adversely affected by the material irreconcilable conflict. Further, no Plan shall be required by this Condition 4 to establish a new funding medium for such Plan if: (a) A majority of Plan participants materially and adversely affected by the irreconcilable material conflict vote to decline such offer, or (b) pursuant to governing Plan documents and applicable law, the Plan makes such decision without Plan participant vote.

5. The determination by any Board of the existence of a material irreconcilable conflict and its implications will be made known in writing promptly to all Participants.

6. Participating Insurance Companies will provide pass-through voting privileges to all Contract owners so long as the Commission continues to interpret the 1940 Act as requiring pass-through voting privileges for Contract owners. Accordingly, Participating Insurance Companies will vote shares of a Fund held in their separate accounts in a manner consistent with voting instructions timely received from contract owners. Each Participating Insurance Company will also vote shares for which it has not received timely voting instructions from contract owners as well as shares which the Participating Insurance Company itself owns, in the same proportion as those shares for which voting instructions from contract owners are timely-received. Participating Insurance Companies will be responsible for assuring that each of their separate accounts participating in the Funds calculates voting privileges in a manner consistent with other Participating Insurance Companies. The obligation to calculate voting privileges in a manner consistent with all other separate accounts investing in the Funds will be a contractual obligation of all Participating Insurance Companies under their agreements governing their participation in the Funds. Each Plan will vote as required by applicable law and governing Plan documents.

7. All reports of potential or existing conflicts received by a Board, and all Board action with regard to determining the existence of a conflict of interest, notifying Participants of a conflict, and determining whether any proposed action adequately remedies a conflict, will be properly recorded in the minutes of the meetings of the appropriate Board or other appropriate records, and such minutes or other records shall be made available to the Commission upon request.

8. Each Fund will notify all Participating Insurance Companies that separate account prospectus disclosure regarding potential risks of mixed and shared funding may be appropriate. Each Fund will disclose in its prospectus that: (a) AOF is intended to be a funding vehicle for variable annuity and variable life insurance contracts offered by various insurance companies and for qualified pension and retirement plans; (b) due to differences of tax treatment and other considerations, the interests of various Contract owners participating in AOF and the interests of Plans investing in AOF may conflict; and (c) the Board will monitor events in order to identify the existence of any material irreconcilable conflicts of interest and to determine what action, if any, should be taken in response to any such conflict.

9. Each Fund will comply with all provisions of the 1940 Act requiring voting by shareholders (which, for these purposes, will be the persons having a voting interest in the shares of the Fund) and, in particular, each Fund will either provide for annual shareholder meetings (except insofar as the Commission may interpret Section 16 of the 1940 Act not to require such meetings) or comply with Section 16(c) of the 1940 Act (although the Funds are not one of the trusts described in the Section 16(c) of the 1940 Act), as well as with Section 16(a) of the 1940 Act and, if and when applicable, Section 16(b) of the 1940 Act. Further, each Fund will act in accordance with the Commission's interpretation of the requirements of Section 16(a) with respect to periodic elections of directors and with whatever rules the Commission may promulgate with respect thereto.

10. If and to the extent that Rule 6e–2 or Rule 6e–3(T) under the 1940 Act are amended, or Rule 6e–3 under the 1940 Act is adopted, to provide exemptive relief from any provision of the 1940 Act or the rules promulgated thereunder, with respect to mixed or shared funding, on terms and conditions materially different from any exemptions granted in the order requested by the application summarized in this notice, then the Funds and/or Participating Insurance Companies, as appropriate, shall take such steps as may be necessary to comply with Rules 6e–2 and 6e–3(T), as amended, or Rule 6e–3, as adopted, to the extent that such rules are applicable.

11. The Participants, at least annually, will submit to the Boards such reports, materials, or data as the Boards may reasonably request so that the Boards may fully carry out the obligations imposed upon them by the conditions contained in this Application. Such reports, materials, and data will be submitted more frequently if deemed appropriate by the applicable Boards. The obligations of the Participants to provide these reports, materials, and data upon the reasonable request of the Boards, shall be a contractual obligation of all Participants under their agreements governing their participation in the Funds.

12. If a Plan should ever become a holder of ten percent or more of the assets of a Fund, such Plan will execute a participation agreement with the applicable Fund. A Plan will execute an application containing an acknowledgment of this condition upon such Plan's initial purchase of the shares of any Fund.

Conclusion

For the reasons summarized above, Applicants assert 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.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–1558 Filed 1–22–97; 8:45 am]

BILLING CODE 8010–01–M

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 January 27, 1997.

A closed meeting will be held on Tuesday, January 28, 1997, at 10:00 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 Tuesday, January 28, 1997, at 10:00 a.m., will be:

Injunction of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities 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.

Dated: January 21, 1997.

Jonathan G. Katz,

Secretary.

[FR Doc. 97–1819 Filed 1–21–97; 8:45 am]

BILLING CODE 8010–01–M

[Release No. 34–38169; File No. SR–CBOE–96–72]

Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to RAES Order Size for Interest Rate Options

January 14, 1997.

On November 26, 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)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to amend Exchange Rule 23.7, ''RAES,'' to increase the maximum size of interest rate option orders eligible for entry into the CBOE's Retail Automated Execution System (''RAES'') from 10 or fewer contracts to 100 or fewer contracts.

The proposed rule change was published for comment in the Federal Register on December 12, 1996.[3] No comments were received on the proposal.[4]

The CBOE proposed to amend CBOE Rule 23.7(ii) to increase the maximum size of orders in CBOE interest rate options which are eligible for execution through RAES from 10 or fewer contracts to 100 or fewer contracts. The proposed increase in the maximum size of RAES-eligible interest rate option orders will apply to all classes of interest rate options.[5]

The proposed rule change is designed to allow the Exchange to compete effectively with other markets that trade interest rate derivatives.[6] According to the CBOE, much of the trading in interest rate derivatives currently occurs in markets where transaction sizes are larger than are eligible for automatic execution through RAES at the CBOE.

Specifically, the CBOE notes that because the TYX interest rate contract offered to the CBOE represents approximately one-tenth (1/10th) of the value of the underlying government securities, the current eligible order limit of ten contracts is essentially equivalent in value to only one U.S. Treasury Bond option. The Exchange believes that the proposed increase in the maximum size of orders for CBOE interest rate options, such as the TYX, that are eligible for execution through RAES (essentially a ''10-lot'' in the Treasury Bonds themselves), will provide a more meaningful limit for institutional customers.

The CBOE believes that the proposed rule change will not impose any significant burdens on the operation and capacity of RAES, but instead will increase the efficiency of the Exchange's operations by expanding the number of orders that are eligible for automatic execution and by reducing manual processing. Finally, the CBOE believes that the rule change will not have a negative impact on the capacity, security or integrity of RAES.

By expanding the maximum size of orders in CBOE interest rate options which are eligible for execution through RAES from 10 or fewer contracts to 100 or fewer contracts, the Exchange believes that the proposed rule change will better serve the needs of the CBOE's public customers and the Exchange members who make a market for such customers. The CBOE believes that the proposed rule change is consistent with section 6(b) of the Act, in general, and furthers the objectives of section 6(b)(5), in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6 and Section 11A.[7] Specifically, the Commission finds that the CBOE's proposal will facilitate transaction in securities and protect investors and the public interest.[8] The Commission believes that providing for the automatic execution of larger customer orders in interest rate options will provide for more efficient handling and reporting of orders in interest rate options, thereby improving order processing and turnaround time.[9] In addition, the Commission believes that public customers may benefit from the proposal because their interest rate option orders for up to 100 contracts may be executed automatically at the displayed market quote. Public customers also will have the benefit of receiving nearly instantaneous executions and confirmations for interest rate option orders of up to 100 contracts.

The CBOE has stated that the proposal will allow the Exchange to compete more effectively with other markets that trade interest rate derivatives. Accordingly, the Commission believes that the proposal may help the CBOE to attract order flow, thereby increasing the depth and liquidity of the CBOE's market for interest rate options, to the benefit of all market participants. In addition, the proposal may benefit investors by providing them with additional financial products with which to implement their trading strategies.

The Commission notes that it has approved proposals by other options exchanges allowing comparable increases in the number of option contracts eligible for automatic execution.[10]

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

[2] 17 CFR 240.19b–4 (1996).

[3] See Securities Exchange Act Release No. 38022 (December 5, 1996), 61 FR 65422.

[4] The CBOE supplemented its proposals with a letter explaining that the proposed rule change is designed to encourage customer demand in interest rate options and to allow the CBOE to compete effectively with markets for other interest rate derivatives, which fill orders to a depth of 100 contracts. See Letter from Debora E. Barnes, Senior Attorney, CBOE, to Yvonne Fraticelli, Attorney, Options and Derivatives Regulation, Division of Market Regulation (''Division''), Commission, dated December 13, 1996 (''December 13 Letter'').

[5] Currently, the CBOE offers four interest rate options, including the following: IRX (3-month Treasury Bill); FVX (5-year Treasury Note); TNX (10-year Treasury Note); and TYX (30-year Treasury Bond).

[6] See December 13 Letter, *supra* note 4.

[7] 15 U.S.C. 78f and 78k–1 (1988).

[8] In approving the rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[9] The CBOE expects that, initially, the increased RAES order size eligibility will be utilized only for TYX options. Telephone conversation between Debora E. Barnes, Senior Attorney, CBOE, and Yvonne Fraticelli, Attorney, Office of Market Supervision, Division, Commission, on January 13, 1997.

[10] See *e.g.,* Securities Exchange Act Release Nos. 36601 (December 18, 1995), 60 FR 66817 (December 26, 1995) (order approving File No. SR–PHLX–95–39) (increasing the maximum automatic execution order size eligibility for public customer orders for all equity and index options to 50 contracts); 33476 (January 13, 1994), 59 FR 3140 (January 20, 1994) (order approving File No. SR–Amex–93–33) (increasing the size of Japan Index option orders eligible for automatic execution to 99 contracts); 30290 (January 27, 1992), 57 FR 4072 (February 3, 1992) (order approving File No. SR–Amex–91–27)

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