

Budget, Room 3208, New Executive Office Building, Washington, D.C. 20503.

Dated: September 10, 1996.

Jonathan G. Katz,

Secretary.

[FR Doc. 96-23979 Filed 9-17-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22219; 811-7640]

Common Trust Fund R of the Commercial Bank Combined Capital Trust; Notice of Application

September 12, 1996.

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

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

APPLICANT: Common Trust Fund R of the Commercial Bank Combined Capital Trust.

RELEVANT ACT SECTIONS: Order requested under section 8(f).

FILING DATES: The application was filed on September 28, 1995. Applicants have agreed to file an amendment, the substance of which is incorporated herein, during the notice period.

SUMMARY OF APPLICATION: Applicant requests an order declaring that it has ceased to be an investment company.

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 October 7, 1996, 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 of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, N.W., Washington, D.C. 20549. Applicant, 550 Center Street, N.E., Second Floor, P.O. Box 1012, Salem, OR 97308.

FOR FURTHER INFORMATION CONTACT: David W. Grim, Staff Attorney, at (202) 942-0571, or Elizabeth G. Osterman, Assistant Director, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is a registered open-end management investment company organized as a common law trust under the laws of the state of Oregon. On December 7, 1987, applicants submitted to the SEC a no-action request to sell units without registration under the Securities Act of 1933 ("Securities Act") and the Act. The SEC did not issue the requested no-action assurance. Nevertheless, applicant sold units without registration to the public from 1988 until October 1993. On April 6, 1993, applicant filed a Notification of Registration on Form N-8A pursuant to section 8(a) of the Act and a registration statement on Form N-1A under section 8(b) of the Act and a registration statement on Form N-1A under section 8(b) of the Act and under the Securities Act. The registration statement never became effective.

2. On December 6, 1994, the SEC issues an order instituting public proceedings against The Commercial Bank, the principal underwriter of the Fund, and Marvin Abeene, the manager of Commercial Bank's trust department.¹ The order imposed remedial sanctions and ordered The Commercial Bank and Mr. Abeene to cease and desist violating certain sections of the Securities Act and the Act. The order also required applicant to hire a consultant to conduct a comprehensive review of the policies and procedures of applicant. On April 25, 1995, upon conclusion of the consultant's review, the board of directors of applicant determined to refrain from registering applicant's units and adopted a resolution approving the liquidation of applicant.

3. On May 18, 1995, applicant terminated operations and liquidated its assets. On the liquidation date, applicant had a total of 50,008 units outstanding. Applicant redeemed all outstanding units by distributing an aggregate amount of \$12,045,281.55 to its unitholders. Each unitholder received a distribution at least equal to the net asset value of its investment in applicant. All unitholders who held rescission rights as a result of their purchase of unregistered units had the option of receiving cash in excess of the

net asset value of their investment from The Commercial Bank as compensation for such rescission rights. To preserve the tax benefits associated with individual retirement accounts, applicant offered to facilitate the investment of each unitholder's cash distribution in a range of investment alternatives.

4. Applicant paid a total of \$49,332.94 for expenses incurred in connection with the liquidation. These expenses, which included brokerage commissions as well as fees for legal, financial, and accounting advice provided to applicant, were paid as follows: \$26,999.00 to KPMG Peat Marwick LLP, \$1,500.00 to Arthur Anderson LLP, \$12,106.76 to Davis Wright Tremaine, and \$8,727.18 in brokerage commissions.

5. As of the date of application, applicant had no unitholders, assets, or liabilities. Applicant is not a party to any litigation or administrative proceeding other than the proceeding discussed above. Applicant is neither engaged nor proposes to engage in any business activities other than those necessary for the winding-up of its affairs.

6. The trust document governing applicant authorized the liquidation of applicant upon the direction of the board of directors of The Commercial Bank, trustee of applicant. Because of its status as a common law trust, applicant was not required to make any filings relating to the liquidation with the State of Oregon.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 96-23977 Filed 9-18-96; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-22220; File No. 812-10078]

Equitable Life Insurance Company of Iowa, et al.

September 12, 1996.

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

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

APPLICANT: Equitable Life Insurance Company of Iowa ("Equitable") and Equitable Life Insurance Company of Iowa Separate Account A ("Separate Account A").

RELEVANT 1940 ACT SECTIONS: Order requested pursuant to Section 26(b) of the 1940 Act approving the substitution of portfolio shares.

¹ In the Matter of The Commercial Bank and Marvin C. Abeene, Administrative Proceeding File No. 3-8567, Investment Company Act Release No. 20757 (Dec. 6, 1994).

SUMMARY OF APPLICATION: Applicants seek an order approving the substitution of shares of the International Equity Portfolio ("IE Portfolio") of the Warburg Pincus Trust ("WP Trust") for shares of the International Stock Portfolio ("IS Portfolio") of the Equi-Select Series Trust ("ES Trust"). Each portfolio is an investment option underlying Separate Account A.

FILING DATE: The application was filed on April 4, 1996, and amended and restated on August 9, 1996.

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 Secretary of the SEC 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 October 7, 1996, 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 who wish to be notified of a hearing may request notification by writing to the Secretary of the SEC.

ADDRESSES: SEC, Secretary, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, c/o Mr. John A. Merriman, General Counsel & Secretary, Equitable Life Insurance Company of Iowa, 604 Locust Street, Des Moines, IA 50309. Copies to: Raymond A. O'Hara III, Blazzard, Grodd & Hasenauer, P.C., P.O. Box 5108, Westport, CT 06881; and Mr. G. Thomas Sullivan, Nyemaster, Goode, McLaughlin, Voigts, West, Hansell & O'Brien, P.C., 1900 Hub Tower, Des Moines, IA 50309.

FOR FURTHER INFORMATION CONTACT: Edward P. Macdonald, Staff Attorney, or Patrice M. Pitts, Special Counsel, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the SEC.

Applicants' Representations

1. Equitable, a stock life insurance company and wholly-owned subsidiary of Equitable of Iowa Companies, is engaged primarily in the writing of traditional, universal, and term life and fixed insurance policies, and variable annuity contracts on an individual and group basis.

2. Separate Account A, a segregated asset account registered under the 1940

Act as a unit investment trust, funds certain individual flexible purchase payment deferred variable annuity and fixed annuity contracts ("Contracts") issued by Equitable. Separate Account A currently is divided into sixteen sub-accounts ("Sub-Accounts") which reflect the investment performance of a specific series of the WP Trust, ES Trust, or another underlying mutual fund available under the Contracts.

3. The IS Portfolio, an investment option under the Contracts, has as its primary investment objective capital growth. The IS Portfolio invests at least 65% of its total assets in equity securities of issuers located outside the United States. On February 29, 1996, the IS Portfolio had approximately \$12 million in net assets (of which approximately \$4 million in net assets consisted of Equitable's seed money and working capital contributions). The total expenses of the IS Portfolio for the year ended December 31, 1995, were 2.88% of its average net assets, without regard to waiver or reimbursement of expenses.

4. Equitable Investment Services, Inc. ("EISI"), a registered investment adviser and wholly-owned subsidiary of Equitable of Iowa Companies and an affiliate of Equitable, provides overall management of the investment strategies and policies of the IS Portfolio. EISI receives an annual investment advisory fee, accrued daily and payable monthly, based on .80% of the first \$300 million and .55% over and above \$300 million of the IS Portfolio's average daily net assets.

5. Pursuant to a subadvisory agreement between EISI and Strong Capital Management, Inc. ("Strong"), EISI pays to Strong for subadvisory services .40% of the first \$300 million and .25% over and above \$300 million of the IS Portfolio's average daily net assets. This fee is accrued daily and payable monthly. The subadvisory agreement between EISI and Strong will be terminated when the IS Portfolio has no assets.

6. The IE Portfolio of the WP Trust has as its primary investment objective long-term capital appreciation. The IE Portfolio invests primarily in equity securities of non-U.S. issuers. On December 31, 1995, the IE Portfolio had approximately \$66 million in net assets and total expenses of 2.21% of its average net assets, without regard to waiver or reimbursement of expenses.

7. Warburg Pincus Counsellors, Inc. ("Warburg") is the investment adviser of the IE Portfolio. Warburg receives an annual investment advisory fee of 1.00% of the IE Portfolio's average daily net assets. The fee is accrued daily and payable monthly.

8. Equitable and Separate Account A propose to effect a substitution of shares of the IE Portfolio for all shares of the IS Portfolio attributable to the Contracts ("Substitution"). Equitable will pay all expenses and transaction costs of the Substitution, including any applicable brokerage commissions. On April 12, 1996, Equitable supplemented the prospectus for Separate Account A to reflect the proposed Substitution.

9. Equitable will schedule the Substitution to occur as soon as practicable following the issuance of an order by the Commission so that Contract owners can maximize benefits of the Substitution.

10. For those Contract owners who continue to have any of their Contract values invested in shares of the IS Portfolio on the effective date of the Substitution, Equitable will substitute shares of that portfolio for shares of the IE Portfolio in the following manner: as of the effective date of the Substitution the shares of the IS Portfolio representing Contract values would be redeemed by Equitable, and on the same day, Equitable will use the proceeds to purchase the appropriate number of shares of the IE Portfolio. The Substitution will take place at relative net asset values of the Portfolios, with no change in the amount of any Contract owner's Contract value.

11. Within five (5) days after the completion of the Substitution (pursuant to the order of the SEC approving the Substitution), Equitable will send to the Contract owners written notice of the Substitution ("Notice") stating that shares of the IS Portfolio have been eliminated and that shares of the IE Portfolio have been substituted. Applicants state that Equitable will include in this mailing the prospectus supplement (the "Supplement") for Separate Account A describing the Substitution.

12. Contract owners will be advised in the Notice that for a period of thirty (30) days from the mailing of the Notice, they may transfer all assets, as substituted, to any other available Sub-Account, without limitation and without charge. The period from the date of the Supplement to thirty (30) days from the mailing of the Notice is the "Free Transfer Period."

13. Following the Substitution, Contract owners will be afforded the same contractual rights as they currently have—including surrender and other transfer rights—with regard to amounts invested under the Contracts. Currently, there are no applicable surrender fees or redemption charges under the Contracts; applicable deferred sales charges, however, will be imposed.

Applicants' Legal Analysis and Conditions

1. Section 26(b) of the 1940 Act provides, in pertinent part, that "[i]t shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution." The purpose of Section 26(b) is to protect the expectation of investors in a unit investment trust that the unit investment trust will accumulate the shares of a particular issuer, and to prevent unscrutinized substitutions which might, in effect, force shareholders dissatisfied with the substituted security to redeem their shares, thereby possibly incurring either a loss of the sales load deducted from initial purchase payments, an additional sales load upon reinvestment of the redemption proceeds, or both. Section 26(b) affords protection to investors by preventing a depositor or trustee of a unit investment trust holding the shares of one issuer from substituting for those shares the shares of another issuer, unless the Commission approves that substitution.

2. Applicants assert that the purposes, terms and conditions of the Substitution are consistent with the principles and purposes of Section 26(b) and do not entail any of the abuses that Section 26(b) is designed to prevent. Applicants further assert that the Substitution is an appropriate solution to the limited Contract owner interest or investment in the IS Portfolio which currently is, and in the future may be expected to be, of insufficient size to promote consistent investment performance or to reduce operating expenses.

3. Applicants assert that the Substitution will not result in the type of costly forced redemption that Section 26(b) was intended to guard against and is consistent with the protection of investors and the purposes fairly intended by the 1940 Act because: (a) The Substitution is of shares of the IE Portfolio whose objective, policies and restrictions are substantially similar to the objective, policies and restrictions of the IS Portfolio so as to continue fulfilling Contract owners' objectives and risk expectations; (b) while the advisory fees incurred by the IE Portfolio are higher than those applicable to the IS Portfolio, the total expenses of the IE Portfolio—as a percentage of the net assets—are lower than those of the IS Portfolio; (c) the Substitution will, in all cases, be at net asset value of the respective shares, without the imposition of any transfer

or similar charge; (d) Equitable has undertaken to assume the expenses and transaction costs, including, among others, legal and accounting fees and any brokerage commissions relating to the Substitution; (e) within five (5) days after the completion of the Substitution, the Company will send to the Contract Owners written notice of the Substitution and the Supplement stating that shares of the IS Portfolio have been eliminated and that the shares of the IE Portfolio have been substituted; (f) if a Contract owner so requests, during the Free Transfer Period, assets will be reallocated for investment in a Contract owner-selected sub-account; (g) the Substitution will not alter the insurance benefits to Contract owners or the contractual obligations of Equitable; (h) the Substitution will not alter the tax benefits to Contract owners; (i) Contract owners may choose to withdraw amounts credited to them following the Substitution under the conditions that currently exist, subject to any applicable deferred sales charge; and, (j) the Substitution is expected to confer certain economic benefits to Contract owners by virtue of the enhanced asset size.

Conclusion

For the reasons set forth above, Applicants represent that the order requested approving the proposed Substitution, meets the standards set forth in Section 26(b) of the 1940 Act and should be granted.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 96-23978 Filed 9-18-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37678; File No. SR-GSCC-96-9]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposal Rule Change Relating to the Establishment of a Mechanism for Returning Certain Excess Clearing Fund Collateral to Members on a Daily Basis

September 13, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ notice is hereby given that on August 11, 1996, the Government Securities Clearing Corporation ("GSCC") filed with the Securities

Exchange Commission ("Commission") the proposed rule change (File No. SR-GSCC-96-9) as described in Items I, II, and III below, which items have been prepared primarily by GSCC. 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

GSCC is filing a proposed rule change that establishes a mechanism for returning certain excess clearing fund collateral to members on a daily basis rather than on the current monthly basis.

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

In filing with the Commission, GSCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. GSCC 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

GSCC proposes to amend its rules to establish a mechanism for returning certain excess clearing fund collateral to members on a daily basis rather than on the current monthly basis. GSCC's clearing fund is designed to protect GSCC from the exposure presented by fluctuations in the value of a defaulting member's net settlement position from the most recent marking-to-market until liquidation of that position. The daily mark-to-market mechanism, which is applicable to forward net settlement positions, is designed to bring net settlement positions from contract value to current market value.

The clearing fund collateral pool in fact serves a number of purposes. It allows GSCC to have on deposit from each netting member assets sufficient to satisfy any losses that may otherwise be incurred by GSCC and ultimately its members as the result of the member's default and the resultant close out of that member's net settlement position. It permits GSCC to maintain a total asset

¹ 15 U.S.C. § 78s(b)(1) (1988).

² The Commission has modified the text of the statements GSCC submitted.