orderly liquidation of securities began in October 1994 and such securities were sold in the ordinary course of business at their then current market values. The proceeds of such liquidations then were invested in short-term securities which matured on or before April 17, 1995.

4. In connection with its scheduled liquidation, on April 17, 1995 applicant distributed approximately $105,800,000, which represented approximately 10,828,926 shares at $9.76922 net asset value, to its security holders. There are 15 security holders to whom payment has not been made because they have not yet submitted their stock certificates. This represents approximately 7,274 shares with a value of $68,314.52 which is being held in a non-interest bearing bank account at the transfer agent. Letters requesting the certificates have been mailed to each such security holder and payment will be made as soon as practicable after the submission of the certificates. The distribution to shareholders was based on net asset value.

5. Applicant has retained $126,575 in cash to pay estimated expenses for transfer agent fees, tax reporting, auditing, accounting and legal expenses. If expenses are greater than the amount retained, the Adviser will pay the excess amount.

6. Applicant is not a party to any litigation or administrative proceeding.

7. Applicant is neither engaged in, nor does it propose to engage in, any business activities other than those necessary for the winding-up of its affairs.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–22066 Filed 9–5–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21325; No. 812–9506]

IDS Life Insurance Company, et al.

August 29, 1995.

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: IDS Life Insurance Company (''IDS'') and IDS Life Variable Life Separate Account (''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) thereunder.

SUMMARY OF APPLICATION: Applicants request an order that will permit the Separate Account, and any future separate accounts established by IDS (''Future Accounts''), to deduct from premium payments of certain flexible premium variable life insurance policies, an amount that is reasonably related to the IDS's increased Federal tax burden resulting from the receipt of those premium payments pursuant to the application of Section 848 of the Internal Revenue Code of 1986, as amended.

FILING DATE: The application was filed on March 1, 1995, and was amended on July 24, 1995.

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 September 25, 1995, and should be 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, NW., Washington, DC 20549. Applicants: Mary Ellyn Minenko, Counsel, IDS Life Insurance Company, IDS Tower 10, Minneapolis, Minnesota 55440.

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

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. IDS is a stock life insurance company, organized in Minnesota, and is an indirect subsidiary of American Express Company.

2. The Separate Account is a separate account established by IDS and registered under the 1940 Act as a unit investment trust. Currently, the Separate Account has 6 subaccounts each of which invests in a corresponding portfolio of IDS Life Series Fund, Inc., a registered open-end management investment company. The Separate Account is used to fund: (1) Certain individual flexible premium variable life insurance contracts (''Existing Policies''); (2) certain flexible survivorship variable life insurance policies (''Current Policies'') for which a registration statement has been filed recently with the Commission to register interests in the Current Policies under the Securities Act of 1933; and (3) certain flexible variable life insurance policies developed by IDS Life in the future (''Future Policies'') (Current Policies, together with Future Policies, ''Policies'').

3. IDS is the principal underwriter for the Policies. IDS is a registered broker-dealer under the Securities Exchange Act of 1934, and is a member of the National Association of Securities Dealers, Inc.

4. Applicants propose to deduct a charge to reimburse IDS for the increase in its Federal income taxes resulting from the application of Section 848 of the Internal Revenue Code of 1986 (''Code''), as amended. The charge will be reasonably related to IDS's increased Federal tax burden, and will be deducted from premiums received.

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 deductions 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, IDS

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 $256.02 (.35% × $731.50) more in taxes for the current year than IDS otherwise would have owed prior to 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. It is IDS's business judgment that it is appropriate to use a discount rate of at least 10% in evaluating the present value of its future tax deductions for the following reasons. Capital that IDS 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 IDS's after-tax rate of return (i.e., the return sought on invested capital), which is in excess of 10%. Accordingly, Applicants submit that the targeted rate of return is appropriate for use in this present value calculation.

9. In determining the rate of return used in arriving at the discount rate, IDS considered a number of factors. These factors include current market rates, inflation, and expected future interest rate trends.

10. Using a federal corporate tax rate of 35%, and assuming a discount rate of 10%, the present value of the increased tax burden resulting from Section 848 on each $10,000 of net premium is $95.62.

11. IDS 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. Conversely, federal income taxes are not deductible in computing IDS's federal income taxes. To compensate IDS fully for the impact of Section 848, IDS must impose an additional charge to make it whole for the $95.62 additional tax burden attributable to Section 848, as well as the tax on the additional $95.62 itself, which can be determined by dividing $95.62 by the complement of 35% federal corporate income tax rate (i.e., 65%), resulting in an additional charge of $147.11 for each $10,000 of net premiums, or 1.47%.

12. Based on its prior experience, IDS reasonably expects to fully take almost all future deductions. It is IDS's judgment 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 IDS's increased federal income tax burden under Section 848. This representation takes into account the benefit to IDS of the amortization permitted by Section 848 and the use of a 10% discount rate (which is equivalent to IDS's targeted rate of return) in computing the future deductions resulting from such amortization. IDS also may add this 1.25% charge to the Existing Policies, but only with respect to sales of new policies, not on additional premiums paid to currently-held policies. (SEC File Nos. 811–4298/33–11165).[1]

Applicants' Legal Analysis

1. Applicants request an order under Section 6(c) of the 1940 Act granting exemptions from Sections 27(c)(2) of the 1940 Act and Rule 6e–3(T)(c)(4)(v) to allow the deduction of a charge from premiums to compensate IDS for its increased federal tax burden based on receipt of these premiums under the Policies, and under the Existing Policies. The charge will be in an amount that is reasonably related to IDS's increased federal tax burden. 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.

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 IDS (as depositor and principal underwriter) are deemed to be 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. These proceeds also must be held under an indenture or agreement that conforms with the provisions of Section 26(a)(2) and Section 26(a)(3) of the 1940 Act.

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. Certain provisions of Rule 6e–3(T) provide a range of exemptive relief. Rule 6e–3(T) provides exemptive relief if the separate account issues flexible premium variable life insurance contracts, as defined in subparagraph (c)(1) of that Rule.

7. Applicants state that paragraph (b)(13)(iii)(E) of Rule 6e–3(T) provides exemptive relief from Section 27(c)(2) to permit 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 deduction with respect to Section 848 of the Code arguably is covered by subparagraph (b)(13)(iii) of 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 from receipt of premium payments be treated as ''sales load.''

8. Applicants state that paragraph (b)(1), together with paragraph (c)(4), of Rule 6e–3(T) provides an exemption from the Section 2(a)(35) definition of ''sales load'' by substituting a new definition to be used for the purposes of the Rule. 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,

[1] Applicants represent that, during the Notice Period, the application will be amended to reflect this representation.

arguably causing the deduction to be treated as part of ''sales load.''

9. Applicants state that the public policy that underlies paragraph (b)(13) of Rule 6e–3(T), and particularly subparagraph (b)(13)(i), like that which underlies paragraphs (a)(1) and (h)(1) of Section 27, is to prevent excessive sales loads from being charged for the sale of periodic payment plan certificates. Applicants submit that this legislative purpose is not furthered by treating a federal income tax charge based on premium payments as a sales load because the deduction is not related to the payment of sales commissions or other distribution expenses.

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 IDS to file additional exemptive applications for each 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, 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 IDS's ability to effectively take advantage of business opportunities as they arise. If IDS were required to repeatedly seek exemptive relief with respect to the same issues addressed in the application, investors would not receive any benefit or additional protection thereby and might be disadvantaged as a result of increased overhead expenses.

Conditions for Relief

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

2. The registration statement for each Policy under which the 1.25% 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 IDS's increased federal tax burden under Section 848 of the Code.

3. The registration statement for each Policy providing for the 1.25% deduction will contain as an exhibit an actuarial opinion as to: (a) The reasonableness of the charge in relation to IDS'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 IDS in determining such targeted rate of return.

Conclusion

For the reasons and upon the facts set forth above, Applicants submit that the requested exemptions to permit IDS to deduct 1.25% of premium payments under the Policies 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. 95–22067 Filed 9–5–95; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Release No. 21323; International Series Release No. 846; 812–9640]

Societe Generale; Notice of Application

August 29, 1995.

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

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

APPLICANT: Societe Generale.

RELEVANT ACT SECTIONS: Order under section 6(c) of the Act for an exemption from section 17(f) of the Act.

SUMMARY OF APPLICATION: Societe Generale requests an order that would permit United States registered investment companies other than investment companies registered under section 7(d) (a ''U.S. Investment Company''), for which Societe Generales serve as custodian or subcustodian, to maintain foreign securities and other assets in the Ivory Coast with Societe General de Banques en Cote d'Ivoire (''SGBCI''), in Morocco with Societe Generale Marocaine de Banques (''SGMB''), and in South Africa with Societe Generale South Africa Limited (''SGSA''), subsidiaries of Societe Generale (collectively, the ''Foreign Subsidiaries'').

FILING DATES: The application was filed on June 23, 1995 and amended on August 28, 1995.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 25, 1995, and should be accompanied by proof of service on the applicant, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant: Societe Generale, Securities Operations, 32, rue du Champ de Tir, 44300 Nantes, France; cc: Bruce E. Clubb, Esq., Baker & McKenzie, 815 Connecticut Avenue, N.W., Washington, D.C., 20006–4078.

FOR FURTHER INFORMATION CONTACT: Marianne H. Khawly, Staff Attorney, at (202) 942–0562, or Robert A. Robertson, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. Societe Generale requests an order to permit Societe Generale, the Foreign Subsidiaries, any U.S. Investment Company, and any custodian for a U.S. Investment Company to maintain foreign securities, cash, and cash equivalents (collectively, ''Assets'') in the custody of the Foreign Subsidiaries. For the purposes of this application, ''foreign securities'' includes: (a) Securities issued and sold primarily outside the United States by a foreign government, a national of any foreign country, or a corporation or other organization incorporated or organized under the laws of any foreign country; and (b) securities issued or guaranteed by the Government of the United States or by any state or any political subdivision thereof or by any agency thereof or by any entity organized under the laws of the United States or of any state thereof which have been issued and sold primarily outside the United States.

2. Societe Generale is a bank organized and existing under the laws of France. Societe Generale is regulated in France by the Ministere de l'Economie at des Finances and is subject to law No. 8846 of June 24, 1984 Relating to the Activities and Regulation of Credit Institutions. Societe Generale is one of the leading financial services institutions in France and currently