registered securities association which engages on an exclusive basis on its own behalf, in collecting, processing, or preparing for distribution or publication, any information with respect to (i) transactions or quotations on or effected or made by means of any facility of such exchange or (ii) quotations distributed or published by means of any electronic quotation system operated by such association. The federal securities laws require that before the Commission may approve the registration of an exclusive SIP, it must make certain mandatory findings. It takes a SIP applicant approximately 400 hours to prepare documents which include sufficient information to enable the Commission to make those findings. Currently, there are only two exclusive SIPs registered with the Commission; The Securities Information Automation Corporation (''SIAC'') and the National Association of Securities Dealers, Inc. (''NASD''). SIAC and the NASD are required to keep the information on file with the Commission current, which entails filing a form SIP annually to update information.

General comments regarding the estimated burden hours should be directed to the Desk Officer for the Securities and Exchange Commission at the address below. Any comments concerning the accuracy of the estimated average burden hours for compliance with Commission rules and forms should be directed to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 and Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, D.C. 20503.

Dated: May 22, 1996.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–13458 Filed 5–29–96; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21981; No. 812–9848]

Aetna Life Insurance and Annuity Company, et al.

May 23, 1996.

AGENCY: Securities and Exchange Commission (''SEC'' or ''Commission'').

ACTION: Notice of Application for an Order under the Investment Company Act of 1940 (''1940 Act'').

APPLICANTS: Aetna Life Insurance and Annuity Company (''Aetna'') and Variable Life Account B of Aetna Life Insurance and Annuity Company (''Separate Account'').

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) granting exemptions from Section 27(c)(2) of the 1940 Act and Rule 6e–3(T)(c)(4)(v) thereunder.

SUMMARY OF APPLICATION: Applicants request an order that will permit the Separate Account, any future separate accounts established by Aetna (''Future Accounts''), and all other persons, other than Aetna, that may, in the future serve as a principal underwriter (''Future Broker-Dealers'') of certain flexible premium variable life insurance policies issued by Aetna, to deduct from premium payments an amount that is reasonably related to the Aetna's increased federal tax burden resulting from the receipt of those premium payments, pursuant to Section 848 of the Internal Revenue Code of 1986, as amended (''Code'').

FILING DATE: The application was filed on November 15, 1995 and was amended on May 17, 1996.

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 by writing to the Commission's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on June 18, 1996, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the requestor'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, Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549. Applicants: Susan E. Bryant, Esq., Aetna Life Insurance and Annuity Company, 151 Farmington Avenue, Hartford, Connecticut 06156.

FOR FURTHER INFORMATION CONTACT: Pamela K. Ellis, Senior Counsel, or Wendy Finck Friedlander, Deputy Chief, Office of Insurance Products (Division of Investment Management), at (202) 942–0670.

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

Applicants' Representations

1. Aetna is a stock life insurance company, organized in Connecticut, and is a wholly owned subsidiary of Aetna Life and Casualty Company.

2. The Separate Account is a separate account established by Aetna and registered under the 1940 Act as a unit investment trust. Currently, the Separate Account has 17 subaccounts each of which invests in a corresponding investment portfolio of an open-end management investment company registered under the 1940 Act. The Separate Account funds flexible premium variable life insurance policies issued by Aetna (''Current Policies'') for which a registration statement has been filed with the Commission to register interests in the Current Policies under the Securities Act of 1933, and flexible premium variable life insurance policies developed by Aetna in the future (''Future Policies'') (Current Policies, together with Future Policies, ''Policies''). Aetna anticipates that any Future Accounts established to fund Current Policies or Future Policies would be registered under the 1940 Act as unit investment trusts.

3. Aetna is the principal underwriter and distributor for the Policies. Aetna is a registered broker-dealer under the Securities Exchange Act of 1934 (''1934 Act''), and is a member of the National Association of Securities Dealers, Inc. (''NASD''). Any Future Broker-Dealer will be registered as a broker-dealer under the 1934 Act, and will be a member of the NASD.

4. Applicants propose to deduct from premium payments received under the Policies a 1.25% charge to reimburse Aetna for the increase in its federal income taxes resulting from Section 848 of the Code. The charge will be reasonably related to Aetna's increased federal tax burden.

5. The Omnibus Budget Reconciliation Act of 1990 (''OBRA 1990''), amending Section 848 of the Code, requires life insurance companies to capitalize and amortize over ten years certain general expenses for the current year. Prior law allowed these expenses to be deducted in full from the current year's gross income. Section 848, as amended, effectively accelerates the realization of income from specified contracts and, consequently, the payment of taxes on that income. Taking into account the time value of money, Section 848 increases the insurance company's tax burden because the amount of general deductions that must be capitalized and amortized is measured by the premiums received under the policies.

6. The amount of expenses subject to Section 848 equals a percentage of the current year's net premiums received (*i.e.*, gross premiums minus return premiums and reinsurance premiums) under life insurance or other contracts categorized under this Section. The Policies will be categorized under Section 848 as life insurance contracts requiring 7.7% of the net premiums received to be capitalized and amortized under the schedule set forth in Section 848(c)(1).

7. The increased tax burden on every $10,000 of net premiums received under the Policies is quantified by Applicants as follows. For each $10,000 of net premiums received in a given year, Aetna must capitalize $770 (*i.e.*, 7.7% of $10,000), and $38.50 of this amount may be deducted in the current year. The remaining $731.50 ($770 less $38.50) is subject to taxation at the corporate tax rate of 35% and results in $256.03 (.35% × $731.50) more in taxes for the current year than Aetna would have owed prior to the enactment of OBRA 1990. However, the current tax increase will be offset partially by deductions allowed during the next ten years, which result from amortizing the remainder of the $770 ($77 in each of the following nine years and $38.50 in year ten).

8. In Aetna's business judgement, it is appropriate to use a discount rate of at least 10% in evaluating the present value of its future tax deductions. Capital that Aetna must use to pay its increased federal tax burden under Section 848 will be unavailable for investment. The cost of capital used to satisfy this increased tax burden essentially will be Aetna's after-tax rate of return (*i.e.*, the return sought on invested capital), which is at least 10%.[1] Accordingly, Applicants submit that the targeted rate of return is appropriate for use in this present value calculation.

9. Using a federal corporate tax rate of 35%, and assuming a discount rate of 10%, the present value of the tax effect of the increased deductions allowable in the following ten years, which partially offsets the increased tax burden, amounts to $160.40. The effect of Section 848 on the Policies is, therefore, an increased tax burden with a present value of $95.63 for each $10,000 of net premium payments received (*i.e.*, $256.03 minus $160.40).

10. Aetna does not incur incremental federal income tax when it passes on state premium taxes to Policy owners because state premium taxes are deductible in computing federal income taxes. In contrast, federal income taxes are not deductible in computing Aetna's federal income taxes. To compensate Aetna fully for the impact of Section 848, Aetna must impose an additional charge to make it whole for not only the $95.63 additional tax burden attributable to Section 848, but also the tax on the additional $95.63 itself. This additional charge can be determined by dividing $95.63 by the complement of 35% federal corporate income tax rate (*i.e.*, 65%), resulting in an additional charge of $147.12 for each $10,000 of net premiums, or 1.47%.

11. Based on its prior experience, Aetna reasonably expects to take fully almost all future deductions. It is Aetna's judgement that a 1.25% charge would reimburse it for the increased federal income tax liabilities, under Section 848. Applicants represent that the 1.25% charge will be reasonably related to Aetna's increased federal income tax burden under Section 848. This representation takes into account the benefit to Aetna of the amortization permitted by Section 848 and the use of a 10% discount rate (which is equivalent to Aetna's targeted rate of return) in computing the future deductions resulting from such amortization.

Applicants' Legal Analysis

1. Applicants request an order under Section 6(c) of the 1940 Act exempting them and any Future Accounts from the provisions of Section 27(c)(2) of the 1940 Act, and Rule 6e–3(T)(c)(4)(v) thereunder, to the extent necessary to permit Applicants and any Future Accounts to deduct from premium payments made under the Policies, a charge in an amount that is reasonable in relation to Aetna's increased federal tax burden related to the receipt of such premium payments, without treating such charge as a sales load. Applicants assert that it is appropriate to deduct a charge for an insurer's increased tax burden attributable to premiums received, and to exclude the deduction of this charge from sales load, because it is a legitimate expense of the company and not for sales and distribution expenses. In addition, Applicants request that the order extend the same exemptions granted to Aetna, to any Future Broker-Dealer that may in the future serve as principal underwriter for the Current Policies or Future Policies.

2. Section 6(c) authorizes the Commission, by order and upon application, to exempt any person, security, or transaction, or class of persons, securities, or transactions, from any provisions of the 1940 Act. The Commission grants relief under Section 6(c) to the extent an 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 1940 Act.

3. The Separate Account is, and the Future Accounts will be, regulated under the 1940 Act as issuers of periodic payment plan certificates. Accordingly, the Separate Account, the Future Accounts, and Aetna are subject to Section 27 of the 1940 Act.

4. Section 27(c)(2) prohibits the sale of periodic payment plan certificates unless the following conditions are met. The proceeds of all payments (except amounts deducted for ''sales load'') must be held by a trustee or custodian having the qualifications established under Section 26(a)(1) for the trustees of unit investment trusts.

5. ''Sales load'' is defined under Section 2(a)(35), in relevant part, as:

> The difference between the price of a security to the public and that portion of the proceeds from its sale which is received and invested or held for investment by the issuer (or in the case of a unit investment trust, by the depositor or trustee), less any portion of such difference deducted for trustee's or custodian's fees, insurance premiums, issue taxes, or administrative expenses or fees which are not properly chargeable to sales or promotional activities.

Sales loads on periodic payment plan certificates are limited by Sections 27(a)(1) and 27(h)(1) to a maximum of 9% of total payments.

6. Rule 6e–3(T) provides a range of exemptive relief to separate accounts issuing flexible premium variable life insurance contracts, as defined in subparagraph (c)(1) of that Rule.

For example, paragraph (b)(13)(iii)(E) of Rule 6e–3(T) provides exemptive relief from Section 27(c)(2) by permitting an insurer to make certain deductions, other than sales load, including the insurer's tax liabilities from receipt of premium payments imposed by states or by other governmental entities. Applicants assert that the proposed tax burden charge arguably is covered by subparagraph (b)(13)(iii) or Rule 6e–3(T). Applicants note, however, that the language of paragraph (c)(4) of the Rule appears to require that deductions for federal tax obligations resulting from receipt of

[1] In determining the rate of return used in arriving at the discount rate, Aetna considered a number of factors. These factors included current market interest rates and expected interest rate trends, inflation, Aetna's anticipated long-term growth rate, the level of risk acceptable to Aetna, and available information about rates of return obtained by other life insurance companies.

premium payments be treated as ''sales load.''

7. Rule 6e–3(T)(c)(4) defines ''sales load'' during a period as the excess of any payments made during that period over certain specified charges and adjustments, including a deduction for state premium taxes. Under a literal reading of paragraph (c)(4) of the Rule, a deduction for an insurer's increased federal tax burden does not fall squarely into those itemized charges or deductions, arguably causing the proposed tax burden charge to be treated as part of ''sales load.''

8. Applicants submit that the Rule 6e–3(T)(c)(4)(v) limitation of the premium tax exclusion from the definition of ''sales load'' to state premium taxes probably is an historical accident related to that fact that when Rule 6e–3(T) was adopted in 1984, and when it was amended in 1987, the additional Code Section 848 tax burden attributable to the receipt of premiums did not exist. Applicants further submit that nothing in the administrative history of Rule 6e–3(T) suggests that the exclusion from the definition of sales load of deductions for tax liabilities attributable to the amount of premium payments received was tied to the type of government entity imposing such taxes.

9. Applicants also request exemptions for any Future Accounts that Aetna may establish to support the Current Policies or any Future Policies, as well as for each Future Broker-Dealer that may distribute the Current Policies or Future Policies.

10. Applicants assert that the standards of Section 6(c) are satisfied because the requested relief is appropriate in the public interest and consistent with the purposes of the 1940 Act and the protection of investors. The exemptive relief would eliminate the need for Aetna to file additional exemptive applications for each Current Policy or Future Policy to be issued through a Future Account with respect to the same issues under the 1940 Act that have been addressed in this application, as well as for each Future Broker-Dealer that distributes the Current Policy or Future Policy, and thus would promote competitiveness in the variable life insurance market by avoiding delay, reducing administrative expenses, and maximizing efficient use of resources. Applicants further assert that the exemptive relief would enhance Aetna's ability to effectively take advantage of business opportunities as they arise. If Aetna were required to seek exemptive relief repeatedly with respect to the same issues addressed in this application, investors would not receive any benefit or additional protection thereby and might be disadvantaged as a result of increased overhead expenses.

11. Applicants believe that a charge of 1.25% of premium payments would reimburse Aetna for the impact of Section 848 of the Code, as currently written on its federal income tax liabilities. Aetna believes, however, that it may have to increase this charge if any change in, or interpretation of, Section 848 or any successor provision results in a further increased federal income tax burden due to the receipt of premiums. Such an increase could result from a change in corporate federal income tax rate, a change in the 7.7% figure, or a change in the amortization period.

Conditions for Relief

1. Aetna will monitor the reasonableness of the 1.25% charge.

2. The registration statement for each Policy under which the 1.25% tax burden charge is deducted will: (a) disclose the charge; (b) explain the purpose of the charge; and (c) state that the charge is reasonable in relation to Aetna's increased federal tax burden under Section 848 of the Code.

3. The registration statement for each Policy providing for the 1.25% tax burden charge will contain as an exhibit an actuarial opinion as to: (a) the reasonableness of the charge in relation to Aetna's increased federal tax burden under Section 848 of the Code resulting from the receipt of premiums; (b) the reasonableness of the targeted rate of return that is used in calculating such charge; and (c) the appropriateness of the factors taken into account by Aetna in determining such targeted rate of return.

Conclusion

For the reasons and upon the facts set forth above, Applicants submit that the requested exemptions from Section 27(c)(2) of the 1940 Act and Rule 6e–3(T)(c)(4)(v) thereunder, 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 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–13544 Field 5–29–96; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21978; 812–10162]

Lord Abbett Global Fund, Inc., et al.; Notice of Application

May 23, 1996.

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

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

APPLICANTS: Lord Abbett Global Fund, Inc. (the ''Fund''), Lord, Abbett & Co. (''Lord Abbett''), and Dunedin Fund Managers Limited (''Dunedin'').

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act for an exemption from section 15(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit the implementation, without shareholder approval, of a new sub-advisory agreement (the ''New Sub-Advisory Contract'') for a period of up to 120 days following the termination of the former sub-advisory contract on March 19, 1996 (''Former Sub-Advisory Contract'') (the ''Interim Period''). The order also would permit the sub-adviser to receive from the Fund fees earned during the Interim Period after shareholders have approved the New Sub-Advisory Contract.

FILING DATE: The application was filed on May 21, 1996.

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 June 17, 1996, and should be accompanied by proof of service on 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 who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants: The Fund and Lord Abbett, 767 Fifth Avenue, New York, New York 10153 and Dunedin, Dunedin House, 25 Ravelston Terrace, Edinburgh EH4 3EX, Scotland.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Staff Attorney, at (202) 942–0572, or Alison E. Baur, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).