

Dated at Rockville, Maryland, this 27th day of August, 1999.

James W. Clifford,

Chief, Section 2, Project Directorate I, Division of Licensing Project Management, Office of Nuclear Reactor Regulation.

[FR Doc. 99-23158 Filed 9-3-99; 8:45 am]

BILLING CODE 7590-01-P

OFFICE OF MANAGEMENT AND BUDGET

Budget Analysis Branch; Sequestration Update Report

AGENCY: Office of Management and Budget—Budget Analysis Branch.

ACTION: Notice of Transmittal of Sequestration Update Report to the President and Congress.

SUMMARY: Pursuant to Section 254(b) of the Balanced Budget and Emergency Control Act of 1985, as amended, the Office of Management and Budget hereby reports that it has submitted its Sequestration Update Report to the President, the Speaker of the House of Representatives, and the President of the Senate.

FOR FURTHER INFORMATION CONTACT: Jason Orlando, Budget Analysis Branch—202/395-7436.

Dated: August 27, 1999.

Stephen A. Weigler,

Associate Director for Administration.

[FR Doc. 99-22857 Filed 9-3-99; 8:45 am]

BILLING CODE 3110-01-P

SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request;

[Extension Rule 15c2-7; SEC File No. 270-420; OMB Control No. 3235-0479]

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission ("Commission") is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

• Rule 15c2-7 Identification of Quotations

Rule 15c2-7 enumerates the requirements with which all brokers

and dealers must comply when submitting a quotation for a security (other than a municipal security) to an inter-dealer quotation system. The purpose of Rule 15c2-7 is to ensure that an inter-dealer quotation system clearly reveals where two or more quotations in different names for a particular security represent a single quotation or where one broker-dealer appears as a correspondent of another. This is accomplished by requiring broker-dealers and inter-dealers and inter-dealer quotation systems to disclose with each published quotation the information required pursuant to the rule. The rule permits users of an inter-dealer quotation system to determine the identity of dealers making an inter-dealer market for a security—a fact which may be extremely pertinent in evaluating its marketability.

It is estimated that there are 8,500 brokers and dealers. Industry personnel estimate that approximately 900 notices are filed pursuant to Rule 15c3-7 annually. Based on industry estimates that respondents complying with Rule 15c2-7 spend 30 seconds to add notice of an arrangement and 1 minute to delete notice of an arrangement, and assuming that one-half of the notices given are to add an arrangement and the other half are to delete an arrangement, the staff estimates that, on an annual basis, respondents spend a total of 11.25 hours to comply with Rule 15c2-7 (900×45 seconds=40,500 seconds/60=675 minutes/60=11.25 hours). The Commission staff estimates that the average labor cost associated with this activity is \$35 per hour. Therefore, the total labor cost of compliance for all brokers-dealer respondents is approximately \$394 (11.25 multiplied by \$35).

Written comments are invited on (a) whether the proposed 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 estimates of the burden of the proposed 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.

Please 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: August 25, 1999.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-23113 Filed 9-3-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-23983; File No. 812-11610]

Allmerica Financial Life Insurance and Annuity Company, et al.

August 30, 1999.

AGENCY: Securities and Exchange Commission (the "Commission" or "SEC").

ACTION: Notice of Application for an order under Section 6(c) of the Investment Company Act of 1940 (the "1940 Act") granting exemptions from the provisions of Sections 2(a)(32), 22(c), and 27(i)(2)(A) of the 1940 Act and Rule 22c-1 thereunder to permit the recapture of credits applied to contributions made under certain deferred variable annuity contracts.

Summary of Application: Applicants seek an order under Section 6(c) of the 1940 Act to the extent necessary to permit, under specified circumstances, the recapture of credits of up to 5% of contributions made under deferred variable annuity contracts and certificates (the "Contracts"), that Allmerica will issue through the Separate accounts, as well as other contracts that Allmerica may issue in the future through the Separate Accounts or any other future Separate Account of Allmerica ("Other Separate Account") to support variable annuity contracts and certificates that are substantially similar in all material respects to the Contracts (the "Future Contracts"). Applicants also request that the order being sought extend to any other National Association of Securities Dealers, Inc. ("NASD") member broker-dealer controlling or controlled by, or under common control with, Allmerica, whether existing or created in the future, that serves as a distributor or principal underwriter for the Contracts or Future Contracts offered through the Separate Accounts or any Other Separate Account ("Allmerica Broker-Dealer(s)").

Applicants: Almerica Financial Life Insurance and Annuity Company ("Allmerica"), Separate Account VA-K of Allmerica, Separate Account VA-P of Allmerica, Separate Account KG of

Allmerica, and Allmerica Select Separate Account of Allmerica (together with the other Applicant separate accounts, the "Separate Accounts"), and Allmerica Investment, Inc. (collectively, "Applicants").

Filing Date: The application was filed on May 14, 1999, and amended and restated on August 4, 1999, and on August 27, 1999.

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, in person or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on September 24, 1999, and should be accompanied by proof of service on the 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 Secretary of the SEC.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. Applicants, c/o Allmerica Financial Life Insurance and Annuity Company, 440 Lincoln Street, Worcester, Massachusetts 01653, Attn: Shelia B. St. Hilaire, Esq.

FOR FURTHER INFORMATION CONTACT: Kevin P. McEnery, Senior Counsel, or Susan M. Olson, Branch 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 SEC's Public Reference Branch, 450 Fifth St., N.W., Washington, D.C. 20549-0102 (tel. (202) 942/8090).

Applicants' Representations

1. Allmerica is a stock life insurance company organized under the laws of the State of Delaware. Allmerica is registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934 ("1934 Act") and is a member of the NASD. Separate Account VA-K, Allmerica Select Separate Account, Separate Account VA-P, and Separate Account KG were established by resolutions of the Board of Directors of Allmerica on November 1, 1990, March 5, 1992, October 27, 1994, and June 13, 1996, respectively. Allmerica serves as depositor of each of the Separate Accounts. Allmerica may

in the future establish one or more Other Separate Accounts for which it will serve as depositor.

2. Each of the Separate Accounts is a segregated asset account of Allmerica. Each of the Separate Accounts is registered with the Commission as a unit investment trust under the 1940 Act. Separate Account VA-K filed Form N-8A Notification of Registration under the 1940 Act on April 1, 1991. Allmerica Select Separate Account filed a Form N-8A on April 15, 1992. Separate Account VA-P filed a Form N-8A on November 3, 1994. Separate Account KG filed a Form N-8A on August 9, 1996.

3. Units of interest in the Separate Accounts will be registered under the Securities Act of 1933 (the "1933 Act"). In that regard, Allmerica Select Separate Account filed a Form N-4 registration statement on May 11, 1999, under the 1933 Act relating to the Contracts. Separate Account VA-K, Separate Account VA-P, and Separate Account KG each filed a Form N-4 registration statement on June 22, 1999, June 18, 1999, and June 18, 1999, respectively. Allmerica may issue Future Contracts through the Separate Accounts and through Other Separate Accounts. The assets of the Separate Accounts are not chargeable with liabilities arising out of any other business of Allmerica. Any income, gains or losses, realized or unrealized, from assets allocated to the Separate Accounts are, in accordance with the respective Contracts, credited to or charged against the Separate Accounts, without regard to other income, gains or losses of Allmerica.

4. Allmerica Investments, Inc. ("Allmerica Investments") is a wholly-owned subsidiary of Allmerica and will be the principal underwriter of the Separate Accounts and distributor of the Contracts funded through Allmerica Select Separate Account ("Select Contracts"), Separate Account VA-K ("VA-K Contracts"), Separate Account VA-P ("VA-P Contracts"), and Separate Account KG ("KG Contracts") (collectively, the "Contracts"). Allmerica Investments is registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934 (the "1934 Act") and is a member of the NASD. The Contracts will be offered through registered representatives of Allmerica Investments, or through unaffiliated broker-dealers, which are registered under the 1934 Act and members of the NASD, that have selling agreements with Allmerica Investments. Allmerica Investments, or any successor entity, may act as principal underwriter for any Other Separate Account and distributor

for any Future Contracts issued by Allmerica. A successor entity also may act as principal underwriter for the Separate Accounts.

5. The Select Contracts, VA-K Contracts, VA-P Contracts, and KG Contracts are substantially similar in all material respects. They differ principally in the mix of mutual funds underlying each of the Separate Accounts, in the distribution channels used in the offering of the Contracts, and in the amount of the Credit (currently 5% for the Select Contracts and 4% for the VA-K Contracts, KG Contracts, and VA-P Contracts). There are minor differences in some contract features. Contracts may be issued as individual retirement annuities ("IRAs," either "Traditional IRAs" or "Roth IRAs"), in connection with certain types of qualified or non-qualified plans, or as non-qualified annuities for after-tax contributions only. In some states, the Contracts may be issued on a group basis, rather than as an individual contract. Each of the group contracts consists of (i) a basic form of group annuity contract (the "Group Contract") issued to an employer or to a bank, trust company or other institution whose sole responsibility will be to serve as party to the Group contract, (ii) a basic form of certificate issued under and reflecting the terms of the Group Contract, and (iii) forms of certificate endorsements to be used for specific forms of benefits under the certificates.

6. Payments may be made to the Contract at any time prior to the Annuity Date, subject to certain minimums. Currently, the initial payment must be at least \$1,000 (\$2000 for KG Contracts and \$600 for VA-K Contracts), with lower minimum payments under salary deduction or monthly automatic payment plans, and for certain employer-sponsored retirement plans. The minimum subsequent payment is \$50 (\$167 for KG Contracts).

7. The Contracts permit the owner to allocate contributions to a fixed interest account ("Fixed Account") of Allmerica's general account, to accumulate interest at a fixed, guaranteed rate. Contributions may also be allocated to certain guarantee period accounts ("Guarantee Period Accounts"). Each Guarantee Period Account will provide a guarantee of each contribution plus interest at a guaranteed interest rate. Allmerica's general account assets support the guarantee of principal and interests. An upward or downward adjustment, or "market value adjustment," will be made to the annuity account value in Guarantee Period Account upon a

withdrawal, surrender or transfer from the Guarantee Period Account prior to the expiration of its guarantee period. The Market Value Adjustment will never be applied against the owner's principal investment, and even after application of the Market Value Adjustment, earnings in a Guarantee Period Account will not be less than an effective rate of 3% annually.

8. Each Separate Account consists of Sub-Accounts, which invest in the portfolios of certain underlying investment companies ("Funds"), each of which is registered with the Commission as an open-end, management investment company. Other Funds may be made available to the Separate Accounts or to the Other Separate Accounts of Allmerica. Separate Account VA-K of Allmerica will initially offer seventeen Sub-Accounts under the VA-K Contracts, each of which invests in a corresponding investment portfolio of Delaware Group Premium Fund, Inc., managed by Delaware Management Company, Inc. and Delaware International Advisers Ltd., or of Allmerica Investment Trust ("AIT"), managed by Allmerica Financial Investment Management Services, Inc. ("AFIMS"). Allmerica Select Separate Account is currently comprised of fourteen Sub-Accounts, each of which invests in a corresponding investment series of AIT, Variable Insurance Products Fund, managed by Fidelity Management & Research Company, or T. Rowe Price International Series, Inc. ("T. Rowe Price"), managed by Rowe Price-Fleming International, Inc. Separate Account KG is currently comprised of twenty-six Sub-Accounts, each of which invests in a corresponding investment series of Kemper Variable Series ("KVS") or Scudder Variable Life Investment Fund ("Scudder VLIF"), both managed by Scudder Kemper Investments, Inc. Separate Account VA-P currently consists of thirteen Sub-Accounts, each of which invests in a corresponding investment portfolio of the Pioneer Variable Contracts Trust, managed by Pioneer Investment Management, Inc.

9. Allmerica in the future may determine to create additional Sub-Accounts of the Separate Accounts to invest in additional portfolios, other underlying portfolios or other investments in the future. In addition, Sub-Accounts may be combined or eliminated from time to time.

10. The Contracts provide for various withdrawal options, annuity payout options, as well as transfer privileges among Sub-Accounts, dollar cost averaging, death benefits, optional

annuitization riders, and other features. The Contracts have charges consisting of: (i) a withdrawal charge as a percentage of contributions declining from 8.5% in years one through four to 0% after year nine, with a 15% "free withdrawal" amount in certain situations; (ii) asset-based charges at the annual rates of 1.25% for mortality and expense risks and 0.15% for administration expenses assessed against the net assets of each Sub-Account; and (iii) an annual contract fee of \$35 for Contracts with an Accumulated Value of less than \$75,000. The underlying Funds each impose investment management fees and charges for other expenses.

11. Each time Allmerica receives a contribution from an owner, it will allocate the owner's contract value a credit ("Credit") of up to 5% of the amount of the contribution (currently 5% for the Select Contracts and 4% for the VA-K Contracts, VA-P Contracts, and KG Contracts). Allmerica will allocate Credits among the investment options in the same proportion as the corresponding contributions are allocated by the owner. Allmerica will fund the Credits from its general account assets. Allmerica will recapture Credits from an owner only if the owner returns the Contract to Allmerica for a refund during the "free look" period, which varies by state.

12. Applicants seek exemption pursuant to Section 6(c) of the 1940 Act from Sections 2(a)(32), 22(c), and 27(i)(2)(A) of the 1940 Act and Rule 22c-1 thereunder to the extent deemed necessary to permit Allmerica to recapture Credits when an owner returns a Contract for a refund during the "free look" period, in which case Allmerica will recover the amount of any Credit applicable to such contribution.

Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission to exempt any person, security or transaction, or any class or classes of persons, securities or transactions from the provisions of the 1940 Act and the rules promulgated thereunder, 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 that the Commission, pursuant to Section 6(c) of the 1940 Act, grant the exemptions summarized above with respect to the Contracts and any Future Contracts funded by the Separate Accounts or Other Separate Accounts,

that are issued by Allmerica and underwritten or distributed by Allmerica Investments or Allmerica Broker-Dealers. Applicants undertake that Future Contracts funded by the Separate Accounts or any Other Separate Account will be substantially similar in all material respects to the Contracts. Applicants believe that the requested exemptions 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.

2. Applicants represent that it is not administratively feasible to track the Credit amount in any of the Separate Accounts after the Credit is applied. Accordingly, the asset-based charges applicable to the Separate Accounts will be assessed against the entire amounts held in the respective Separate Accounts, including the Credit amount, during the "free look" period. As a result, during such period, the aggregate asset-based charges assessed against an owner's annuity account value will be higher than those that would be charged if the owner's annuity account value did not include the Credit.

3. Subsection (i) of Section 27 provides that Section 27 does not apply to any registered separate account funding variable insurance contracts, or to the sponsoring insurance company and principal underwriter of such account, except as provided in paragraph (2) of the subsection. Paragraph (2) provides that it shall be unlawful for any registered separate account funding variable insurance contracts or a sponsoring insurance company of such account to sell a contract funded by the registered separate account unless, among other things, such contract is a redeemable security. Section 2(a)(32) defines "redeemable security" as any security, other than short-term paper, under the terms of which the holder, upon presentation to the issuer, is entitled to receive approximately his proportionate share of the issuer's current net assets, or the cash equivalent thereof.

4. Applicants submit that the recapture of the Credit if an owner returns the Contract during the free look period would not deprive an owner of his or her proportionate share of the issuer's current net assets. Applicants state that an owner's interest in the amount of the Credit allocated to his or her annuity account value upon receipt of an initial contribution is not vested until the applicable free-look period has expired without return of the Contract. Until or unless the amount of any Credit is vested, Applicants submit that Allmerica retains the right and interest in

the Credit amount, although not in the earnings attributable to that amount. Applicants argue that when Allmerica recaptures any Credit it is simply retrieving its own assets, and because an owner's interest in the Credit is not vested, the owner has not been deprived of a proportionate share of the applicable Separate Account's assets, *i.e.*, a share of the applicable Separate Account's assets proportionate to the owner's annuity account value (including the Credit).

5. In addition, Applicants state that it would be patently unfair to allow an owner exercising the free-look privilege to retain a Credit amount under a Contract that has been returned for a refund after a period of only a few days. Applicants state that if Allmerica could not recapture the Credit, individuals could purchase a Contract with no intention of retaining it, and simply return the Contract for a quick profit.

6. Applicants represent that the Credit will be attractive to and in the interest of investors because it will permit owners to put up to 105% of their contributions to work for them in the selected Sub-Accounts. In addition, the owner will retain any earnings attributable to the Credit, and the principal amount of the Credit will be retained under the conditions set forth in the application.

7. Applicants submit that the provisions for recapture of any Credit if an owner returns a Contract or any Future Contract during the free look period under the Contracts will not violate Sections 2(a)(32) and 27(i)(2)(A) of the 1940 Act. Nevertheless, to avoid any uncertainties, Applicants request an exemption from those Sections, to the extent deemed necessary, to permit the recapture of any Credit if an owner returns a Contract or any Future Contract during the free look period, without the loss of the relief from Section 27 provided by Section 27(i).

8. Section 22(c) of the 1940 Act authorizes the Commission to make rules and regulations applicable to registered investment companies and to principal underwriters of, and dealers in, the redeemable securities of any registered investment company, whether or not members of any securities association, to the same extent, covering the same subject matter, and for the accomplishment of the same ends as are prescribed in Section 22(a) in respect of the rules which may be made by a registered securities association governing its members. Rule 22c-1 thereunder prohibits a registered investment company issuing any redeemable security, a person designated in such issuer's prospectus

as authorized to consummate transactions in any such security, and a principal underwriter of, or dealer in, such security, from selling, redeeming, or repurchasing any such security except at a price based on the current net asset value of such security, which is next computed after receipt of a tender of such security for redemption or of an order to purchase or sell such security.

9. Arguably, Allmerica's recapture of the Credit may be viewed as resulting in the redemption of redeemable securities for a price other than one based on the current net asset value of the Separate Accounts. Applicants contend, however, that recapture of the Credit is not violative of Section 22(c) and Rule 22c-1. Applicants argue that the recapture does not involve either of the evils that Rule 22c-1 was intended to eliminate or reduce, namely: (i) the dilution of the value of outstanding redeemable securities of registered investment companies through their sale at a price below net asset value or their redemption or repurchase at a price above it, and (ii) other unfair results including speculative trading practices. See, Adoption of Rule 22c-1 under the 1940 Act, Investment Company Release No. 519 (Oct. 16, 1968). To effect a recapture of a Credit, Allmerica will redeem interests in an owner's Contract at a price determined on the basis of current net asset value of the respective Sub-Accounts. The amount recaptured will equal the amount of the Credit that Allmerica paid out of its general account assets. Although owners will be entitled to retain any investment gain attributable to the Credit, the amount of such gain will be determined on the basis of the current net asset value of the respective Sub-Accounts. Thus, no dilution will occur upon the recapture of the Credit. Applicants also submit that the second harm that Rule 22c-1 was designed to address, namely, speculative trading practices calculated to take advantage of backward pricing, will not occur as a result of the recapture of the Credit. However, to avoid any uncertainty as to full compliance with the 1940 Act, Applicants request an exemption from the provisions of Section 22(c) and Rule 22c-1 to the extent deemed necessary to permit them to recapture the Credit, as described herein, under the Contracts and Future Contracts.

Conclusion

Applicants submit that their request for an order is appropriate in the public interest. Applicants state that such an order would promote competitiveness in the variable annuity market by

eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses and maximizing the efficient use of Applicants' resources. Applicants argue that investors would not receive any benefit or additional protection by requiring Applicants to repeatedly seek exemptive relief that would present no issue under the 1940 Act that has not already been addressed in their application described herein. Applicants submit that having them file additional applications would impair their ability effectively to take advantage of business opportunities as they arise. Further, Applicants state that if they were required repeatedly to seek exemptive relief with respect to the same issues addressed in the application described herein, investors would not receive any benefit or additional protection thereby.

Applicants submit, based on the grounds summarized above, that their exemptive request meets the standards set out in Section 6(c) of the 1940 Act, namely, that the exemptions requested are 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, and that, therefore, the Commission should grant the requested order.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-23114 Filed 9-3-99; 8:45 am]

BILLING CODE 8010-01-M

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 September 6, 1999.

A closed meeting will be held on Thursday, September 9, 1999 at 10:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters will be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(4), (8), (9)(A) and (10)