

different names for a particular security represent a single quotation or where one broker-dealer appears as a correspondent of another.

The rule requires the relevant information to be disclosed for each quotation submitted to an inter-dealer-quotation-system. Each registered market maker on an inter-dealer-quotation-system is required to disclose any correspondent broker-dealers for a particular security at the time the market maker initially registers with the inter-dealer-quotation-system as a market maker for such security. After the market maker's initial disclosure, the information is disclosed automatically through such market maker's electronic submission of a quotation to the inter-dealer-quotation-system. An aggregate total of approximately 20 of these initial disclosures are made per year. Each such initial disclosure takes approximately 1 minute to complete. Thus, the total compliance burden per year is approximately 20 minutes (0.33 burden hours).

Written comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, N.W. Washington, DC 20549.

Dated: September 13, 1996.  
Margaret H. McFarland,  
*Deputy Secretary.*  
[FR Doc. 96-24570 Filed 9-24-96; 8:45 am]  
BILLING CODE 8010-01-M

[Rel. No. IC-22232; 812-9624]

#### **Diversified Investors Strategic Variable Funds, et al.**

September 19, 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:** Diversified Investors Strategic Variable Funds ("Strategic Variable Funds"); Diversified Investors Variable Funds ("Diversified Variable Funds"); Diversified Investors Portfolios ("Diversified Portfolios"); AUSA Life Insurance Company, Inc. ("AUSA"), on behalf of itself and each future separate account (or subaccount thereof) established by AUSA and registered under the 1940 Act as a unit investment trust in connection with the offering by AUSA of group variable annuity contracts ("Future Separate Accounts"); Diversified Investment Advisors, Inc. ("Investment Advisors"), on behalf of itself and each open-end management investment company or series thereof organized in the future which becomes a member of the same "group of investment companies" (as defined in Rule 11a-3 of the 1940 Act) as, and which is the underlying investment vehicle for, a Future Separate Account ("Future Funds"); and Diversified Investors Securities Corp. ("Securities").

**RELEVANT ACT SECTIONS:** Order requested under Section 6(c) of the 1940 Act granting exemption from Section 12(d) of the 1940 Act, and under Sections 6(c) and 17(b) of the 1940 Act, granting exemption from Section 17(a) of the 1940 Act.

**SUMMARY OF APPLICATION:** The requested order would permit Applicants to create a "fund of funds" that initially would have three subaccounts. Each subaccount would allocate its assets to the purchase of units of Diversified Variable Funds or of the Future Separate Accounts (hereinafter the "Underlying Spokes") without regard to the percentage limitations of Section 12(d)(1) of the 1940 Act. The Underlying Spokes, in turn, would invest in a corresponding series of Diversified Portfolios or of a Future Fund (hereinafter the "Underlying Hubs").

**FILING DATES:** The application was filed on June 12, 1995, and was amended and restated on September 25, 1995, January 29, 1996, July 15, 1996, August 22, 1996, and September 9, 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 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 October 15, 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 SEC.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Applicants, 4 Manhattanville Road, Purchase, New York 10577.

**FOR FURTHER INFORMATION CONTACT:** Pamela K. Ellis, Senior Counsel, 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 may be obtained for a fee from the SEC's Public Reference Branch.

#### **Applicants' Representations**

1. AUSA is a New York stock life insurance company, and a wholly owned indirect subsidiary of AEGON nv, a Netherlands corporation which is a publicly traded international insurance group.

2. Strategic Variable Funds is a separate account of AUSA, and is registered under the 1940 Act as an open-end management investment company.

3. Diversified Variable Funds is a separate account of AUSA and a unit investment trust registered under the 1940 Act. Diversified Variable Funds consists of fourteen separate subaccounts. Of these subaccounts, twelve invest in Diversified Portfolios, and eleven may serve as Underlying Spokes. Applicants state that each of the Future Separate Accounts (which will become Underlying Spokes) will be separate accounts (or subaccounts thereof) of AUSA, and will be registered under the 1940 Act as unit investment trusts.

4. Diversified Portfolios is organized as a trust under the laws of the State of New York, and is registered as an open-end management investment company under the 1940 Act. Diversified Portfolios consists of twelve separate series, eleven of which constitute the existing Underlying Hubs. Applicants state that each of the Future Funds (which will become Underlying Hubs) will be registered under the 1940 Act as open-end management investment companies (or will be a series of such a company).

5. Investment Advisors is a registered investment adviser under the Investment Advisers Act of 1940, and

also is an indirect wholly owned subsidiary of AEGON nv. Investment Advisors is the investment manager for Diversified Portfolios.

6. Securities, a Delaware corporation, is registered as a broker-dealer under the Securities Exchange Act of 1934, and is a member of the National Association of Securities Dealers, Inc. Securities acts as distributor for group variable contracts issued by AUSA.

7. Applicants organized Strategic Variable Funds to operate as a "fund of funds." Strategic Variable Funds will be one of the available investment vehicles underlying group variable annuity contracts offered by AUSA ("Variable Contracts"). Strategic Variable Funds initially will have three subaccounts ("Subaccounts"). Each Subaccount will invest all of its assets in units of the Underlying Spokes, and will allocate and reallocate its assets among the Underlying Spokes.

8. The Underlying Spokes are, or will be, "feeder" (or "spoke") funds in a "master-feeder" (or "Hub and Spoke®")<sup>1</sup> structure in which there are other feeders investing in the master funds. Each of the existing Underlying Spokes invests, and each future Underlying Spoke will invest, all of its assets in an Underlying Hub having the same investment objective and policies as the Underlying Spoke. Each existing Underlying Hub is advised by Investment Advisors and has one or more sub-advisers who are responsible for its day-to-day investment selections. In addition to the Underlying Spokes, each of the existing Underlying Hubs has, and each future Underlying Hub is expected to have, a number of additional "spokes," including a mutual fund, a bank sponsored collective trust, and non-registered insurance company separate accounts. In the future, each Underlying Hub may sell interests to other eligible entities to the extent permitted by applicable law.

9. Allocations of a Subaccount's assets among units of the Underlying Spokes will be made consistent with its investment objective. For example, it is anticipated that an "aggressive" Subaccount would, under normal circumstances, invest substantially all of its assets in Underlying Spokes that in turn invest in Underlying Hubs investing in equity securities. The Underlying Spokes/Underlying Hubs in which each Subaccount will invest will be described in the Subaccount's prospectus. In addition, the prospectus will disclose the general ranges for investment by the Subaccount in each

type of Underlying Spoke (i.e., equity, fixed-income, and money market), and in each specific Underlying Spoke. Contractholders will receive disclosure of any changes in the identity of the Underlying Spokes in which the Subaccount may invest (e.g., if a new Underlying Spoke is included) or any changes in the investment ranges. Allocations of a Subaccount's assets among Underlying Spokes initially will be made, and subsequently adjusted, by Investment Advisors in its role as investment manager to Strategic Variable Funds.

10. Applicants anticipate that Strategic Variable Funds, the Underlying Spokes, and the Underlying Hubs will be sold without a front-end sales charge, and will not be subject to any redemption charge, contingent deferred sales charge, or Rule 12b-1 fees. Applicants reserve the right, however, to charge sales charges and service fees in the future subject to Condition 5 below. The only direct expense payable by Strategic Variable Funds will be an asset allocation and administrative fee, in return for which investors in Strategic Variable Funds will receive allocation and other services provided by Investment Advisors and AUSA. Applicants anticipate that the asset allocation and administrative fee will be at a rate of .20% per annum of average daily net assets for each Subaccount.<sup>2</sup>

11. Each Subaccount will pay indirectly its proportional share of the expenses of the respective Underlying Spokes in which it invests. These expenses include daily charges for mortality and administrative expense risks which currently are charged against the net assets of the Underlying Spokes at an annual rate of .90%, but may be charged at a maximum annual rate of 1.25%. In addition, these expenses include the Underlying Spokes' proportional shares of the expenses of the Underlying Hubs in which they invest, which include advisory fees and other customary expenses of registered investment companies, primarily consisting of compensation to independent trustees, insurance premiums, fees and expenses of independent auditors and legal counsel, custodial fees and expenses, and accounting expenses.

<sup>2</sup> AUSA permits unlimited transfers without charge among the subaccounts of Diversified Variable Funds. AUSA, however, reserves the right to impose limitations upon the number and timing of such transfers and to impose transfer charges. AUSA also reserves the right to deduct an annual contract charge not to exceed \$50.

## Applicants' Legal Analysis

### Section 12(d)(1)

1. Section 12(d)(1)(A) provides that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of any other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Section 6(c) provides that the Commission may exempt persons or transactions 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 1940 Act. Applicants request an order under Section 6(c) exempting them from Section 12(d)(1) to permit Strategic Variable Funds to invest in the Underlying Spokes in excess of the percentage limitations of Section 12(d)(1).

3. Section 12(d)(1) is intended to prevent unregulated pyramiding of investment companies, and the abuses that are perceived to arise from such pyramiding. These abuses include the acquiring fund imposing undue influence over the acquired fund through the threat of large-scale redemptions and the layering of sales charges and advisory fees.

4. Applicants believe that Strategic Variable Funds is structured in a manner consistent with the intent of Section 12(d)(1) of the 1940 Act and which avoids the abuses intended to be prevented by that Section. Applicants state that the proposed structure of Strategic Variable Funds is very different from the structure of the investment companies whose practices led to the adoption of Section 12(d)(1) and its amendment in 1970. As required by Condition 1 below, Strategic Variable Funds and the Underlying Hubs must be part of the same "group of investment companies," as defined in Rule 11a-3 under the 1940 Act. Underlying Spokes must be registered separate accounts (or subaccounts thereof) established by

<sup>1</sup> Hub and Spoke® is a registered service mark of Signature Financial Group, Inc.

AUSA in connection with the offering by AUSA of Variable Contracts. In addition, Investment Advisors will be the investment adviser to Strategic Variable Funds and each of the Underlying Hubs. Applicants assert that Investment Advisors and AUSA are governed by their obligations to the various funds at different levels, and that any allocation or reallocation by Investment Advisors of a Subaccount's assets among Underlying Spokes/Underlying Hubs will be made in accordance with these obligations. Finally, Applicants argue that AUSA's and Investment Advisors' self-interest will prompt them to maximize benefits to all shareholders, and not disrupt the operations of Strategic Variable Funds or any of the Underlying Spokes or Underlying Hubs.

5. Applicants believe that Strategic Variable Funds' asset and administrative fee will be justified by the incremental benefits, not otherwise available, of the professional assets allocation service that Investment Advisors would provide for investors choosing Strategic Variable Funds. In addition, Applicants note that, as required by Condition 4 below, before a Subaccount may adopt an asset allocation and administrative fee, the directors of Strategic Variable Funds, including the independent directors, must find that the fee is based on services that are in addition to, rather than duplicative of, services provided under any Underlying Hub's advisory contract. Moreover, Applicants assert that no fees for duplicative services can exist at the Underlying Spoke level, because no advisory fees are or will be charged at the Underlying Spoke level.

6. Applicants also state that no layering of sales charges will exist. Condition 5 below requires that Strategic Variable Funds' acquisition, disposition, or holding of interests directly in the Underlying Spokes and indirectly in the Underlying Hubs shall not be subject, directly or indirectly, to any sales charges or service fees as defined in Rule 2830 of the Conduct Rules of the National Association of Securities Dealers, Inc.

7. Accordingly, Applicants believe that the requested exemption from Section 12(d)(1) is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies of the 1940 Act.

#### *Section 17(a)*

8. Section 17(a) of the 1940 Act makes it unlawful for an affiliated person of a registered investment company to sell securities to, or purchase securities

from, the company. Section 17(b) provides that the Commission shall exempt a proposed transaction from Section 17(a) if evidence establishes that: (a) the terms of the proposed transaction are reasonable and fair and do not involve overreaching; (b) the proposed transaction is consistent with the policies of the registered investment company involved; and (c) the proposed transaction is consistent with the general provisions of the 1940 Act.

9. Applicants request exemptive relief from the prohibitions of Section 17(a) to allow the transactions described in the application. Applicants assert that the relief is consistent with the standards of Section 17(b), and that such relief should be granted for the same reasons set forth above under the discussion of Section 12(d)(1) of the 1940 Act.

#### *Applicants' Conditions*

Applicants agree that the order granting the requested relief shall be subject to the following conditions:

1. Strategic Variable Funds and each Underlying Hub will be part of the same "group of investment companies," as defined in Rule 11a-3 under the 1940 Act, and the Underlying Spokes will be registered separate accounts (of subaccounts thereof) established by AUSA in connection with its offering of the Variable Contracts.<sup>3</sup>

2. No Underlying Hub shall acquire securities of any other investment company in excess of the limits contained in Section 12(d)(1)(A) of the 1940 Act, and no Underlying Spoke shall acquire securities of any other investment company except in conformity with Section 12(d)(1)(E) of the 1940 Act.

3. A majority of the directors<sup>4</sup> of Strategic Variable Funds will not be "interested persons," as defined in Section 2(a)(19) of the 1940 Act ("Independent Directors").

4. Before approving any advisory contract under Section 15 of the 1940

<sup>3</sup> Because the Underlying Spokes will be unit investment trusts, they do not fall within the technical definition of "group of investment companies" under Rule 11a-3(a)(5) of the 1940 Act, which only applies to open-end investment companies. Applicants note that although the Underlying Spokes do not technically comply with the definition, the policy underlying a requirement that all funds in a "fund of funds" be part of the same group of investment companies is served by the proposed structure because AUSA is an affiliated person of Investment Advisors.

<sup>4</sup> Although Strategic Variable Funds will be a separate account of an insurance company, and not a corporation, trust, or similar entity. Applicants state that Strategic Variable Funds will create a board of individuals who will function as "directors" of Strategic Variable Funds within the meaning of Section 2(a)(12) of the 1940 Act for purposes of exercising the function of directors under the 1940 Act and the rules thereunder.

Act, the directors of Strategic Variable Funds, including a majority of the Independent Directors, shall find that advisory fees charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Hub's advisory contract. Such finding, and the basis upon which the finding was made, will be recorded fully in the minute books of Strategic Variable Funds.

5. Strategic Variable Funds' acquisition, disposition, or holding of interests directly in the Underlying Spokes and indirectly in the Underlying Hubs shall not be subject, directly or indirectly, to any sales charges or service fees as such terms are defined in Rule 2830 of the Conduct Rules of the National Association of Securities Dealers, Inc.

6. Applicants will provide the following information, in electronic format, to the Chief Financial Analyst of the Division of Investment Management of the Commission: monthly average total assets for each Subaccount and each of its Underlying Spokes and Underlying Hubs; monthly purchases and redemptions (other than by exchange) for each Subaccount and each of its Underlying Spokes and Underlying Hubs; monthly exchanges into and out of each Subaccount and each of its Underlying Spokes; month-end allocations of each Subaccount's assets among its Underlying Spokes; annual expense ratios for each Subaccount and each of its Underlying Spokes and Underlying Hubs; and a description of any vote taken by the unit holders of any Underlying Spoke, including a statement of the percentage of votes cast for and against the proposal by Strategic Variable Funds and by the other unit holders of the Underlying Spoke. Such information will be provided as soon as reasonably practicable following each fiscal year-end of Strategic Variable Funds (unless the Chief Financial Analyst shall notify Strategic Variable Funds or Investment Advisors in writing that such information need no longer be submitted).

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

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-24490 Filed 9-24-96; 8:45 am]

BILLING CODE 8010-01-M

#### **Sunshine Act Meeting**

Notice is hereby given, pursuant to the provisions of the Government in the