Likewise, the redemption or withdrawal process for insurance securities products often extends beyond the T+3 time frame. With respect to annuity contracts, the effectiveness of a withdrawal request may be delayed by the need for additional information or instructions from the contract owner with respect to the withholding of proceeds or payments to the Internal Revenue Service. In addition, while the processing of a withdrawal may take place mechanically through the insurer's systems, various circumstances may give rise to additional or preliminary manual processing which can lengthen the withdrawal process. 12 Withdrawals also may require insurers' compliance with applicable IRC provisions or ERISA requirements, as well as various administrative procedures which are relevant only to insurance securities products and not to other securities. Such compliance may demand extra processing time for withdrawals.13

The various administrative processes and the requirements under state and federal law which pertain to insurance securities products add complexity and time to the purchase and sale of such securities. These circumstances support the exemption of such securities from the scope of Rule 15c6–1.

Furthermore, permitting a longer settlement cycle for transactions involving insurance securities products does not appear to adversely affect the market risk concerns which the T+3 settlement cycle seeks to address. In adopting Rule 15c6–1, the Commission stated that three day settlement would reduce risk by decreasing the time between trade execution and settlement during which the value of securities

could deteriorate. 14 While insurance securities products are securities, neither the insurance company nor purchaser is subject to the same settlement risks attendant to the purchase of most securities. Moreover, insurance securities products are not traded in secondary market.

Likewise, withdrawal or redemption of an insurance securities product bears less risk to insurers and contract owners. Extensive state regulations exist to ensure that insurers meet their obligations to pay withdrawal proceeds to contract owners. Accordingly, an exemption from Rule 15c6–1 for insurance securities products does not appear to be inconsistent with the purposes of Rule 15c6–1.

The Commission believes that an exemption is appropriate to provide issuers with the time needed to settle transactions involving insurance securities products. Such an exemption should not affect the current regulatory scheme governing insurance securities products, including the relevant sections and rules under the Investment Company Act and the Securities Act pertaining to the purchase and sale of securities issued by insurance companies. Accordingly, the Commission finds that such exemption is consistent with the public interest and the protection of investors.

It is hereby ordered that a contract for the purchase or sale of any security issued by an insurance company as defined in Section 2(a)(17) of the Investment Company Act of 1940<sup>15</sup> ("Investment Company Act") that is funded by or participates in a "separate account" as defined in Section 2(a)(37) of the Investment Company Act,16 including a "variable annuity contract" as defined in Rule 0-1(e)(1) under the Investment Company Act 17 or a 'variable life insurance contract'' as defined in Rule 6e-2(c)(1) or Rule 6e-3(T)(c)(1) under the Investment Company Act, 18 or any other insurance contract registered as a security under the Securities Act of 1933,19 shall be exempt from the requirements of Rule 15c6-1.20 This exemption is subject to modification or revocation at any time

the Commission determines that such modification or revocation is consistent with the public interest or the protection of investors.

For the Commission by the Division of Market Regulation pursuant to delegated authority.  $^{21}$ 

## Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–14323 Filed 6–9–95; 8:45 am]

[Release No. 34–35805; International Series Release No. 816; File No. SR-Amex-95-04]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment Nos. 2 and 3 to the Proposed Rule Change by the American Stock Exchange, Inc. Relating to the Listing of Currency Warrants Based on the Mexican Peso

June 5, 1995.

On February 8, 1995, the American Stock Exchange, Inc. ("Amex" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") 1 and Rule 19b-4 thereunder,<sup>2</sup> filed with the Securities and Exchange Commission ("Commission") a proposed rule change to permit the listing of foreign currency warrants based on the value of the U.S. dollar in relation to the Mexican peso ("Peso Warrants"). Notice of the proposal appeared in the Federal **Register** on February 17, 1995.<sup>3</sup> The Exchange subsequently filed Amendment No. 1 to the proposal on March 16, 1995. Notice of Amendment No. 1 to the proposal appeared in the Federal Register on March 30, 1995.4 No comment letters were received on the original proposed rule change or on Amendment No. 1. The Exchange then filed Amendment No. 2 to the proposal on May 11, 1995,5 and Amendment No.

<sup>&</sup>lt;sup>12</sup> For example, contracts between insurers and contract owners may contain special rights restriction provisions which limit the right to effect withdrawals or impose other restrictions originating from, among other things, a tax lien or divorce decree. Such contracts usually require manual processing which results in delay of the actual processing of the withdrawal.

<sup>13</sup> Variable annuities, for example, can be used to fund a variety of plans, including tax sheltered annuities, each of which has its own set of complex tax rules regarding withdrawals. Certain variable life insurance contracts may become subject to classification as modified endowment contracts which have taxable predeath distributions Consequently, some insurers undertake additional examination of withdrawal transactions to determine prior to their completion if the contracts at issue could be classified as a modified endowment contract. Payment of death benefits on variable life insurance contracts and on variable annuity contracts frequently require extended processing time because insurance companies cannot make payments until they receive and review all documentation relevant to the claims and in some instances conduct an investigation of the claims.

<sup>14</sup> Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 [File No. S7–5–93]. The other reasons given by the Commission for the rule's adoption, coordination between the derivative and cash markets and encouragement of greater efficiency in clearing agency and brokerdealer operations, are not applicable to insurance securities products.

<sup>15 15</sup> U.S.C. 80a-2(a)(17).

<sup>&</sup>lt;sup>16</sup> 15 U.S.C. 80a-2(a)(37).

<sup>17 17</sup> CFR 270.0-1(e)(1).

<sup>18 17</sup> CFR 270.6e-2(c)(1) and 270.6e-3(T)(c)(1).

<sup>&</sup>lt;sup>19</sup> 15 U.S.C. 77a-77mm.

<sup>20 17</sup> CFR 240.15c6-1 (1994).

<sup>21 17</sup> CFR 200.30-3(a)(55).

<sup>1 15</sup> U.S.C. 78s(b)(1) (1988).

<sup>2 17</sup> CFR 240.19b-4 (1994).

<sup>&</sup>lt;sup>3</sup> See Securities Exchange Act Release No. 35363 (February 13, 1995, 60 FR 9416.

<sup>&</sup>lt;sup>4</sup>In Amendment No. 1, the Exchange amended the proposal to specify customer margin levels for the proposed currency warrants. See Securities Exchange Act Release No. 35524 (March 22, 1995), 60 FR 16517.

<sup>&</sup>lt;sup>5</sup> Amendment No. 2, as discussed herein, effectively supersedes Amendment No. 1 by specifying higher minimum customer margin levels than those proposed in Amendment No. 1. *See* Letter from Howard Baker, Senior Vice President, Derivative Securities, Amex, to Sharon Lawson, Assistant Director, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, dated May 11, 1995 ("Amendment No. 2").