 17(b). Applicants state the Fund's board of trustees (''Board''), including a majority of the trustees who are not interested persons as defined in section 2(a)(19) of the Act (''Disinterested Trustees''), found that participation in the Transfer is in the best interests of the Fund and that the interests of the existing shareholders of the Fund will not be diluted as a result of the Transfer. Applicants state that all the S&P 500 Securities to be transferred to the Fund fit into the categories of securities described in rule 17a–7(b) (1) through (3) under the Act. Applicants further state that no brokerage commission, fee (except for customary transfer fees) or other remuneration will be paid in connection with the Transfer.

Applicants' Conditions

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

1. The securities to be transferred to the Fund will be limited to the S&P 500 Securities.

2. The S&P 500 Securities transferred by LINA will be valued in the same manner as they would be valued for purposes of computing the Fund's net asset value, which, in the case of securities traded on a public securities market for which quotations are available, is their last reported sales price on the exchange on which the

securities are primarily traded or at the last sales price on the national securities market.

3. At the next regular meeting following the Transfer, the Board, including a majority of the Disinterested Trustees will determine: (a) whether the S&P 500 Securities were valued in accordance with condition (2); and (b) whether the acquisition of the S&P 500 Securities was consistent with the policies of the Fund as reflected in the registration statement and reports filed under the Act.

4. The Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which the Transfer occurs, the first two years in an easily accessible place, a written record of the Transfer setting forth a description of each security transferred, the terms of the transfer, and the information or materials upon which the determinations required by condition (3) were made.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–13529 Filed 5–30–00; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42816, File No. S7–966]

Program for Allocation of Regulatory Responsibilities Pursuant to Rule 17d–2; Notice of Filing and Order Granting Approval of Amendment to the Plan for the Allocation of Regulatory Responsibilities Among the American Stock Exchange LLC, the Chicago Board Options Exchange, Inc., the Chicago Stock Exchange, Inc., the International Securities Exchange LLC, the National Association of Securities Dealers, Inc., the New York Stock Exchange, the Pacific Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

May 23, 2000.

Notice is hereby given that the Securities and Exchange Commission (''SEC'' or ''Commission'') has issued on Order, pursuant to Sections 17(d) [1] and 11A(a)(3)(B) [2] of the Securities Exchange Act of 1934 (''Act''), granting approval of an amendment to the plan for allocating regulatory responsibility filed pursuant to Rule 17d–2 of the Act,[3] by the American Stock Exchange LLC (''Amex''), the Chicago Board Options Exchange, Inc. (''CBOE''), the Chicago Stock Exchange, Inc. (''CHX''), the International Securities Exchange LLC (''ISE''), the National Association of Securities Dealers, Inc. (''NASD''), the New York Stock Exchange (''NYSE''), the Pacific Exchange, Inc. (''PCX''), and the Philadelphia Stock Exchange, Inc. (''Phlx'') (collectively the ''SRO participants'').

I. Introduction

Section 19(g)(1) of the Act,[4] among other things, requires every national securities exchange and registered securities association (''SRO'') to examine for, and enforce, compliance by its members and persons associated with its members with the Act, the rules and regulations thereunder, and the SRO's own rules, unless the SRO is relieved of this responsibility pursuant to Section 17(d) or 19(g)(2) [5] of the Act. Without this relief, the statutory obligation of each individual SRO could result in a pattern of multiple examinations of broker-dealers that maintain memberships in more than one SRO (''common members''). This regulatory duplication would add unnecessary expenses for common members and their SROs.

Section 17(d)(1) of the Act was intended, in part, to eliminate unnecessary multiple examinations and regulatory duplication.[6] With respect to a common member, Section 17(d)(1) authorizes the Commission, by rule or order, to relieve an SRO of the responsibility to receive regulatory reports, to examine for and enforce compliance with applicable statutes, rules and regulations, or to perform other specified regulatory functions.

To implement Section 17(d)(1), the Commission adopted two rules: Rule 17d–1 and Rule 17d–2 under the Act.[7] Rule 17d–1, adopted on April 20, 1976,[8] authorizes the Commission to name a single SRO as the designated examine authority (''DEA'') to examine common members for compliance with the financial responsibility requirements imposed by the Act, or by Commission or SRO rules. When an SRO has been named as a common member's DEA, all other SROs to which the common member belongs are relieved of the responsibility to examine the firm for compliance with applicable financial responsibility rules.

On its face, Rule 17d–1 deals only with an SRO's obligations to enforce broker-dealer's compliance with the financial responsibility requirements. Rule 17d–1 does not relieve an SRO from its obligation to examine a common member for compliance with its own rules and provisions of the federal securities laws governing matters other than financial responsibility, including sales practices, and trading activities and practices.

To address regulatory duplication in these other areas, on October 28, 1976, the Commission adopted Rule 17d–2 under the Act.[9] This rule permits SROs to propose joint plans allocating regulatory responsibilities with respect to common members. Under paragraph (c) of Rule 17d–2, the Commission may declare such a plan effective if, after providing for notice and comment, it determines that the plan is necessary or appropriate in the public interest and for the protection of investors, to foster cooperation and coordination among the SROs, to remove impediments to and foster the development of a national market system and a national clearance and settlement system, and in conformity with the factors set forth in Section 17(d) of the Act. Commission approval of a plan filed pursuant to Rule 17d–2 relieves an SRO of those regulatory responsibilities allocated by the plan to another SRO.

II. The Plan

On September 8, 1983, the Commission approved the SRO participants' plan for allocating regulatory responsibilities pursuant to Rule 17d–2.[10] The plan reduces regulatory duplication for a large number of firms currently members of two or more of the SRO participants by allocating regulatory responsibility for certain option-related sales practice matters to one of the SRO participants.

Under the plan, the SRO participant responsible for conducting options-related sales practice examinations of a firm, and investigating options-related customer complaints and terminations for cause of associated persons of that firm, is known as the firm's ''Designated Options Examining Authority'' (''DOEA''). Under the plan, only the Amex, the CBOE, the NASD and the NYSE are DOEAs. Pursuant to the plan, any other SRO of which the firm is a

[1] 15 U.S.C. 78q(d).

[2] 15 U.S.C. 78k–1(a)(3)(B).

[3] 17 CFR 240.17d–2.

[4] 15 U.S.C. 78s(g)(1).

[5] 15 U.S.C. 78s(g)(2).

[6] Securities Acts Amendments of 1975, Report of the Senate Committee on Banking, Housing, and Urban Affairs to Accompany S. 249, S. Rep. No. 94–75, 94th Cong., 1st Session. 32 (1975).

[7] 17 CFR 240.17d–1 and 17 CFR 240.17d–2.

[8] Securities Exchange Act Release No. 12352 (April 20, 1976), 41 FR 18809 (May 3, 1976).

[9] Securities Exchange Act Release No. 12935 (October 28, 1976), 41 FR 49093 (November 8, 1976).

[10] Securities Exchange Act Release No. 20158 (September 8, 1983), 48 FR 41256 (September 14, 1983).