1940 Act pursuant to Section 17(b) of the 1940 Act.

3. Section 17(b) of the 1940 Act provides that the Commission may grant an order exempting a transaction prohibited by Section 17(a) of that Act upon application if evidence establishes that: (a) The terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policy of each registered investment company concerned, as recited in its registration statement or reports filed under the 1940 Act; and (c) the proposed transaction is consistent with the general purposes of the 1940 Act.

4. Applicants represent that the terms of the Proposed Transfer, as described in the application, are reasonable and fair (including the consideration to be paid and received), do not involve overreaching, are consistent with the investment policies of the Fund, and are consistent with the general purposes of the 1940 Act.

5. Applicants believe that the Proposed Transfer would benefit the Fund in several ways. Usually, when a new series of an investment company is established, expenses remain relatively high and investments are limited until the asset size of the new series reaches a high enough level to support expenses and permit the necessary latitude in investment discretion. The Proposed Transfer of all of the assets of the Separate Account (valued at approximately $68 million as of December 31, 1997) to the Fund would avoid these problems. The Proposed Transfer would be effected in conformity with Section 22(c) of the 1940 Act and Rule 22c–1 thereunder. Therefore, after the Proposed Transfer, the Separate Account Contractholders would have interests that, in practical economic terms, do not differ in any measurable way from such interests immediately prior to the Proposed Transfer. The Proposed Transfer would not require liquidation of any assets of the Separate Account or Transamerica Investors because the transfer would take the form of an exchange of portfolio securities of the Separate Account for shares of the Fund. Because the investment policies and restrictions under the Separate Account are in substance identical prior to and following the Proposed Transfer, the only sales of the Separate Account assets following the Proposed Transfer would be those arising in the ordinary course of business. Therefore, neither the Separate Account nor Transamerica Investors will incur any extraordinary costs, such as brokerage commissions, in effecting the transfer of assets, as would be the case if the Separate Account were required to liquidate its portfolio in order to purchase shares of the Fund, and the Fund, in turn, were to use such purchase proceeds for investment in portfolio securities. Moreover, the Separate Account might be forced to sustain losses caused by the untimely sale of one or more of its portfolio securities. On the basis of the foregoing, the Applicants submit that the terms of the Proposed Transfer are reasonable and fair and do not involve overreaching, and that there is no inadequacy of consideration to be received by any party to the transaction.

6. The investment objective of the Fund, the shares of which would be issued to the Separate Account in exchange for assets of the Separate Account, would be, in substance, identical to the investment objectives of the Separate Account immediately preceding the Proposed Transfer. Accordingly, the transfer of the assets of the Separate Account to the Fund, which assets have been purchased under the investment objectives, policies and restrictions identical to those of the Fund, would be consistent with the objectives and policies of the Fund.

7. Applicants submit that the Proposed Transfer would be consistent with the general purposes of the 1940 Act by avoiding the possibility that the Fund or the Separate Account would incur unnecessary expenses or losses in connection with the Proposed Transfer.

Conclusion

Applicants, for the reasons summarized above, represent that the terms of the Proposed Transfer meet all of the requirements of Section 17(b) of the 1940 Act and that an Order should be granted exempting the Proposed Transfer from the provisions of Section 17(a), to the extent requested.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39861; SR–DTC–97–21]

Self-Regulatory Organizations; the Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to Modification of Processing Bankers' Acceptances

April 14, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on October 14, 1997, the Depository Trust Company (''DTC'') filed with the Securities and Exchange Commission (''Commission''), and on November 6, 1997, and February 23, 1998, amended the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will modify DTC's plan for processing bankers' acceptances (''BAs'') to provide for fungibility of an accepting bank's issues that are issued at a discount and that mature on the same day.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[2]

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In 1994, the Commission approved an expansion of DTC's money market instruments (''MMI'') settlement program to include, among other things, BAs,[3] which allowed DTC to process

[1] 15 U.S.C. 78s(b)(1).

[2] The Commission has modified the text of the summaries prepared by DTC.

[3] Securities Exchange Act Release Nos. 33958 (April 22, 1994); 59 FR 22879 (order approving proposal on temporary basis); and 35655 (April 28,

non-fungible BAs.[4] The purpose of the proposed rule change is to modify DTC's procedures to allow an accepting bank, at its option, to assign one CUSIP number to a bundle of its BAs that are issued at a discount and that have the same maturity date. DTC will treat all such BAs assigned the same CUSIP number as fungible.

Under existing practices in the BAs market, an issuing bank and an investor may agree that a single issuance transaction can be settled by the bank's delivery of a bundle of drafts, which may involve different drawers, different underlying transactions, different goods, or different countries of origin or destination, so long as each component draft has been accepted by the issuing bank and has the same maturity date. Industry participants have requested that DTC's proposed processing rules reflect this current market practice for trading BAs.

The proposed program for processing BAs will provide for an issuing bank to settle a single issuance transaction by book-entry delivery of interests in a bundle of drafts accepted by the bank, maturing on the same date, and identified by a single CUSIP number. Subsequent to the initial issuance of these fungible BAs, the issuing bank may increase the total amount of the issue outstanding by including additional accepted drafts of the same or longer tenure as the other component drafts.[5] Similarly, the issuing bank may substitute for a component draft of an outstanding issue of fungible BAs another accepted component draft having the same or longer maturity date. DTC will make available to participants through its Participant Terminal System inquiry function information about the features (*e.g.,* identity of drawer, goods, country of origin, and destination) of each component draft of fungible BAs that has been provided by the bank's issuing agent as of the date of the inquiry.

Market participants will remain responsible for complying with regulations of the U. S. Treasury Department's Office of Foreign Assets Control (''OFAC'') as they pertain to DTC-eligible BAs. In providing issuance instructions to DTC, the bank's issuing agent will be required to acknowledge that the issuance complies with OFAC regulations, if that is the case. The acknowledgement shall constitute a representation by the issuing agent that it maintains an appropriate system for assuring compliance with OFAC regulations and that the subject issuance complies with those regulations.

The bank's issuing agent will also be required to indicate in the issuance instructions whether or not the BAs being issued are eligible for purchase and discount at a federal reserve bank. As with information concerning other kinds of issues distributed through DTC, DTC will make the information available to participants but will not verify the accuracy of information provided by the issuing agent with respect to the BAs. DTC will not be liable for any loss related to the accuracy or completeness of information about BAs made available by it.

In the event of the accepting bank's insolvency, DTC's MMI program procedures relating to MMI issuer insolvency will apply. Furthermore, in order to put participants in a position to independently pursue claims against the bank or any other party (*e.g.,* the drawer of an accepted draft), DTC will seek to have accepted drafts which had been made payable or endorsed to DTC's nominee, Cede & Co., at the time the BAs were first issued, exchanged for accepted drafts made payable or endorsed to each participant having a position in each issue of the bank's BAs.[6] If DTC is unable to arrange for such exchanges, DTC will act, with respect to matters involving each issue of BAs (*i.e.*, CUSIP), in accordance with the written instructions of the participants having sixty-six and two-thirds percent or more of the total position in that issue.

As with other types of financial instruments in DTC's MMI program, for purposes of collateral valuation, BAs rated in one of the top two ratings categories by at least one of the largest bank-debt rating agencies and investment grade or above by other rating agencies will receive a two percent haircut from market price. BAs rated as investment grade only by the ratings agencies will receive a five percent haircut and all lower-rated or unrated BAs will receive a 100 percent haircut (resulting in zero collateral value). DTC will not accept for eligibility BAs that are in default.

DTC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it promotes the prompt and accurate clearance and settlement of securities transactions.

(B) Self-Regulatory Organization's Statement on Burden on Competition

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

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No comments on the proposed rule change were solicited or received. However DTC worked closely with a task force of The Bond Market Association, which task force was comprised of DTC participants, in developing the modified processing plan.

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

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer periods (i) as the Commission may designate up to ninety days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(a) By order approve the proposed rule change or

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

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. 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

1995), 60 FR 22423 (extension of temporary approval).

[4] Non-fungible BAs consist of those with only one underlying customer, draft, and accepting bank. A CUSIP number is assigned to each BA as opposed to a bundle of BAs, as is currently proposed by the rule change.

[5] Where the component drafts have different maturity dates, the bank issuing fungible BAs will be required to pay full maturity on the earliest date that component draft matures.

[6] A participant having a position on DTC's books in an issue of fungible BAs accepted by the insolvent bank would receive component drafts with each draft in an amount proportional to the participant's position in that issue.

the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR–DTC–97–21 and should be submitted by May 12, 1998.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–10422 Filed 4–20–98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39860; File No. SR–GSCC–98–01]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing of a Proposed Rule Change Relating to Funds-Only Settlement Payment Procedures

April 14, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on February 17, 1998, the Government Securities Clearing Corporation (''GSCC'') 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 primarily by GSCC. 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 proposed rule change will amend GSCC's rules regarding funds-only settlement (''FOS'') payments procedures to permit GSCC to retain significant FOS payments it owes to a member to offset such amounts against any significant clearing fund deposit obligation the member owes to GSCC.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Purposed Rule Change

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[2]

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

Two important elements of GSCC's risk management process are the daily calculation and collection of clearing fund deposit deficiency amounts and of mark to the market margin. The amount of a member's clearing fund deposit generally is the sum of (1) the absolute value of its average FOS amounts, (2) the highest of several margin calculations using the absolute value of each of the member's net settlement positions, and (3) the highest of two volatility calculations using the market value of each repo transaction that comprises its outstanding net settlement position.[3] The mark to the market collections are included as part of GSCC's FOS payment procedures and are calculated and collected on every forward settling position (*i.e.*, a position not scheduled to settle the next day). The calculated mark to the market amount is collected from a member with a debit and paid to a member with a credit.[4]

At times, GSCC is obligated to pay a member a FOS amount on a day on which that member also has a clearing fund deficiency call. Pursuant to its rules, GSCC is required to make the FOS payment to such a member prior to the time the member must make its clearing fund deficiency payment to GSCC.[5] This results in exposure to GSCC and its members for a period of time due to the potential that the member will fail after it has received a FOS payment from GSCC but before it has satisfied the clearing fund deficiency call. The proposed rule change will permit GSCC to retain FOS payments it owes to a member and to offset such amounts against any clearing fund deposit obligation the member owes to GSCC.[6]

Under the proposed amendment to Rule 13 Section 5, GSCC will be entitled to retain the lesser of the FOS amount or the amount of the clearing fund call (or the entire FOS amount if the difference between the amounts is zero) and apply it to the member's clearing fund deposit requirement. If a member pays all or a portion of its clearing fund deficiency in any type of eligible collateral by a preestablished time before GSCC's deadline to make its own FOS payments to members,[7] GSCC will only be entitled to offset its FOS obligation to the member against the member's remaining clearing fund deficiency. Pursuant to GSCC's existing rules, a member will have the right to substitute eligible collateral for any cash that GSCC applies to its clearing fund deposit as a result of an offset.

GSCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) because the proposed rule change should enhance its risk management process by increasing settlement efficiency and reducing payment related risks to GSCC and its members.[8]

(B) Self-Regulatory Organization's Statement on Burden on Competition

GSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments relating to the proposed rule change have not yet been solicited or received. GSCC will notify members of the rule change filing and comments will be solicited by an important notice. GSCC will notify the Commission of any written comments received by GSCC.

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

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to

[7] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] The Commission has modified parts of these statements.

[3] GSCC's Rule 4, Clearing Fund, Margin, and Loss Allocation.

[4] For example, if the contract value exceeds the market value, the mark to the market amount will be collected from the buyer and paid to the seller. Conversely, if the market value exceeds the contract value, the mark to the market amount will be collected from the seller and paid to the buyer.

[5] GSCC is authorized to pay FOS obligations to members by 10:00 a.m. eastern time (''ET''). Members must satisfy clearing fund deficiences by the later of two hours after the receipt of GSCC's call or 10:00 a.m. ET. However, if the notification is not made earlier than two hours before the close of the cash FedWire, members may satisfy the calls on the next business day.

[6] GSCC does not plan to exercise the offset right unless it has a significant FOS obligation to a member (*i.e.*, $5 million or more) and the member has a significant clearing fund deficiency (*i.e.*, $5 million or more).

[7] GSCC currently plans to set the preestablished time at fifteen minutes before GSCC's deadline to make its own FOS payments to members.

[8] 15 U.S.C. 78q–1(b)(3)(F).