

such steps as may be necessary to comply with Rules 6e-2 and 6e-3(T), as amended, and Rule 6e-3, as adopted, to the extent applicable.

11. The Fund will comply with all provisions of the Act requiring voting by shareholders (which, for these purposes, shall be the persons having a voting interest in shares of the Insurance Portfolios), and, in particular, the Fund will either provide for annual meetings (except to the extent that the Commission may interpret Section 16 of the Act not to require such meetings) or comply with Section 16(c) of the Act (although the Fund is not an investment company of the type described in Section 16(c) of the Act), as well as with Section 16(a), and, if applicable, Section 16(b) of the Act. Further, the 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.

12. No less than annually, the Participating Insurance Companies and/or the Adviser shall submit to the Board such reports, materials, or data as the Board may reasonably request so that the Board may carry out fully the obligations imposed upon it by the conditions contained in these express conditions. Such reports, materials, and data shall be submitted more frequently if deemed appropriate by the Board. The obligations of the Participating Parties to provide these reports, materials, and date to the Board shall be a contractual obligation of all Participating Parties under the agreements governing their participation in the Insurance Portfolios.

13. In the event that a Qualified Plan shareholder should ever become an owner of 10% or more of the assets of an Insurance Portfolio, that Qualified Plan shareholder will execute a fund participation agreement with the Fund including the conditions set forth herein to the extent applicable. A Qualified Plan shareholder will execute an application containing an acknowledgment of this condition at the time of its initial purchase of shares of the Insurance Portfolio.

Conclusion

For the reasons and upon the facts stated 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 Act.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43530; File No. SR-CHX-00-28]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Inc., to Amend its Rule Relating to Automatic Execution of Agency Limit Orders for Dual Trading System Issues

November 7, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 14, 2000, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Exchange proposes to amend its rule relating to automatic execution of agency limit orders for Dual Trading System issues in the event of a trade-through. Specifically, the Exchange proposes to amend Article XX, Rule 37(b)(6). The text of the proposed rule change is below. Proposed additions are in italics. Proposed deletions are in brackets.

Guaranteed Execution System And Midwest Automated Execution System Rule 37.

* * * * *

(b) Automated Executions. The Exchange's Midwest Automated Execution System (the MAX System) may be used to provide an automated delivery and execution facility for orders that are eligible for execution under the Exchange's BEST Rule (Article XX, Rule 37(a)) and certain other orders. In the event that an order that is subject to the BEST Rule is sent

through MAX, it shall be executed in accordance with the parameters of the BEST Rule and the following. In the event that an order that is not subject to the BEST Rule is sent through MAX, it shall be executed in accordance with the parameters of the following:

* * * * *

(6) Execution of Dual Trading System Issues. In Dual Trading Systems issues there shall be a fifteen (15) second delay between the time a market order is entered into MAX and the time it is automatically executed. In the event that the spread between the ITS BEST Bid and ITS Best Offer in a stock eligible for automatic execution in MAX, is equal to the minimum variation at the time an order is entered into MAX, that order shall be executed immediately (*i.e.*, in 0 seconds without the 15 second delay). All agency market orders and all limit orders that are marketable when entered into the MAX System, that are of a size less than or equal to the auto-execution threshold and are eligible for execution under the BEST Rule will automatically be filled at the ITS Best Bid (for a sell order) or ITS Best Offer (for a buy order) or better. All other agency limit orders will be [automatically] filled at the limit price when there is a price penetration of *the* limit price in the primary market. *A specialist may elect automatic execution of such agency limit orders on an issue-by-issue basis.* [However, if the price differential between the trade-through price and the last sale is more than $\frac{1}{4}$ point or 1% of the value of the trade-through price, whichever is less, a second print at a trade-through price which is less than $\frac{1}{4}$ point (or 1%) away from the previous trade-through price is necessary before the MAX system will automatically execute the agency limit order.] For purposes of this Rule, "agency order" shall mean an order for the account for a customer but shall not include professional orders as defined in Article XXX, Rule 2, interpretation and policy .04.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change, and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend Article XX, Rule 37(b)(6) to allow a specialist to elect, on an issue by issue basis, to either manually or automatically execute limit orders when a trade-through occurs in the primary market. The current rule provides that agency limit orders (that are not marketable when entered into the Exchange's MAX automatic execution system) will automatically be filled at the limit price when there is a price penetration of the limit price in the primary market for the subject security. Under the proposed amended rule, automatic execution of such limit orders will no longer be mandated. A CHX specialist may elect to provide for automatic execution of agency limit orders at the limit price when there is a price penetration of the limit price in the primary market for the subject security(ies). The obligation to fill the order at the limit price remains the same under either election. The Exchange believes that this proposed amendment reasonably anticipates the impact that the decimal pricing environment will have on the national market system, where the number of small orders executed at multiple price levels may increase the number of inadvertent trade throughs that could otherwise lead to unwarranted automated executions of large orders in a CHX specialist's limit order book, exposing the specialist to substantially increased liability in the decimal pricing environment.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange. In particular, the Exchange believes the proposed rule is consistent with Section 6(b)(5) of the Act³ in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No written comments were either solicited or received.

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

Within 35 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 90 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 CHX 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. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All submissions should refer to File No. SR-CHX-00-28 and should be submitted by December 7, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43505; File No. SR-MBSCC-00-01]

Self-Regulatory Organizations; MBS Clearing Corporation; Order Approving a Proposed Rule Change Relating to Letters of Credit

November 1, 2000.

On April 11, 2000, the MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-MBSCC-00-01) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ On June 13, 2000, MBSCC amended the proposed rule change. Notice of the proposal was published in the **Federal Register** on June 26, 2000.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Discussion

The rule change adds subsection (b) to Article IV, Rule 2, Section 9 of MBSCC's rules to prohibit MBSCC from accepting a letter of credit from a participant that is issued by that participant or by an affiliate of that participant.³ This rule change codifies MBSCC's historical practice of requiring that a letter of credit deposited by a participant to the

⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 42961 (June 20, 2000), 65 FR 39456.

³ Article IV, Rule 2, Section 9 of MBSCC's rules, which governs deposits of letters of credit by MBSCC's participants to the participants fund for margin purposes, provides, among other things, that MBSCC may approve as the issuer of a letter of credit any domestic or foreign bank or trust company meeting the requirements set forth in procedures adopted by MBSCC.

The rule change also amends Article I, Rule 1 of MBSCC's Rules to add a definition of "affiliate." Affiliate is defined as follows: "The term an 'Affiliate' of, or a person 'Affiliated' with, a specified person, means a person that directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. For purposes of this definition, the term 'control' (including the terms 'controls,' 'controlled by,' and 'under common control with') means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise."

³ 15 U.S.C. 78f(b)(5).