

exempting certain transactions of Aetna, V A B, and Future Accounts of Aetna from the provisions of Sections 2(a)(32), 22(c) and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder to the extent necessary to permit Aetna to recapture, under specified circumstances, certain bonuses applied to purchase payments made under the V A B Contracts described in the application for the Existing Order ("Prior Application") (Investment Company Act Release No. 24629, dated Aug. 20, 2000, File No. 812-12098).

9. But for the depositor and issuing separate account, the Account B Contracts are identical to the V A B Contracts described in the Prior Application. Future Contracts will be substantially similar in all material respects to the V A B Contracts covered in the Existing Order.

10. Additional Applicants will recapture bonuses under the Contracts under the same circumstances covered by the Existing Order. The Existing Order grants exemptions from Sections 2(a)(32), 22(c) and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder to the extent necessary to permit Aetna to recapture bonuses in the following three instances: (i) Aetna will recapture all bonuses if the Contract owner returns the Contract for a refund during the 10-day (or longer, if required) "free look" period; (ii) the amount of any account value, step-up value or roll-up value death benefit will not include any bonus credited to a Contract owner's account after or within 12 months of the date of death; and (iii) Aetna will recapture the bonus according to the forfeiture schedules described in the Prior Application if the Contract owner withdraws Year 1 Payment(s) during the first seven account years.

#### **Applicant's Legal Analysis**

1. Section 6(c) of the Act authorizes the Commission to exempt any person, security or transaction, or any class of classes of persons, securities or transactions from the provisions of the Act and the rules promulgated thereunder if and to the extent that such exemption is necessary or 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. Applicants request that the Commission, pursuant to Section 6(c) of the Act, grant exemptions summarized above with respect to Account B and any Future Account that the Life Companies have established or may establish in the future, in connection with the issuance of Contracts that are substantially similar in all material respects to the VA

B Contracts described in the Prior Application and that are underwritten or distributed by DSI, WSS, or Affiliated Broker-Dealers. Applicants believe 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.

2. Applicants submit that the recapture of bonuses by Additional Applicants will not raise concerns under sections 2(a)(32), 22(c) and 27(i)(2)(A) of the Act, and Rule 22c-1 thereunder for the same reasons given in support of the Existing Order. The bonuses will be recapturable under the same circumstances and on the same basis as described in the Prior Application.

#### **Conclusion**

Applicants submit, based on the grounds summarized above, that their exemptive request meets the standards set out in Section 6(c) of the Act, namely, that the exemptions requested are necessary or 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, and that, therefore, the Commission should grant the requested order.

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. 34-44401; File No. SR-CBOE-2001-23]**

#### **Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Brokers' Blanket Bonds**

June 8, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 14, 2001, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission

("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CBOE. 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 CBOE proposes to revise CBOE Rule 9.22, "Brokers' Blanket Bonds," to make its rule governing brokers' blanket bonds consistent with the rules of other self-regulatory organizations ("SROs").

The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

#### **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 CBOE 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 CBOE has prepared summaries, set forth in sections (A), (B) and (C) below, of 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**

CBOE Rule 9.22 requires members approved to transact business with the public and every clearing member organization to carry brokers' blanket bonds covering officers and employees of the organization in such form and in such amounts as the Exchange may require. This rule imposes requirements on CBOE members that differ from those required of members of other SRO's.<sup>3</sup> The purpose of the proposed rule change is to amend CBOE Rule 9.22 to make its requirements similar to those of other SROs. By harmonizing CBOE Rule 9.22 with the rules of other SROs, CBOE intends to simplify compliance with the requirements of CBOE rule 9.22 for its members who are also members of other SROs.

Specifically, CBOE proposes to amend CBOE Rule 9.22, Interpretation and Policy .01(a)(2), to require minimum

<sup>3</sup> see NADS Rule 3020, Chicago Stock Exchange Rule 6, NYSE Rule 319, American Stock Exchange Rule 330, Philadelphia Stock Exchange Rule 705, and Pacific Exchange rule 2.25(a).

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

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

insurance coverage of not less than \$25,000 for all insuring agreements required under Interpretation and Policy .01(a). Proposed Interpretation and Policy .01(a)(3) will specify that members maintain required coverage for Fidelity, On Premises, In Transit, Misplacement, and Forgery and Alternation insuring agreements of not less than 120% of its required net capital under Exchange Act Rule 15c3-1<sup>4</sup> up to \$600,000. Minimum coverage for required net capital in excess of \$600,000 shall be determined by reference to the following table:

Net capital requirement under SEC rule 15c3-1	Minimum coverage
\$600,000-1,000,000 .....	\$750,000
1,000,001-2,000,000 .....	1,000,000
2,000,001-3,000,000 .....	1,500,000
3,000,001-4,000,000 .....	2,000,000
4,000,001-5,000,000 .....	3,000,000
6,000,001-12,000,000 ....	4,000,000
12,000,001-and above ...	5,000,000

Proposed Interpretation and Policy .01(a)(4) will require members to maintain fraudulent trading coverage of not less than the greater of \$25,000 or 50% of the coverage required in paragraph (a)(3), up to \$500,000. Proposed Interpretation and Policy .01(a)(5) will require members to maintain securities forgery coverage of not less than the greater of \$25,000 or 25% of the coverage required in paragraph (a)(3), up to \$250,000.

In addition, proposed Interpretation and Policy .01(b)(3) will clarify that members covered under the brokers' blanket bond of an affiliate must deduct from their net capital the amount of the deductible in excess of the maximum permissible amount described in Exchange Act Rule 15c3-1.

Finally, the Exchange is making a number of non-substantive word changes to the rule to make its meaning more clear.

## 2. Statutory Basis

The CBOE believes that the proposed rule change is consistent with Section 6(b) of the Exchange Act<sup>5</sup> in general and furthers the objectives of Section 6(b)(5)<sup>6</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and

open market and a national market system.

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

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.

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

The Exchange has neither solicited nor received written comments with respect to the proposed rule change.

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

The proposed rule change has been filed as a "non-controversial" rule change pursuant to Section 19(b)(3)(A) of the Exchange Act<sup>7</sup> and subparagraph (f)(6) of Rule 19b-4<sup>8</sup> thereunder.<sup>8</sup> Because the foregoing rule change: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; and the Exchange has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the filing date of the proposed rule change, it has become effective pursuant to Section 19(b)(3)(A) of the Exchange Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. 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 Section. Copies of such filing will also be available for inspection and copying at the principal office of CBOE. All submissions should refer to file number SR-CBOE-2001-23 and should be submitted by July 10, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44411; File No. SR-NASD-2001-36]

## Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 by the National Association of Securities Dealers, Inc. To Eliminate the Service Desk Feature of the Automated Confirmation Transaction Service

June 12, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder,<sup>2</sup> notice is hereby given that on May 16, 2001, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq. Nasdaq amended the proposal on May 31, 2001,<sup>3</sup> which amendment completely replaced and superseded the original proposal. On

<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See May 30, 2001 letter from Edward S. Knight, Executive Vice President and General Counsel, Nasdaq, to Katherine A. England, Assistant Director, Division of Market Regulation ("Division"), SEC and attachments ("Amendment No. 1").

<sup>4</sup> 17 CFR 240.15c3-1.

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).