II. Discussion

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5). In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) requirement that the rules of an exchange be designed to promote just and equitable principles of trade and not to permit unfair discrimination between customers, issuers, brokers, and dealers.

The Commission believes that allowing inter-currency spread orders to attain spread priority is appropriate for several reasons. First, because the FCO market is dominated by institutional and corporate investors, the preemption of public customer limit orders (a concern of the Commission in the context of equity and index options), is unlikely. In this regard, the Commission notes that the proposed changes are applicable solely to the FCO market, which is dominated by institutions and sophisticated corporate investors. This is in part due to the complex nature of the instruments and the tremendous size of the underlying currency markets.

Second, because inter-currency spreads are currently executed as contingency orders, and therefore more susceptible to non-execution, the Commission believes granting priority to such orders will facilitate their execution and, therefore, may lead to more efficient quotes and tighter spreads.

Third, the priority principles applicable to inter-currency spreads mirror the priority rules currently in place for regular FCO spread orders. As a result, an inter-currency spread may be executed at a total net credit/debit with one other participant, provided at least one leg of the spread is executed at a better price than the established bid or offer for that contract and that no option leg is executed at a price outside of the established bid or offer for that option contract. Accordingly, the Commission believes that this change will allow institutional and corporate investors to better utilize sophisticated trading techniques involving FCOs for hedging and risk management purposes without altering the existing priority principles.

Finally, because the proposed definition limits an inter-currency spread to a maximum of two foreign currencies, the Commission notes that

the logistical problems and confusion attendant to the execution of orders involving three or more foreign currencies will be avoided.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR–Phlx–94–23) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. ¹¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–2908 Filed 2–6–95; 8:45 am] BILLING CODE 8010–01–M

[Rel. No. IC-20875; File No. 812-9142]

First SunAmerica Life Insurance Company, et al.

February 1, 1995.

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

ACTION: Notice of application for an order under the Investment Company Act of 1940 ("1940 Act").

APPLICANTS: First SunAmerica Life Insurance Company ("First SunAmerica"), FS Variable Annuity Account Two ("Separate Account"), and Vista Broker-Dealer Services, Inc. ("Vista").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act for exemptions from Sections 26(a) and 27(c)(2) thereof.

SUMMARY OF APPLICATION: Applicants seek an order to permit the deduction of mortality, expense risk, and distribution expense charges from the assets of the Separate Account under certain variable annuity contracts ("Contracts") funded through the Separate Account and under materially similar contracts ("future contracts") funded in the future through the Separate Account, and from the assets of any other separate account ("future separate accounts") established in the future by First SunAmerica in connection with the issuance of contracts that are materially similar to the Contracts. 1

FILING DATE: The Application was filed on August 3, 1994, and amended on November 22, 1994, and December 20, 1994.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing on the application by writing to the Secretary of the Commission and serving the Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the SEC by 5:30 p.m. on February 27, 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 Secretary of the Commission.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants c/o Mark J. Mackey, Esq., Routier, Mackey and Johnson, P.C., 1700 K Street, NW., Suite 1003, Washington, DC 20006.

FOR FURTHER INFORMATION CONTACT: Patrice M. Pitts, Attorney, or Wendy Finck Friedlander, Deputy Chief, Office of Insurance Products, Division of Investment Management, at (202) 942–0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the Commission.

Applicants' Representations

- 1. First SunAmerica is a stock life insurance company organized under the laws of the State of New York. On May 24, 1994, First SunAmerica established the Separate Account to fund variable annuity contracts. The Separate Account is registered under the 1940 Act as a unit investment trust. The Separate Account and each of its portfolios are administered and accounted for as part of the general business for First SunAmerica, but the income, gains and losses of each portfolio are credited to or charged against the assets held in that portfolio in accordance with the terms of the Contracts, without regard to other income, gains and losses of any other portfolio or arising out of any other business First SunAmerica may
- 2. Vista is a broker-dealer registered under the Securities Exchange Act of 1934, and is the distributor for the Contracts.
- 3. The Contracts provide for accumulation of contract values and payments of annuity benefits on a fixed and variable basis. The Contracts are

^{9 15} U.S.C. 78f(b)(5) (1982).

¹⁰ 15 U.S.C. 78s(b)(2) (1982).

¹¹ 17 CFR 200.30-3(a)(12) (1994).

¹ Applicants have agreed to amend this application during the notice period to reflect that the future contracts and contracts issued by future separate accounts relying on the exemptive relief requested here shall be materially similar to the Contracts.