and maintain the facility, as NMPC will continue to be responsible for the maintenance and operation of NMP2 and is not involved in the restructuring of NYSEG.

The change will not increase the probability or consequences of accidents, no changes are being made in the types of any effluents that may be released offsite, and there is no significant increase in the allowable individual or cumulative occupational radiation exposure. Accordingly, the Commission concludes that there are no significant radiological environmental impacts associated with the proposed action.

With regard to potential nonradiological impacts, the restructuring would not affect nonradiological plant effluents and would have no other environmental impact. Accordingly, the Commission concludes that there are no significant nonradiological environmental impacts associated with the proposed action.

#### Alternatives to the Proposed Action

Since the Commission has concluded there are no significant environmental effects that would result from the proposed action, any alternatives with equal or greater environmental impact need not be evaluated.

As an alternative to the proposed action, the staff considered denial of the proposed action. Denial of the application would result in no change in current environmental impacts. The environmental impacts of the proposed action and the alternative action are similar.

#### Alternative Use of Resources

This action does not involve the use of any resources not previously considered in the Final Environmental Statements Related to the Operation of Nine Mile Point Nuclear Station, Unit No. 2, (NUREG-1085) dated May 1985.

# Agencies and Persons Contacted

In accordance with its stated policy, on January 12, 1998, the staff consulted with the New York State official, Mr. Jack Spath, regarding the environmental impact of the proposed action. The State official had no comments.

## Finding of No Significant Impact

Based upon the environmental assessment, the Commission concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the Commission has determined not to prepare an environmental impact statement for the proposed action.

For further details with respect to the proposed action, see NYSEG's application dated September 18, as supplemented by letters dated October 20 and 27, 1997, and January 6, 1998, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and at the local public document room located at the Reference and Documents Department, Penfield Library, State University of New York, Oswego, New York 13126.

Dated at Rockville, Maryland, this 12th day of January 1998.

For the Nuclear Regulatory Commission.

# S. Singh Bajwa,

Director Project Directorate I-1, Division of Reactor Projects—I/II, Office of Nuclear Reactor Regulation.

[FR Doc. 98–1108 Filed 1–15–98; 8:45 am] BILLING CODE 7590–01–P

#### POSTAL SERVICE

#### Sunshine Act Meeting, Board of Governors; Notification of Items Added to Meeting Agenda

DATE OF MEETING: January 5, 1998.

**STATUS:** Closed.

PREVIOUS ANNOUNCEMENT: 62 FR 66884, December 22, 1997.

**CHANGE:** At its meeting on January 5, 1998, the Board of Governors of the United States Postal Service voted unanimously to add two items to the agenda of its closed meeting held on that date:

- 1. Performance Measurement.
- 2. Facilities Redevelopment Project.

**CONTACT PERSON FOR MORE INFORMATION CONTACT:** Thomas J. Koerber, Secretary of the Board, U.S. Postal Service, 475 L'Enfant Plaza, S.W. Washington, D.C. 20260–1000. Telephone (202) 268–4800.

# Thomas J. Koerber,

Secretary.

[FR Doc. 98–1190 Filed 1–13–98; 4:39 pm] BILLING CODE 7710–12–M

# SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-22996; File No. 812-10604]

# The Dreyfus Socially Responsible Growth Fund, Inc., and The Dreyfus Corporation

January 9, 1998.

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

**ACTION:** Notice of application for an order under Section 6(c) of the

Investment Company Act of 1940 (the "1940 Act") for exemptions from the provisions of Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act and Rules 6e–2(b)(15) and 6e–3(T)(b)(15) thereunder.

**SUMMARY OF APPLICATION:** Applicants seek an order to permit shares of The Dreyfus Socially Responsible Growth Fund and shares of any other investment company or portfolio thereof that is designed to fund insurance products and for which The Dreyfus Corporation or any of its affiliates may serve in the future, as investment adviser, administrator, manager, principal underwriter, or sponsor (such other investment companies or investment portfolios thereof being hereinafter referred to, individually, as a "Future Fund" and collectively, as the "Future Funds") to be sold to and held by: (1) Separate accounts funding variable annuity and variable life insurance contracts issued by both affiliated and unaffiliated life insurance companies; and (2) qualified pension and retirement plans outside of the separate account context.

**APPLICANTS:** The Dreyfus Socially Responsible Growth Fund, Inc. (the "Fund") and The Dreyfus Corporation ("Dreyfus").

**FILING DATE:** The application was filed on April 4, 1997, amended and restated on October 20, 1997, and amended on December 16, 1997.

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 on this application by writing to the Secretary of the SEC and serving Applicants with a copy of the request, in person or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on February 3, 1998, and 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 interest, the reason for the request and the issues contested. Persons may request notification of the date of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 200 Park Avenue, New York, NY 10166.

FOR FURTHER INFORMATION CONTACT: Zandra Y Bailes, Senior Counsel, or Mark C. Amorosi, Branch Chief, Division of Investment Management, Office of Insurance Products, at (202) 942–0670.

**SUPPLEMENTARY INFORMATION:** Following is a summary of the application. The

complete application is available for a fee from the Public Reference Branch of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549 (tel. (202) 942–8090).

#### **Applicants' Representations**

1. The Fund is a Maryland corporation and is registered under the 1940 Act as an open-end diversified management investment company. Its authorized capital stock presently consists of one class of stock, but in the future the Fund may create one or more additional classes of stock, each corresponding to a portfolio of securities.

2. Dreyfus, an investment adviser registered under the Investment Advisers Act of 1940, is the investment adviser for the Fund. NCM Capital Management Group, Inc. is the subinvestment adviser for the Fund and provides day-to-day management of the

Fund's portfolio.

3. The Fund currently offers its shares to insurance companies as the investment vehicle for their separate accounts that fund variable annuity contracts and intends to offer its shares to affiliated and unaffiliated insurance companies as the investment vehicle for their separate accounts that fund variable life insurance contracts (together, variable annuity contracts and variable life insurance contracts are referred to herein as "Variable Contracts"). Separate accounts owning shares of the Fund and their insurance company depositors are referred to herein as "Participating Separate Accounts" and "Participating Insurance Companies," respectively.

4. Each Participating Insurance
Company will enter into a participation
agreement with the Fund on behalf of its
Participating Separate Account. The role
of the Fund under this agreement,
insofar as the federal securities laws are
applicable, will consist of offering
shares to the Participating Separate
Accounts and complying with any
conditions that the Commission may
impose upon granting the order

requested in the application.

5. Applicants also propose that the Fund offer and sell its shares directly to qualified pension and retirement plans ("Qualified Plans" or "Plans") outside of the separate account context.

#### **Applicants' Legal Analysis**

1. Section 6(c) of the 1940 Act authorizes the Commission, by order upon application, to conditionally or unconditionally exempt any person, security or transaction, or any class or classes of persons, securities or transactions from any provisions of the

1940 Act or the rules or regulations 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.

2. In connection with the funding of scheduled premium variable life insurance contracts issued through a separate account registered under the 1940 Act as a unit investment trust, Rule 6e-2(b)(15) under the 1940 Act provides partial exemptions from Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act. The exemptions granted by Rule 6e-2(b)(15) are available, however, only where the management investment company underlying the separate account ("underlying fund") offers its shares "exclusively to variable life insurance separate accounts of the life insurer, or of any affiliated life insurance company" (emphasis supplied).¹ Therefore, the relief granted by Rule 6e-2(b)(15) is not available with respect to a scheduled premium variable life insurance separate account that owns shares of an underlying fund that also offers its shares to a variable annuity or a flexible premium variable life insurance separate account of the same company or of any affiliated life insurance company. The use of a common management investment company as the underlying investment medium for both variable annuity and variable life insurance separate accounts of the same insurance company or of any affiliated life insurance company is referred to herein as "mixed funding." In addition, the relief granted by Rule 6e-2(b)(15) is not available if shares of the underlying management investment company are offered to variable annuity or variable life insurance separate accounts of unaffiliated life insurance companies. The use of a common management investment company as the underlying investment medium for separate accounts of unaffiliated life insurance companies is referred to herein as "shared funding." Furthermore, Rule 6e-2(b)(15) does not contemplate that shares of the underlying fund might also be sold to Qualified Plans.

3. In connection with the funding of flexible premium variable life insurance contracts issues through a separate account registered under the 1940 Act as a unit investment trust, Rule 6e–3(T)(b)(15) provides partial exemptions

from Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act. These exemptions, however, are available only where the separate account's underlying fund offers its shares "exclusively to separate accounts of the life insurer, or of any affiliated life insurance company, offering either scheduled contracts or flexible contracts, or both; or which also offer their shares to variable annuity separate accounts of the life insurer or of an affiliated life insurance company" (emphasis supplied).<sup>2</sup> Therefore, Rule 6e-3(T) permits mixed funding with respect to a flexible premium variable life insurance separate account but does not permit shared funding. Also, Rule 6e-3(T) does not contemplate the sale of shares of the underlying fund to Qualified Plans.

4. Applicants state that changes in the federal tax law have created the opportunity for the Fund to substantially increase its net assets by selling shares to Qualified Plans. Section 817(h) of the Internal Revenue Code of 1986, as amended (the "Code"), imposes certain diversification standards on the assets underlying Variable Contracts. The Code provides that Variable Contracts will not be treated as annuity contracts or life insurance contracts, as the case may be, for any period (or any subsequent period) for which the underlying assets are not, in accordance with regulations issued by the Treasury Department (the "Regulations"), adequately diversified. On March 2, 1989, the Treasury Department issued regulations (Treas. Reg. 1.817-5) which established specific diversification requirements for investment portfolios underlying Variable Contracts. The regulations generally provide that, in order to meet these diversification requirements, all of the beneficial interests in the underlying investment company must be held by the segregated asset accounts of one or more life insurance companies. Notwithstanding this, the Regulations also contain an exception to this requirement that permits trustees of a Qualified Plan to hold shares of an investment company, the shares of which are also held by insurance company segregated asset accounts, without adversely affecting the status of the investment company as an adequately diversified underlying investment for Variable Contracts issued through such segregated asset accounts (Treas. Reg. 1.817-5(f)(3)(iii)).

<sup>&</sup>lt;sup>1</sup>The exemptions provided by Rule 6e–2 also are available to the investment adviser, principal underwriter, and sponsor or depositor of the separate account.

<sup>&</sup>lt;sup>2</sup> The exemptions provided by Rule 6e–3(T) also are available to the investment adviser, principal underwriter, and sponsor or depositor of the separate account.

5. Applicants note that if the Fund and Future Funds were to sell their shares only to Qualified Plans, exemptive relief under Rule 6e–2 and Rule 6e–3(T) would not be necessary. The relief provided under Rule 6e–2(b)(15) and Rule 6e–3(T)(b)(15) does not relate to qualified pension and retirement plans or to a registered investment company's ability to sell its shares to such plans.

6. Applicants also note that the promulgation of Rules 6e–2(b)(15) and 6e–3(T)(b)(15) preceded the issuance of the Regulations. Thus, the sale of shares to both separate accounts and Qualified Plans was not contemplated at the time of the adoption of Rules 6e–2(b)(15) and

6e-3(T)(b)(15).

7. Section 9(a)(3) of the 1940 Act provides that it is unlawful for any company to serve as investment adviser or principal underwriter of any registered open-end investment company if an affiliated person of that company is subject to a disqualification enumerated in Section 9(a)(1) or (2) of the 1940 Act. Rules 6e-2(b)(15)(i) and (ii) and 6e-3(T)(b)(15)(i) and (ii) provide exemptions from Section 9(a) under certain circumstances, subject to the limitations on mixed and shared funding. These exemptions limit the application of the eligibility restrictions to affiliated individuals or companies that directly participate in the management of the underlying fund.

8. Applicants state that the partial relief granted in Rules 6e-2(b)(15) and 6e-3(T)(b)(15) from the requirements of Section 9 of the 1940 Act limits, in effect, the amount of monitoring of an insurer's personnel that would otherwise be necessary to ensure compliance with Section 9 to that which is appropriate in light of the policy and purposes of Section 9. Applicants state that those Rules recognize that it is not necessary for the protection of investors or the purposes fairly intended by the policy and provisions of the 1940 Act to apply the provisions of Section 9(a) to the many individuals involved in an insurance company complex, most of whom typically will have no involvement in matters pertaining to investment companies funding the separate accounts.

9. Applicants state that neither the Participating Insurance Companies nor the Qualified Plans are expected to play any role in the management or administration of the Fund or Future Funds. Those individuals who participate in the management or administration of the Fund and Future Funds will remain the same regardless of which separate accounts, insurance companies or Qualified Plans use such

Funds. Applicants maintain that applying the requirements of Section 9(a) because of investment by other insurers' separate accounts and Qualified Plans would be unjustified and would not serve any regulatory purpose. Moreover, Qualified Plans, unlike separate accounts, are not themselves investment companies, and therefore are not subject to Section 9 of the 1940 Act. Furthermore, it is not anticipated that a Qualified Plan would be deemed to be an affiliated person of the Fund or any Future Fund by virtue of its shareholders.

10. Applicants state that Rules 6e-2(b)(15)(iii) and 6e–3(T)(b)(15)(iii) under the 1940 Act provide exemptions from the pass-through voting requirement with respect to several significant matters, assuming the limitations on mixed and shared funding are observed. More specifically, Rules 6e-2(b)(15)(iii)(A) and 6e-3(T)(b)(15)(iii)(A)provide that the insurance company may disregard the voting instructions of its contractowners with respect to the investments of an underlying fund or any contract between a fund and its investment adviser, when required to do so by an insurance regulatory authority and subject to the provisions of paragraphs (b)(5)(i) and (b)(7)(ii)(A) of the Rules. In addition, Rules 6e-2(b)(15)(iii)(B) and 6e-3(T)(b)(15)(iii)(A)(2) provide that the insurance company may disregard contractowner's voting instructions if the contractowners initiate any change in such company's investment policies, principal underwriter or any investment adviser (provided that disregarding such voting instructions is reasonable and subject to the other provisions of paragraphs (b)(5)(ii) and (b)(7)(ii) (B) and (C) of the Rules).

11. Applicants assert that Qualified Plans, which are not registered as investment companies under the 1940 Act, have no requirement to pass through voting rights to plan participants. Indeed, to the contrary, applicable law expressly reserves voting rights associated with Plan assets to certain specified persons. Under Section 403(a) of the Employee Retirement Income Security Act ("ERISA"), shares of a fund sold to a Qualified Plan must be held by the trustees of the Plan. Section 403(a) also provides that the trustee(s) must have exclusive authority and discretion to manage and control the Plan with two exceptions: (a) When the Plan expressly provides that the trustees are subject to the direction of a named fiduciary who is not a trustee, in which case the trustees are subject to proper directions made in accordance with the terms of the Plan and not

contrary to ERISA, and (b) when the authority to manage, acquire or dispose of assets of the Plan is delegated to one or more investment managers pursuant to Section 402(c)(3) of ERISA. Unless one of the above two exceptions stated in Section 403(a) applies, Plan trustees have the exclusive authority and responsibility for voting proxies.

12. Where a named fiduciary to a Qualified Plan appoints an investment manager, the investment manager has the responsibility to vote the shares held unless the right to vote such shares is reserved to the trustees or the named fiduciary. The Qualified Plans may have their trustee(s) or other fiduciaries exercise voting rights attributable to investment securities held by the Qualified Plans in their discretion. Some of the Qualified Plans, however, may provide for the trustee(s), an investment adviser (or advisers) or another named fiduciary to exercise voting rights in accordance with instructions from participants.

13. Where a Qualified Plan does not provide participants with the right to give voting instructions, Applicants submit that there is no potential for material irreconcilable conflicts of interest between or among variable contract holders and Plan investors with respect to voting of the respective Fund's shares. Accordingly, unlike the case with insurance company separate accounts, the issue of the resolution of material irreconcilable conflicts with respect to voting is not present with respect to such Qualified Plans since the Qualified Plans are not entitled to pass-

through voting privileges.

14. Even if a Qualified Plan were to hold a controlling interest in the Fund or a Future Fund, Applicants argue that such control would not disadvantage other investors in such Fund to any greater extent than is the case when any institutional shareholder holds a majority of the voting securities of any open-end management investment company. In this regard, Applicants submit that investment in the Fund or a Future Fund by a Plan will not create any of the voting complications occasioned by mixed funding or shared funding. Unlike mixed or shared funding, Plan investor voting rights cannot be frustrated by veto rights of insurers or state regulators.

15. Where a Plan provides participants with the right to give voting instructions, Applicants see no reason to believe that participants in Qualified Plans generally or those in a particular Plan, either as a single group or in combination with participants in other Qualified Plans, would vote in a manner that would disadvantage variable

contract holders. The purchase of shares of the Fund or Future Funds by Qualified Plans that provide voting rights does not present any complications not otherwise occasioned by mixed or shared funding.

16. Applicants submit that the prohibitions on mixed and shared funding might reflect some concern with possible divergent interests among different classes of investors. Applicants assert that shared funding does not present any issues that do not already exist where a single insurance company is licensed to do business in several or all states. Where insurers are domiciled in different states, it is possible that the particular state insurance regulatory body in a state which one insurance company is domiciled could require action that is inconsistent with the requirements of insurance regulators of other states in which other insurance companies are domiciled. The fact that a single insurer and its affiliates offer their insurance products in different states does not create a significantly different or enlarged problem.

17. Applicants submit that shared funding is, in this respect, no different than the use of the same investment company as the funding vehicle for affiliated insurers, which Rules 6e-2(b)(15) and 6e-3(T)(b)(15) permit under various circumstances. Affiliated insurers may be domiciled in different states and be subject to differing state law requirements. Affiliation does not reduce the potential, if any exists, for differences in state regulatory requirements. In any event, Applicants submit that the conditions set forth in the application and included in this notice are designed to safeguard against and provide procedures for resolving any adverse effects that differences among state regulatory requirements may produce. For instance, if a particular state insurance regulator's decision conflicts with the majority of other state regulators, the affected insurer may be required to withdraw its Participating Separate Account's investment in the relevant Fund.

18. Applicants assert that the right of an insurance company under Rules 6e–2(b)(15) and 6e–3(T)(b)(15) to disregard contractowners' voting instructions does not raise any issues different from those raised by the authority of state insurance administrators over separate accounts. Under Rules 6e–2(b)(15) and 6e–3(T)(b)(15), an insurer can disregard contractowner voting instructions only with respect to certain specified items and under certain specified conditions. Affiliation does not eliminate the potential, if any exits, for divergent judgments as to the advisability or

legality of a change in investment policies, principal underwriter, or investment adviser initiated by contractowners. The potential for disagreement is limited by the requirements in Rules 6e–2 and 6e–3(T) that an insurance company's disregard of voting instructions be reasonable and based on specific good faith determinations.

19. A particular insurer's disregard of voting instructions nevertheless could conflict with the majority of contractowner voting instructions. The insurer's action could arguably be different from the determination of all or some of the other insurers (including affiliated insurers) that the contractowners' voting instructions should prevail, and could either preclude a majority vote approving the change or could represent a minority view. If the insurer's judgment represents a minority position or would preclude a majority vote, the insurer may be required, at the election of the relevant Fund to withdraw its Participating Separate Account's investment in such Fund, and no charge or penalty would be imposed as a result of such withdrawal.

20. Applicants submit that there is no reason why the investment policies of the Fund or any Future Fund would or should be materially different from what those policies would or should be if the Funds funded only annuity contracts or only scheduled or flexible premium life contracts. In this regard, Applicants note that each type of insurance product is designed as a long-term investment program. In addition, Applicants represent that neither the Fund or any Future Fund will be managed to favor or disfavor any particular insurer or type of insurance product.

21. Furthermore, applicants submit that no one investment strategy can be identified as appropriate to a particular insurance product. Each pool of variable annuity and variable life insurance contractowners is composed of individuals of diverse financial status, age, insurance and investment goals. A fund supporting even one type of insurance product must accommodate those factors in order to attract and

retain purchasers.

22. Applicants do not believe that the sale of shares of the Fund and Future Funds to Qualified Plans will increase the potential for material irreconcilable conflicts of interest between or among different types of investors. In particular, Applicants see very little potential for such conflicts beyond that which would otherwise exist between variable annuity and variable life insurance contractowners. Applicants

note that Section 817(h) of the Code requires that the investments made by variable annuity and variable life insurance separate accounts be "adequately diversified." Treasury Department Regulations issued under Section 817(h) provide that, in order to meet the statutory diversification requirements, all of the beneficial interests in the investment company must be held by the segregated asset accounts of one or more insurance companies. However, the Regulation specifically permits "qualified pension or retirement plans" and separate accounts to invest in the same underlying fund. For this reason, Applicants have concluded that neither the Code, nor the Treasury Regulations or Revenue Rulings thereunder, present any inherent conflicts of interest if Qualified Plans, variable annuity separate accounts, and variable life insurance separate accounts all invest in the same underlying fund.

23. Applicants note that while there are differences in the manner in which distributions from Variable Contracts and Qualified Plans are taxed, these differences will have no impact on the Fund and Future Funds. When distributions are to be made, and a Separate Account or Qualified Plan is unable to net purchase payments to make the distributions, the Separate Account and Qualified Plan will redeem shares of the Fund and the Future Funds at their respective net asset value. A Qualified Plan will make distributions in accordance with the terms of the Plan.

24. Applicants state that they do not see any greater potential for material irreconcilable conflicts arising between the interests of participants under Qualified Plans and contractowners of Participating Separate Accounts from possible future changes in the federal tax laws than that which already exist between variable annuity

contractowners and variable life insurance contractowners.

25. With respect to voting rights, Applicants state that it is possible to provide an equitable means of giving voting rights to Participating Separate Account contractowners and to Qualified Plans. Applicants represent that the Fund and Future Funds will inform each shareholder, including each Participating Insurance Company and Qualified Plan, of information necessary for the shareholder meeting, including their respective share of ownership in the relevant Fund. Each Participating Insurance Company will then solicit voting instructions in accordance with Rules 6e-2 and 6e-3(T), as applicable, and its participation agreement with the

relevant Fund. Shares held by Qualified Plans will be voted in accordance with applicable law. The voting rights provided to Qualified Plans with respect to shares of the Fund and Future Funds would be no different from the voting rights that are provided to Qualified Plans with respect to shares of funds sold to the general public.

26. Applicants submit that there are no conflicts between the contractowners of the Participating Separate Accounts and Qualified Plan participants with respect to the state insurance commissioners' veto powers over investment objectives. State insurance commissioners have been given the veto power in recognition of the fact that insurance companies usually cannot simply redeem their separate accounts out of one fund and invest in another. Generally, time-consuming complex transactions must be undertaken to accomplish such redemptions and transfers. Conversely, the trustees of Qualified Plans or the participants in participant-directed Qualified Plans can make the decision quickly and redeem their interest in the Fund and Future Funds and reinvest in another funding vehicle without the same regulatory impediments faced by separate accounts or, as is the case with most Qualified Plans, even hold cash pending suitable investment. Based on the foregoing, Applicants have concluded that even if there should arise issues where the interests of contractowners and the interests of Qualified Plans are in conflict, the issues can be almost immediately resolved since the trustees of (or participants in) the Qualified Plans can, on their own, redeem the shares out of the Fund and Future

27. Applicants assert that various factors have limited the number of insurance companies that offer variable annuities and variable life insurance contracts. These factors include the costs of organizing and operating a funding medium, the lack of expertise with respect to investment management (principally with respect to stock and money market investments) and the lack of name recognition by the public of certain insurers as investment experts. In particular, some smaller life insurance companies may not find it economically feasible, or within their investment or administrative expertise, to enter the Variable Contract business on their own.

28. Applicants contend that the use of the Fund and Future Funds as common investment vehicles for Variable Contracts would reduce or alleviate these concerns. Participating Insurance Companies will benefit not only from

the investment and administrative expertise of the Fund's and Future Funds' investment adviser, but also from the cost efficiencies and investment flexibility afforded by a large pool of funds. Therefore, making the Fund and Future Funds available for mixed and shared funding may encourage more insurance companies to offer Variable Contracts, and accordingly could result in increased competition with respect to both Variable Contract design and pricing, which can be expected to result in more product variation and lower charges. Applicants state that mixed and shared funding would benefit variable contractowners by eliminating a significant portion of the costs of establishing and administering separate funds. Applicants also assert that the sale of shares of the Fund and Future Funds to Qualified Plans in addition to separate accounts of Participating Insurance Companies will result in an increased amount of assets available for investment by such Funds. This may benefit variable contractowners by promoting economies of scale, by permitting increased safety of investments through greater diversification, and by making the addition of new portfolios more feasible.

#### **Applicants' Conditions**

Applicants have consented to the following conditions:

1. A majority of the Board of each Fund shall consist of persons who are not "interested persons" of such Fund, as defined by Section 2(a)(19) of the 1940 Act, and the Rules thereunder, as modified by any applicable orders of the Commission, except that if this condition is not met by reason of the death, disqualification or bona fide resignation of any Trustee or Director, then the operation of this condition shall be suspended (a) for a period of 45 days if the vacancy or vacancies may be filled by the Board; (b) for a period of 60 days if a vote of shareholders is required to fill the vacancy or vacancies; or (c) for such longer period as the Commission may prescribe by order upon application.

2. Each Board will monitor its Fund for the existence of any material irreconcilable conflict among the interests of the contract holders of all Participating Separate Accounts and of participants of Qualified Plans investing in such Fund and determine what action, if any, should be taken in response to such conflicts. A material irreconcilable conflict may arise for a variety of reasons, including: (a) An action by any state insurance regulatory authority; (b) a change in applicable

federal or state insurance, tax or securities laws or regulations, or a public ruling, private letter ruling, noaction or interpretive letter, or any similar action by insurance, tax or securities regulatory authorities; (c) an administrative or judicial decision in any relevant proceeding; (d) the manner in which the investments of such Fund are being managed; (e) a difference in voting instructions given by variable annuity contractowners and variable life insurance contractowners; (f) a decision by a Participating Insurance Company to disregard the voting instructions of contractowners; or (g) if applicable, a decision by a Qualified Plan to disregard the voting instructions of plan

participants.

3. The Participating Insurance Companies, Dreyfus, and any Qualified Plan that executes a fund participation agreement upon becoming an owner of 10% or more of the assets of the Fund or a Future Fund (the "Participants") shall report any potential or existing conflicts to the applicable Board. Participants will be responsible for assisting the Board in carrying out its responsibilities under these conditions by providing the Board with all information reasonably necessary for the Board to consider any issues raised. This responsibility includes, but is not limited to, an obligation by each Participating Insurance Company to inform the Board whenever it has determined to disregard contractowners voting instructions, and, if pass-through voting is applicable, an obligation by each Participant to inform the Board whenever it has determined to disregard plan participant voting instructions. The responsibility to report such conflicts and information, and to assist the Board will be contractual obligations of all Participants under their agreements governing participation in the Fund and Future Funds, and such agreements, in the case of Participating Insurance Companies, shall provide that such responsibilities will be carried out with a view only to the interests of the contractowners. The responsibility to report such information and conflicts, and to assist the Board, also will be contractual obligations of all Participants, and such agreements will provide that their responsibilities will be carried out with a view only to the interests of plan participants.

4. If it is determined by a majority of a Board, or a majority of its disinterested members, that a material irreconcilable conflict exists, the relevant Participants shall, at their expense and to the extent reasonably practicable (as determined by a majority of the disinterested members of the Board), take whatever

steps are necessary to eliminate the material irreconcilable conflict, including: (1) Withdrawing the assets allocable to some or all of the Participating Separate Accounts from the relevant Fund and reinvesting such assets in a different investment medium, which may include another portfolio of such Fund, if any, or, in the case of Participating Insurance Companies, submitting the question whether such segregation should be implemented to a vote of all affected contractowners and, as appropriate, segregating the assets of any appropriate group (i.e., annuity contractowners, life insurance contractowners or Variable Contractowners of one or more Participant) that votes in favor of such segregation, or offering to the affected contractowners the option of making such a charge; and (2) establishing a new registered management investment company or managed separate account. If a material irreconcilable conflict arises because of a Participating Insurance Company's decision to disregard contractowners' voting instructions and that decision represents a minority position or would preclude a majority vote, such Participant may be required, at the relevant Fund's election, to withdraw its separate account's investment in such Fund and no charge or penalty will be imposed as a result of such withdrawal. If a material irreconcilable conflict arises because of a Qualified Plan's decision to disregard Plan participant voting instructions, if applicable, and that decision represent a minority position or would preclude a majority vote, the Plan may be required, at the election of the Fund, to withdraw its investment in such Fund, and no charge or penalty will be imposed as a result of such withdrawal.

The responsibility to take remedial action in the event of a determination by a Board of a material irreconcilable conflict, and to bear the cost of such remedial action, will be a contractual obligation of all Participants under their agreements governing participation in the relevant Fund and this responsibility, in the case of Participating Insurance Companies, will be carried out with a view only to the interest of contractowners and, in the case of Qualified Plans, will be carried out with a view only to the interests of plan participants. A majority of the disinterested members of the Board shall determine whether any proposed action adequately remedies any material irreconcilable conflict, but in no event will the Fund, any Future Fund or Dreyfus be required to establish a new

funding medium for any Variable Contract. No Participating Insurance Company will be required to establish a new funding medium for any Variable Contracts if an offer to do so has been declined by the vote of a majority of contractowners materially and adversely affected by the irreconcilable material conflict. Further, no Qualified Plan will be required by this condition to establish a new funding medium for the Plan if: (a) A majority of the plan participants materially and adversely affected by the irreconcilable material conflict vote to decline such offer, or (b) pursuant to documents governing the Qualified Plan, the Plan makes each decision without a plan participant

- 5. The determination by a Board of the existence of a material irreconcilable conflict and its implications shall be promptly made known in writing to all Participants.
- 6. Participating Insurance Companies will provide pass-through voting privileges to all contractowners to the extent that the Commission continues to interpret the 1940 Act to require passthrough voting for contractowners. Accordingly, such Participants, where applicable, will vote shares of the applicable Fund held in its Participating Separate Accounts in a manner consistent with voting instructions timely received from contractowners. Participating Insurance Companies shall be responsible for assuring that each Participating Separate Account investing in a Fund calculates voting privileges in a manner consistent with other Participants. The obligation to calculate voting privileges as provided in the application shall be a contractual obligation of all Participating Insurance Companies under their agreement governing participation in a Fund. Each Participating Insurance Company will vote shares for which it has not received timely voting instructions as well as shares it owns in the same proportion as it votes those shares for which it has received voting instructions. Each Qualified Plan will vote as required by applicable law government Plan documents.
- 7. All reports received by a Board with respect to potential or existing conflicts and all Board action with regard to (a) determination of the existence of a conflict, (b) notification of Participants of the existence of a conflict and (c) determination of whether any proposed action adequately remedies a conflict, will be properly recorded in the minutes of the meetings of the Board or other appropriate records, and such minutes or other records will be made

available to the Commission upon request.

8. The Fund and each Future Fund will notify all Participants that separate account prospectus disclosure regarding potential risks of mixed and shared funding may be appropriate. Each Fund shall disclose in its prospectus that: (a) Shares of such Fund may be offered to insurance company separate accounts of both annuity and life insurance variable contracts, and to Qualified Plans; (b) due to differences of tax treatment and other considerations, the interest of various contractowners participating in such Fund and the interest of Qualified Plans investing in such Fund may conflict; and (c) the Board will monitor such Fund for any material conflicts and determine what action, if any, should be taken.

9. The Fund and each Future Fund will comply with all provisions of the 1940 Act requiring voting by shareholders (which, for these purposes, shall be the persons having a voting interest in the shares of such Fund), and, in particular, each Fund will either provide for annual meetings (except to the extent that the Commission may interpret Section 16 of the 1940 Act not to require such meetings) or comply with Section 16(c) of the 1940 Act (although the Fund and Future Funds are or will not be the type of trust described in Section 16(c) of the 1940 Act), as well as with Section 16(a), and, if applicable, Section 16(b) of the 1940 Act. Further, each Fund will act in accordance with the Commission's interpretation of the requirements of Section 16(a) with respect to periodic elections of directors (or trustees) and with whatever rules the Commission may promulgate with respect thereto.

10. If and to the extent Rule 6e-2 or 6e-3(T) is amended, or proposed Rule 6e-3 is adopted, to provide exemptive relief from any provision of the 1940 Act or the rules promulgated under the 1940 Act with respect to mixed and shared funding on terms and conditions materially different from any exemptions granted in the order requested in the application, then the Fund and each Future Fund and/or the Participants, as appropriate, shall take such steps as may be necessary to comply with Rule 6e-2 or 6e-3(T), as amended, or Rule 6e-3, as adopted, to the extent such rules are applicable.

11. The Participants shall at least annually submit to the Board of each Fund such reports, materials or data as a Board may reasonably request so that the Board may fully carry out obligations imposed upon them by the conditions contained in the application. Such reports, materials and data shall be

submitted more frequently if deemed appropriate by the applicable Board. The obligations of the Participants to provide these reports, materials and data to a Board when it so reasonably requests, shall be a contractual obligation of all Participants under their agreement governing participation in the Fund and Future Funds.

12. Neither the Fund nor any Future Fund will accept a purchase order from a Plan if such purchase would make the Plan shareholder or owner of 10% or more of the assets of such Fund unless such Plan executes a fund participation agreement with the relevant Fund, including the conditions set forth herein to the extent applicable. A Plan shareholder will execute an application containing an acknowledgment of this condition at the time of its initial purchase of shares of such Fund.

#### Conclusion

For the reasons summarized above, Applicants assert 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.

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

#### Jonathan G. Katz,

Secretary.

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# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39540; File No. SR-CHX-97–26]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to the Display of Limit Orders

January 12, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 1 notice is hereby given that on October 1, 1997, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change, as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to

grant accelerated approval of the proposed rule change.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to amend Article XX, Rule 7 to expressly provide for the display of customer limit orders as contained in Rule 11Ac1–4 under the Act and other limit orders. Proposed new language is italicized.

#### Article XX

#### Rule 7

# . . . Interpretation and Policies

.05 Quotation sizes, unless otherwise specified, shall be assumed to be for 100 shares. Where bids or offers are made at the same price the aggregate quotation size of such equal bids or offers shall be inputted into the quotation system. Such aggregate sizes shall remain firm until withdrawn unless exempted under one of the conditions specified in paragraphs .06-.09 of this Rule. With respect to limit orders received by specialists, each specialist shall publish immediately (i.e., as soon as practicable, which under normal market conditions means no later than 30 seconds from time of receipt) a bid or offer that reflects:

(i) the price and full size of each limit order that is at a price that would improve the specialist's bid or offer in

such security; and

(ii) the full size of each limit order that is priced equal to the specialist's bid or offer for such security;

The requirements with respect to specialists' display of limit orders shall not apply to any limit order that is:

(i) executed upon receipt of the order:

(ii) placed by a person or entity who expressly requests, either at the time the order is placed or prior thereto pursuant to an individually negotiated agreement with respect to such person's orders, that the order not be displayed;

(iii) and odd-lot order;

(iv) delivered immediately upon receipt to an exchange or association-sponsored system or an electronic communications network that complies with the requirements of Securities and Exchange Commission Rule 11Ac1–1(c)(5) under the Securities Exchange Act with respect to that order;

(v) delivered immediately upon receipt to another exchange member or over-the-counter market maker that complies with the requirements of Securities and Exchange Commission Rule 11Ac1–4 under the Securities Exchange Act with respect to that order; or

(vi) an "all or none" order.

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

The Commission has recently adopted Rule 11Ac1–4 under the Act <sup>2</sup> which, among other things, requires specialists to immediately display the price and full size of any customer limit order that improved their quoted bid or offer in a security. The proposed amendments to Article XX, Rule 7 would make Rule 7 more consistent with the limit order display requirements of SEC Rule 11Ac1–4 and Commission interpretations thereunder.<sup>3</sup>

#### 2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition.

<sup>1 15</sup> U.S.C. § 78s(b)(1).

<sup>&</sup>lt;sup>2</sup> See Securities Exchange Act Release No. 37619A (September 6, 1996), 61 FR 48290 (September 12, 1997) ("SEC Limit Order Adopting Release").

<sup>&</sup>lt;sup>3</sup> See letters from Richard R. Lindsey, Director, Division of Market Regulation, SEC, to Mr. Richard Grasso, Chairman and Chief Executive Officer, NYSE, dated November 22, 1996; to Mr. Richard G. Ketchum, Chief Operating Officer, NASD, dated January 3, 1997; and to Mr. James E Buck, Senior Vice President and Secretary, NYSE, dated January 17, 1007.