

will be reallocated to the corresponding Substituted Portfolios. Contract owners can always exercise their own judgment as to the most appropriate alternative investment and transfer their assets from the Eliminated Portfolios to any one or a mix of the remaining sub-accounts available under their Contracts. Applicants note that, even after the Substitution, the Contracts will continue to offer a wide array of investment options having diverse investment objectives. No sales load deductions or other charges will be assessed in connection with any transfers among sub-accounts because of the Substitution.

18. By way of sticker, the Schwab Variable Annuity prospectuses have disclosed the proposed Substitution for several months. The stickers also disclosed that the Eliminated Portfolios will not accept additional premium payments (i.e. new money or transfers) on or after June 1, 1999, and that contract values allocated to the Eliminated Portfolios can be transferred without assessment of any charges and without such transfers counting toward the twelve free transfers permitted each calendar year. These stickers were mailed to all Contract owners at or around the time of filing of the initial Application. After the Notice of Application is issued, a second notification will be provided to all Contract owners who have amounts allocated to the Eliminated Portfolios, again advising them of the pending Substitution and of their ability to transfer free of charge to the remaining sub-accounts of their choice (or remain in the Eliminated Portfolios until the automatic substitution on the Automatic Selection Date).

19. The Contract owners also will be mailed a confirmation of the Substitution transaction within five days of the Automatic Selection Date. The confirmation will contain a reminder of the Contract owner's ability to effect one transfer without incurring any charges, and such transfer will not be counted as one of the twelve free transfers permitted in a calendar year so long as the transfer is made within 30 days of the effective date of the Substitution.

20. Applicants represent that the proposed Substitution will be effected by redeeming shares of the Eliminated Portfolios on the Automatic Selection Date at net asset value and using the proceeds to purchase shares of the corresponding Substituted Portfolio at net asset value on the same date. Contract owners will not incur any fees or charges as a result of the transfer of account values from the Eliminated

Portfolios. The Substitution will not increase Contract or separate account fees and charges after the Substitution. Expenses incurred in connection with the Substitution, including legal, accounting and other expenses, will not be borne by Contract owners. Contract values will remain unchanged and fully invested following the consummation of the Substitution. In addition, Applicants represent that, as of the date of filing of the second amended Application, and to Applicants' best knowledge, the Substitution will not result in any adverse federal income tax impact on owners. Following the Substitution, the sub-accounts which invest in the Eliminated Portfolios will be terminated.

Applicant's Legal Analysis and Conditions

1. Section 26(b) of the 1940 Act provides that it 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; and the Commission shall issue an order approving such substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the 1940 Act.

2. Applicants request an order pursuant to Section 26(b) of the 1940 Act approving the substitution of securities.

3. Applicants represent that the purposes, terms and conditions of the Substitution are consistent with the protections for which Section 26(b) was designed and will not result in any of the harms which Section 26(b) was designed to prevent.

4. Any Contract owner who does not want his or her assets allocated to the Substituted Portfolio would be able to transfer assets to any one of the other investment divisions available under his or her Contract without charge. Such transfers could be made prior to or after Automatic Selection Date.

5. The Substitution will be effected at net asset value in conformity with Section 22 of the 1940 Act and Rule 22c-1 thereunder. Contract owners will not incur any fees or charges as a result of the transfer of account values from any Portfolio. There will be no increase in the Contract or separate account fees and charges after the Substitution. All Contract values will remain unchanged and fully invested. In addition, Applicants represent that, as of the date of filing the second amended Application, and to Applicants' best

knowledge, the Substitution will not have any adverse federal income tax impact on Contract owners. Contract owners', GWL&A's, and FGWLA's rights and obligations under the Schwab Contracts will not be affected in any way by the Substitution.

Conclusion

In light of the foregoing facts and representations, Applicants believe that the request to allow the Substitution meets the applicable standards of an order under Section 26(b) of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-893 Filed 1-13-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42323; File No. SR-DTC-99-24]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to Collateralization Procedures

January 7, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934¹ ("Act"), notice is hereby given that on October 27, 1999, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by DTC. 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

The proposed rule change would revise DTC's collateralization procedures for situations where a participant holds collateral associated with the participant.

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

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any

¹ 15 U.S.C. 78s(b)(1).

comments it received on the proposed rule change. The text of these statements may be examined at the place specified in Item IV below. DTC 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 Purpose of, and Statutory Basis for, the Proposed Rule Change

DTC employs risk management controls to protect DTC and its participants from the inability of one or more participants to pay its settlement obligation. One such control, collateralization, is meant to ensure that at all times a participant maintains collateral in its account equal to or greater than its net debit. If a participant were to fail to pay its settlement obligation, collateral in the failing participant's account would be used to support any necessary borrowing and potential liquidation.

On a small number of occasions, the collateral in a participant's account has been associated with the participant (for example, the participant's own commercial paper). In a situation where a participant's obligation is supported partly or fully by its associated securities, the risk that DTC would not have sufficient collateral if that participant were to fail to pay DTC its settlement obligation is increased. Although such incidents are infrequent, DTC has reviewed its collateralization procedures that it follows to protect against a participant's failure to settle with DTC due to a financial or operational problem with respect to such situations.³ As a result of its review, DTC is proposing to revise the aforesaid procedures to provide for a systemic monitor that will withhold collateral value for collateral associated with a participant.⁴

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder applicable to DTC because the proposed rule change will facilitate completion of daily money settlement at DTC in the event of a participant's failure to settle with DTC. According to DTC, the proposed rule change will be implemented consistently with the safeguarding of securities and funds in DTC's custody or control or for which

it is responsible because the collateralization procedures supplement DTC's existing risk management controls.

B. Self-Regulatory Organization's Statement on the Burden on Competition

DTC perceives no adverse impact on competition by reason of the proposed rule change.

C. Self-Regulatory Organization's Statement Comments on the Proposed Rule Change Received From Members, Participants or Others

DTC discussed the proposed rule change with several participants. Written comments from DTC participants or others have not been solicited or received on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room in Washington, DC. Copies of such filing will also be available for inspection and copying at the principal

office of DTC. All submissions should refer to File No. SR-DTC-99-24 and should be submitted by February 4, 2000.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 00-980 Filed 1-13-00; 8:45 am]

BILLING CODE 8010-01-M

SOCIAL SECURITY ADMINISTRATION

Statement of Organization, Functions and Delegations of Authority

This statement amends Part S of the Statement of the Organization, Functions and Delegations of Authority which covers the Social Security Administration (SSA). Notice is given that Chapter S1 for the Office of the Deputy Commissioner for Finance, Assessment and Management (DCFAM) is being amended to reflect a title change and minor organizational changes within the Office of Financial Policy and Operations. The changes are as follows:

Section S1N.10 The Office of Financial Policy and Operations—
(Organization):

Retitle:

G. The Office of Systems Security (S1NG) to the Office of Information Systems Security (S1NG).

Section S1N.20 The Office of Financial Policy and Operations—
(Functions):

Retitle and amend as follows:

G. The Office of Systems Security (S1NG) to the Office of Information Systems Security (S1NG).

The Office of Information Systems Security directs, coordinates and manages SSA's overall information systems security program. This includes the development of SSA's security policy requirements and procedures, the effective implementation of other governing directives in the area of security, the administration of an effective access control program, an onsite review program and a comprehensive security compliance and corrective action monitoring program. It provides educational training and awareness programs to management and employees on security policy/requirements; serves as the Agency focal point for day-to-day contact with the Office of Inspector General on matters of fraud, waste and abuse; and provides direction and guidance to the Agency's component and regional security officers. The Office is also responsible

² The Commission has modified the text of the summaries prepared by DTC.

³ DTC's current procedures relating to risk management controls are set forth in memorandums dated March 17, 1995, which are attached to Exhibit 3 to DTC's filing.

⁴ DTC's proposed collateralization procedures are attached as Exhibit 2 to DTC's filing.