proposed distribution financing arrangements will benefit the Variable Account and Amended Contract owners. Northbrook represents that the basis for that conclusion is set forth in a memorandum which will be maintained at its home office and will be available to the Commission upon request.

6. Northbrook represents that the Variable Account will invest only in management investment companies which undertake, in the event they should adopt a plan pursuant to Rule 12b-1 of the 1940 Act to finance distribution expenses, to have a board of directors or trustees, a majority of whom are not "interested persons" of the company within the meaning of Section 2(a)(19) of the 1940 Act, formulate and approve any such plan.

Conclusion

For the reasons set forth above, Applicants represent that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority. Margaret M. McFarland, Deputy Secretary. [FR Doc. 95-24348 Filed 9-29-95; 8:45 am] BILLING CODE 8010-01-M

[Rel. No. IC-21377; International Series Release No. 859; 812-9728]

The Canadian Depository for Securities Limited and the Investment **Dealers Association of Canada; Notice** of Application

September 26, 1995.

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

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

APPLICANTS: The Canadian Depository for Securities Limited ("CDS") and the Investment Dealers Association of Canada ("IDA").

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act that would exempt certain custodial arrangements from all provisions of the Act.

SUMMARY OF APPLICATION: Applicants request an order under section 6(c) to exempt the custodial arrangements for stripping certain Canadian debt securities from all provisions of the Act.

FILING DATES: The application was filed on August 22, 1995, and amended on September 20, 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 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 23, 1995 and should be accompanied by proof of service on the 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, NW., Washington, DC 20549. Applicants, CDS, 85 Richmond Street West, Toronto, Ontario, M5H 2C9 Canada; IDA, 121 King Street West, Suite 1600, Toronto, Ontario, M5H 3T9 Canada.

FOR FURTHER INFORMATION CONTACT: Sarah A. Buescher, Staff Attorney, at (202) 942-0573, or C. David Messman, Branch Chief, 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 from the SEC's Public Reference Branch.

Applicants' Representations

- 1. CDS is the major securities depository and clearing corporation in Canada. CDS is regulated by the Ontario Securities Commission and by the Commission des valeurs mobilières du Québec pursuant to provincial securities acts. CDS also has entered into an oversight agreement with the Bank of Canada, and CDS cooperates with the Office of the Superintendent of Financial Institutions. CDS is qualified to serve in Canada as an eligible foreign custodian for registered United States investment companies under rule 17f-5 of the Act.1
- 2. IDA is the national self-regulatory organization for the Canadian securities industry, and is the primary regulator of the Canadian fixed income market, including Canadian treasury bills and government and corporate bonds and debentures.

3. A group of CDS participants, including major IDA member firms and certain Canadian chartered banks and trust companies, have created payment strips ("Canadian Strips") by stripping Canadian securities into component parts for sale to investors. The most common form of Canadian Strips involves separating bonds of Canadian federal or provincial government issuers into individual interest and principal payment components. Each individual Canadian Strip is then separately held by the CDS participant or traded.

4. CDS participants sell Canadian Strips directly to investors and maintain a secondary market for the Strips. Canadian Strips are typically held by CDS participants as nominees for investors. The investors have accounts with CDS participants and are the beneficial owners of the Strips. CDS participants generally follow the instructions of beneficial owners with respect to matters relating to securities held by them as nominees, including

matters relating to defaults.

5. Originally, CDS participants created Canadian Strips by physically separating individual coupons from bearer bond certificates ("Physical Strips"). Certificates underlying Physical Strips are in bearer form, held for CDS by Canadian banks or trust companies. In 1987, CDS participants began depositing Physical Strips into CDS and also began stripping Canadian debt securities electronically on a bookentry only basis under CDS procedures. The electronic ledger system at CDS separates the underlying securities held in participants' accounts into the corresponding book-entry only strip payment components ("Book-Entry Strips"). The certificates underlying Book-Entry Strips are registered on the books of the issuer in the name of CDS or its custodian. Canadian Strips include Physical Strips deposited with CDS and Book-Entry Strips which are recorded on CDS ledgers.

6. The total face value of Canadian Strips on deposit as of April 30, 1995 was Cdn \$130 billion, of which more than 95% relate to bonds issued or guaranteed either by Canada or a Canadian province, approximately 3.5% relate to Canadian corporate issuers, and the remainder relate to municipal and other Canadian issuers, such as colleges and hospitals, that are typically supported by provincial government credit. More than 85% of the face value of the Canadian Strips as of April 30, 1995 were Book-Entry Strips.

7. The CDS custody arrangements are governed by the CDS rules and operating procedures ("CDS Rules"), which allow participants to create

¹ See The Canadian Depository for Securities Limited (pub. avail. Aug. 4, 1994).