

each other, common directors, and/or common officers.

16. AGAIC, the Trust and AGSPC cannot, however, rely on Rule 17a-7 in connection with their participation as principals in the proposed In Kind Transaction because they are not affiliated persons of each other solely by reason of having a common investment advisor or affiliated investment advisors, common directors, and/or common officers. Moreover, one of the conditions enumerated in Rule 17a-7 requires that the transaction be a purchase or sale, for no consideration other than cash payment against prompt delivery of a security for which market quotations are readily available. The proposed purchase of AGSPS shares with the Trust's securities, however, entails the purchase and sale of securities for securities.

17. The Section 17(b) Applicants submit that the terms of the proposed substitutions by AGAIC, including the consideration to be paid and received, are reasonable and fair and do not involve overreaching on the part of any person concerned. The Section 17(b) Applicants also submit that the proposed In Kind Transactions are consistent with the policies of each of the investment companies involved as recited in the current registration statements and reports filed by the Trust filed under the 1940 Act.

18. The Section 17(b) Applicants maintain that the terms of the proposed transaction, including the consideration to be paid and received, are reasonable, fair and do not involve overreaching because (1) the transactions do not cause owner's interests under a contract to be diluted and (2) the transactions will comply with the conditions set forth in Rule 17a-7, other than the requirement related to consideration. The In Kind Transaction will take place at relative net asset value with no change in amount of any Contract owner's contract or cash value or death benefit or the dollar value of his or her investment in the account.

19. The Section 17 Applicants state that the board of trustees/directors of the Trust and AGSPC have adopted procedures, as required by paragraph (e)(1) of Rule 17a-7, pursuant to which the series of each may purchase and sell securities to and from their affiliates. The Section 17(b) Applicants represent that they will carry out the proposed substitutions in conformity with the conditions of Rule 17a-7 and each series' procedures thereunder, except that the consideration paid for the securities being purchased or sold will not be entirely in cash. The proposed transactions will be effected based upon

the independent current market price of the portfolio securities valued as specified in paragraph (b) of Rule 17a-7 and the net asset value per share of each fund involved will be valued in accordance with the procedures disclosed in the Trust's and AGSPC's registration statements and as required by Rule 22c-1 under the Act. No brokerage commission, fee, or other remuneration will be paid to any party in connection with the proposed transactions. In addition, the boards of trustees/directors of each of the Trust and AGSPC will subsequently review the proposed substitutions and make determinations required by paragraph (e)(3) of Rule 17a-7.

20. Applicants assert that the proposed redemption of shares of the Trust is consistent with the investment policy of the Trust and each of its portfolios, provided that the shares are redeemed at their net asset value in conformity with Rule 22c-1 under the Act. Likewise, the sales of shares of the AGSPC funds for investment securities, as contemplated by the proposed substitutions, is consistent with the investment policies of each its funds, as recited in AGSPC's registration statement, provided that (a) the shares are sold at their net asset value and (b) the investment securities are of the type and quality that the respective funds would each have acquired with the proceeds from share sales had the shares been sold for cash. To assure that the second condition is met, VALIC will examine the portfolio securities being offered to each AGSPC fund and accept only those securities as consideration for shares that it would have acquired for such fund in a cash transaction.

21. The Section 17(b) Applicants submit that, for all the reasons stated above, the terms of the proposed In Kind Transactions, including the consideration to be paid and received, are reasonable and fair to: (1) AGSPC and its funds, (2) the Trust and its portfolios, and (3) Contract owners invested in AGSPC's funds and the Trust portfolios; and do not involve overreaching on the part of any person concerned. Furthermore, the Section 17(b) Applicants represent that the proposed substitutions will be consistent with the policies of: (a) AGSPC and its funds and (b) the Trust and its portfolios, as is, or will be, stated in the registration statement and reports filed under the Act by each, and with the general purposes of the Act.

Conclusion

Applicants assert that, for the reasons and upon the facts set forth above, the requested orders meet the standards set

forth in Sections 26(b) and 17(b) of the 1940 Act and should be granted.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 99-31390 Filed 12-2-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of December 6, 1999.

An open meeting will be held on Wednesday, December 8, 1999 at 10:00 a.m.

The subject matter of the open meeting scheduled for Wednesday, December 8, 1999, at 10:00 a.m., will be:

Adopting an amendment to the Intermarket Trading Systems (ITS) Plan, expanding the ITS/Computer Assisted Execution System linkage to all listed securities. For further information, please contact Christine Richardson at (202) 942-0748.

Issuing a concept release on market information fees and the role of revenues generated by such fees in funding the operation and regulation of the markets. The release would describe the current arrangements for disseminating market information and invite public comment on ways in which the arrangements could be revised to further the Securities Exchange Act of 1934 ("Exchange Act") national market system objectives. For further information, please contact Daniel M. Gray at (202) 942-4164.

Proposing an amendment to Rule 12f-2 under the Exchange Act which governs unlisted trading privileges in listed initial public offerings. For further information, please contact Kevin Ehrlich at (202) 942-0778.

The Commission will hear oral argument on an appeal by the Division of Enforcement from an administrative law judge's initial decision imposing sanctions on Clarence Z. Wurts. The law judge found that Wurts failed reasonably to supervise Michael G. Cohen, a registered representative, with a view to preventing violations of the federal securities laws. For further information, please contact Diane V. White at (202) 942-0959.

At times, changes in Commission priorities require alternations in the

scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942-7070.

Dated: November 29, 1999.

Jonathan G. Katz,

Secretary.

[FR Doc. 99-31455 Filed 11-30-99; 4:19 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-42180; File No. SR-EMCC-99-7]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Order Granting Approval of a Proposed Rule Change Regarding Clearing Agency Cross-Guaranty Agreements

November 29, 1999.

On June 4, 1999, the Emerging Markets Clearing Corporation ("EMCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-EMCC-99-7) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposed was published in the **Federal Register** on August 6, 1999.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

EMCC's Rule 21 authorizes EMCC to enter into "clearing agency cross-guaranty agreements."³ On June 2, 1999, EMCC entered into clearing agency cross-guaranty agreements with the National Securities Clearing Corporation ("NSCC"), the Government Securities Clearing Corporation ("GSCC"), and the International Securities Clearing Corporation ("ISCC"). According to EMCC, the form of agreement with each of these entities is substantially similar to the form of agreement approved by the Commission

in rule changes previously submitted by NSCC, MBSCC, GSCC, and ISCC.⁴

Generally, the limited cross-guaranty provided for by the clearing agency cross-guaranty agreements is invoked when a clearing entity ceases to act for a common member. This limited guaranty enables clearing agencies that have entered into limited cross-guaranty agreements to benefit from a defaulting member's excess collateral at other clearing agencies in which the defaulting member was a participant. The guaranty provides that resources of the defaulting common member remaining after the defaulting common member's obligations to the guaranteeing clearing agency have been satisfied may be used to satisfy any unsatisfied obligations to the other clearing agencies. The guaranty is limited to the extent of the resources relative to the defaulting common member remaining at the guaranteeing clearing agency.

EMCC believes that the clearing agency cross-agency agreements should be beneficial because the funds that may be made available to it may provide resources that may make a pro rata charge against its clearing fund unnecessary or lesser in amount.

The benefits accruing to EMCC from a Clearing agency cross-guaranty agreement are illustrated by the following example:

Broker-dealer BD upon insolvency owes EMCC a net of \$5 million. BD is owed a net of \$3 million by Clearing Entity X. In the absence of a clearing agency cross-guaranty agreement, Clearing Entity X would be obligated to pay \$3 million to BD's bankruptcy estate, and EMCC would have a claim for \$5 million against BD's bankruptcy estate as a general creditor with no assurance as to the extent of recovery. Under an effective cross-guaranty agreement, however, Clearing Entity X would pay to EMCC the \$3 million it owned to BD. As a result, EMCC's net exposure to the defaulting common member BD would be reduced.

II. Discussion

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the

safeguarding of securities in the custody or control of the clearing agency or for which it is responsible and to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. The Commission believes that the proposal is consistent with EMCC's obligation to assure the safeguarding of securities and funds in the custody or control of the clearing agency for which it is responsible because cross-guarantee agreements among clearing entities are a method of reducing risk of loss due to a common member's default. Furthermore, the Commission has encouraged the use of cross-guarantee agreements and other similar arrangements among clearing agencies.⁵ Consequently, cross-guarantee agreements should assist clearing agencies in assuring the safeguarding of securities and funds in their custody or control.

The Commission also believes the proposals are consistent with EMCC's obligation to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions. The Commission believes that by entering into such agreements, EMCC can mitigate the systematic risks posed to it and to the national clearance and settlement system as a result of a defaulting common member.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposals are consistent with the requirements of the Act, and in particular with the requirements of Section 17A of the Act and the rules and regulations thereunder.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-EMCC-99-7) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁶

Jonathan G. Katz,

Secretary.

[FR Doc. 99-31391 Filed 12-2-99; 8:45 am]

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¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 41673 (July 30, 1999), 64 FR 43006 [File No. SR-EMCC-97-7].

³ Under EMCC's Rule 1, "clearing agency cross-guaranty agreement" means an agreement between EMCC and another clearing entity relating to the guaranty by EMCC of certain obligations of a member to such clearing entity.

⁴ Securities Exchange Act Release Nos. 37616 (August 28, 1996), 61 FR 46887 [File Nos. SR-MBSCC-96-02, SR-GSCC-96-03, and SR-ISCC-96-04], and 39020 (September 4, 1997), 62 FR 47862 [File No. SR-NSCC-97-11].

⁵ E.g., Securities Exchange Act Release Nos. 36431 (October 27, 1995), 60 FR 55749 [File No. SR-GSCC-95-03] and 36597 (December 15, 1995), 60 FR 66570 [File No. SR-MBSCC-95-05].

⁶ 17 CFR 200.30-3(a)(12).