

(b) Institute proceedings to determine whether the proposed rule change should be disapproved.

NYSE has requested accelerated approval of the proposed rule change in order that the rule can become effective on June 7, 1995.<sup>7</sup>

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submission should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submissions, 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 Section, 450 5th Street, NW., Washington, DC 20549. Copies of such filings will also be available for inspection and copying at the principal office of NYSE. All submissions should refer to file number SR-NYSE-95-19 and should be submitted by June 23, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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[Rel. No. IC-21098; 812-6902]

#### IDS Certificate Company, Notice of application

May 26, 1995.

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

**ACTION:** Notice of Application for Exemption under the Investment Company Act of 1940 (the "Act").

**APPLICANT:** IDS Certificate Company ("IDSC").

**RELEVANT ACT SECTIONS:** Order requested under sections 6(c), 28(b), 18(j)(1), and 28(c).

**SUMMARY OF APPLICATION:** IDSC requests an order under section 28(b) to permit

it to hold as "qualified investments" those investments permitted under the Minnesota life insurance code ("Minnesota Code") and to value these investments in accordance with the Minnesota Code; under section 6(c) to adopt a more conservative formula to calculate its minimum reserve requirements; under section 18(j)(1) to engage in certain hedging transactions that are permitted under the Minnesota Code; and under section 28(c) to authorize certain custodial arrangements. The order under section 6(c) would supersede a prior order (the "Interest Rate Order") relating to IDSC's reserve calculations.<sup>1</sup> In addition, the order under section 28(c) would amend two prior orders (the "Custody Orders") concerning IDSC's custodial arrangements.<sup>2</sup>

**FILING DATE:** The application was filed on October 15, 1987, and amended on March 30, 1988, March 3, 1989, December 22, 1989, May 24, 1990, August 20, 1990, September 27, 1994, and May 26, 1995.

**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 applicant 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 20, 1995, and should be accompanied by proof of service on applicant, 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 SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street, NW., Washington, DC 20549. Applicant, IDS Tower 10, Minneapolis, Minnesota 55440, Attn: Bruce A. Kohn.

**FOR FURTHER INFORMATION CONTACT:** Robert A. Robertson, Branch Chief, at (202) 942-0564, 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

<sup>1</sup> *IDS Certificate Company*, Investment Company Act Release Nos. 14981 (Mar. 11, 1986) (notice) and 15045 (Apr. 7, 1986) (order).

<sup>2</sup> *IDS Certificate Company*, Investment Company Act Release Nos. 14652 (July 31, 1985) (notice) and 14712 (Sept. 11, 1985) (order); *IDS Certificate Company*, Investment Company Act Release Nos. 17652 (Aug. 3, 1990) (notice) and 17723 (Aug. 31, 1990).

application. The complete application may be obtained for a fee for the SEC's Public Reference Branch.

#### Applicant's Representations

1. IDSC, a registered face-amount certificate company, is a wholly-owned subsidiary of IDS Financial Corporation, a registered broker-dealer and investment adviser. IDSC issues several types of "face-amount certificates" with varying terms and maturities. Face-amount certificates are debt obligations of the issuing company. These certificates obligate the issuer to pay a certain amount to the holder thereof upon maturity or to pay a specified surrender value prior to maturity.

2. IDSC is located in Minnesota. A specific statutory mandate subjects IDSC to oversight and periodic inspections by the Minnesota Department of Commerce, which administers the Minnesota Code and also regulates insurance companies. The Department inspects IDSC at least annually, and focuses particularly on portfolio quality and the adequacy of reserves for losses.

#### A. Qualified Investments

1. As a face-amount certificate company, the Act requires IDSC to hold assets having a value of not less than the aggregate amount of its required paid-in capital and certificate reserves. Section 28(b) provides that these assets must consist of cash or "qualified investments," which are defined as those investments that life insurance companies are permitted to invest in or hold under the Code of the District of Columbia (the "D.C. Code") or investments that the SEC may authorize by rule, regulation, or order. In addition, the section provides that these investments must be valued in accordance with the D.C. Code.

2. Investments available in the marketplace have changed substantially since the adoption of the D.C. Code, and applicants believe that the D.C. Code is largely outdated as the last substantive amendments were passed in 1960. Under the D.C. Code, life insurance companies may not invest more than 5% of their assets in investments not expressly permitted by the D.C. Code (the "5% Limitation").

3. IDSC requests and order under section 28(b) to permit it to hold as "qualified investments" those financial instruments that life insurance companies may hold under the Minnesota Code, as in effect at the time relief is granted. In addition, if the requested relief is granted, these investments will be valued in accordance with the Minnesota Code. The Minnesota Code allows "financial

<sup>7</sup> *Supra* note 3 and accompanying text.

<sup>8</sup> 17 CFR 200.30-3(a)(12) (1994).