

financial disclosure statements to avoid conflict-of-interest issues.

Dated at Washington, DC, this 31st Day of October, 2000.

For the Nuclear Regulatory Commission.

**Andrew L. Bates,**

*Advisory Committee Management Officer,  
Office of the Secretary of the Commission.*

[FR Doc. 00-28356 Filed 11-3-00; 8:45 am]

**BILLING CODE 7590-01-P**

## NUCLEAR REGULATORY COMMISSION

[NUREG-1671]

### Standard Review Plan for the Recertification of the Gaseous Diffusion Plants Notice of Availability

**AGENCY:** Nuclear Regulatory Commission.

**ACTION:** Notice of availability.

**SUMMARY:** Because of significant changes resulting from previous public comment, the Nuclear Regulatory Commission (NRC) is offering the opportunity for additional public review and comment on the revised Section 6.0, "Technical Safety Requirements," and Section 8.0, "Nuclear Criticality Safety," of the draft report NUREG-1671 entitled, "Standard Review Plan for the Recertification of the Gaseous Diffusion Plants." (GDPs)

**DATES:** Submit comment to the address listed below by December 6, 2000. Comments received after this date will be considered if it is practical to do so, but the Commission is able to ensure consideration only for comments received on or before this date.

**ADDRESSES:** Mail written comments to: Chief, Rules and Directives Branch, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001. Hand deliver comments to 11545 Rockville Pike, Rockville, Maryland 20852, between 7:30 am and 4:15 pm during Federal workdays.

Draft NUREG-1671 is available for inspection and copying for a fee at the NRC public document room (PDR), located at the NRC's headquarters building, One White Flint North, 11555 Rockville Pike, Rockville, MD 20852. A copy of the draft revised Sections 6.0 and 8.0 may also be obtained from the NRC's website for the Division of Fuel Cycle Safety and Safeguards at: <http://www.nrc.gov/NMSS/FCSS/fcssindex.html> or from the Agency's document management system, called ADAMS, at: <http://www.nrc.gov/NRC/ADAMS/index.html>.

**FOR FURTHER INFORMATION CONTACT:** Christopher Tripp, Office of Nuclear

Material Safety and Safeguards, U.S. Nuclear Regulatory Commission, Washington, DC 20555, telephone: (301) 415-7733.

Dated at Rockville, Maryland, this 25th day of October, 2000.

For the Nuclear Regulatory Commission.

**Eric J. Leeds,**

*Chief, Special Projects Branch, Division of  
Fuel Cycle Safety and Safeguards, Office of  
Nuclear Material Safety and Safeguards.*

[FR Doc. 00-28359 Filed 11-3-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-24719; File No. 812-11982]

### AIG Life Insurance Company, et al.

October 30, 2000.

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

**ACTION:** Notice of application for an order pursuant to Section 6(c) of the Investment Company Act of 1940 (the "Act") granting exemptions from the provisions of Sections 2(a)(32), 22(c), and 27(i)(2)(A) of the Act and Rule 22c-1 thereunder.

**APPLICANTS:** AIG Life Insurance Company ("AIG"), Variable Account I ("Variable Account"), American International Life Assurance Company of New York ("AIL") and AIG Equity Sales Corp. ("AIGESC").

**SUMMARY OF APPLICATION:** Applicants seek an order of exemption pursuant to Section 6(c) of the Act to the extent necessary to permit the recapture, under specified circumstances, of credits applied to premium payments made under the flexible premium deferred variable annuity contract described herein that AIG will issue through the Variable Account (the "Contract"), as well as other contracts that AIG or AIL may issue in the future through their existing or future separate accounts ("Other Accounts") that are substantially similar in all material respects to the Contract ("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, AIG, whether existing or created in the future, that serves as distributor or principal underwriter for the Contract or Future Contracts ("Affiliated Broker-Dealers").

**FILING DATE:** The application was filed on February 17, 2000, and was amended and restated on October 10, 2000.

**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 must be received by the SEC by 5:30 p.m. on November 21, 2000, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, c/o AIG Life Insurance Company, One Alico Plaza, Wilmington, Delaware 19801, Attn: Kenneth D. Walma, Esq.

**FOR FURTHER INFORMATION CONTACT:** Zandra Y. Bailes, Senior Counsel, or Lorna J. MacLeod, 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 Street, NW., Washington, DC 20549-0102 (tel. (202) 942-8090).

### Applicant's Representations

1. AIG is a stock life insurance company organized under the laws of Pennsylvania and reorganized under the laws of Delaware. AIG is a subsidiary of American International Group, Inc., which is a holding company for a number of companies engaged in the international insurance business, both life and general, in approximately 130 countries and jurisdictions around the world.

2. The Variable Account was established in 1986 by AIG as a segregated asset account under Delaware law for the purpose of funding variable annuity contracts issued by AIG. It is registered with the Commission as unit investment trust under the Act (File No. 811-5301). The Variable Account will fund the variable benefits available under the Contract. The offering of the Contract is registered under the Securities Act of 1933 (File No. 333-93709).

3. That portion of the assets of the Variable Account that is equal to the reserves and other Contract liabilities

with respect to the Variable Account is not chargeable with liabilities arising out of any other business of AIG. Any income, gains or losses, realized or unrealized, from assets allocated to the Variable Account are, in accordance with the Contract, credited to or charged against the Variable Account, without regard to other income, gains or losses of AIG.

4. AIL is a stock life insurance company organized under the laws of New York and incorporated in 1962. Like AIG, AIL is a subsidiary of American International Group, Inc.

5. AIGESC is the principal underwriter for the Variable Account and the distributor of the Contract. AIGESC is registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the NASD. The Contract is sold by insurance agents appointed by AIG who are also registered representatives of AIGESC or registered broker/dealers that have entered into distribution agreements with AIGESC. AIGESC is a wholly-owned subsidiary of American International Group, Inc.

6. The Contract may be purchased with a minimum initial premium payment of \$2,000. An owner may make additional payments of at least \$1,000 at any time or pay scheduled subsequent premiums of \$100 or more per month by enrolling an automatic investment plan.

7. Owners of the Contract may allocate their premium payments among seventeen investment options—sixteen variable investment options and one fixed investment option. Each subaccount of the Variable Account invests in shares in one of the variable investment options, which are corresponding portfolios of the Alliance Variable Products Series Fund, Inc. The fixed investment option is part of AIG's guaranteed account and earns a minimum of 3% interest. AIG, at a later date, may decide to create additional subaccounts to invest in any additional funding media as may now or in the future be available. AIG, from time to time, also may combine or eliminate subaccounts, or transfer the assets to and from subaccounts.

8. The Contract has the following charges: (i) a surrender charge as a percentage of the premium surrendered declining from 6% in premium years 1 and 2 to 0% in premium year 8; (ii) a \$30 annual contract maintenance fee (waived if the value of the Contract is at least \$50,000); (iii) a mortality and expense risk charge of 1.25%; (iv) an administrative charge of 0.15% (v) a distribution charge of 0.20%; (vi) a transfer fee of \$10 after the first twelve transfers during a contract year; (vii)

optional death benefit charges; and (viii) any applicable state premium tax.

9. The Contract provides for various death benefit alternatives—a traditional death benefit and two optional death benefits. In addition, an owner may select the accidental death benefit. If an owner elects an optional death benefit or the accidental death benefit, AIG will assess a daily charge against the assets in the Variable Account equal to an annual charge as follows:

|                                                  |                                                                                           |
|--------------------------------------------------|-------------------------------------------------------------------------------------------|
| Annual Ratchet Plan<br>Equity Assurance<br>Plan. | 0.10%.<br>0.70% (owner's attained age 0–59).<br>0.20% (owner's attained age 60 and over). |
| Accidental Death Benefit.                        | 0.05%.                                                                                    |

10. AIG will credit an extra amount to the Contract (the "Credit") equal to a maximum of 4% of an owner's premium payment. AIG will allocate the Credit pro rata among the investment options in the same proportion as the corresponding premium payment. AIG will fund Credits from its general account assets and intends to recover the cost through charges imposed under the Contract. AIG may discontinue offering Credits on additional premium payments at its discretion.

11. The Credit is not part of the amount an owner will receive if he or she exercises the free look provision. Credits applied within twenty-four months prior to the date of death are not included in amounts payable as a death benefit. Likewise, Credits applied within twenty-four months prior to a surrender are not included in the amount payable upon surrender. If an owner makes a partial surrender during the twenty-four month period following receipt of a Credit, except as part of the Contract's systematic withdrawal program, AIG will reduce the Credit in the same proportion as the partial surrender bears to the value of the Contract and deduct the amount of the reduction from the value of the Contract. Only Credits paid within twenty-four months prior to the partial surrender are subject to reduction.

12. Applicants seek exemption pursuant to Section 6(c) from Sections 2(a)(32), 22(c), and 27(i)(2)(A) of the Act and Rule 22c–1 thereunder to the extent deemed necessary to permit AIG to issue the Contract, which provides for a Credit upon receipt of a premium payment, and to recapture the Credit in the following instances: (i) when an owner exercises the Contract's free look provision; (ii) when a death benefit is payable within twenty-four months after

receipt of a Credit; and (iii) when a surrender is requested within twenty-four months after receipt of a Credit.

### Applicants' Legal Analysis

1. Section 6(c) of the 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 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 Act. Applicants request that the Commission, pursuant to Section 6(c) of the Act, grant the exemptions requested with respect to the Contract and any Future Contracts funded by the Variable Account or Other Accounts that are underwritten or distributed by AIGESC or Affiliated Broker-Dealers. Applicants undertake that Future Contracts will be substantially similar in all material respects to the Contract. 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 Act.

2. Subsection (i) of Section 27 of the Act 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 such a separate account or sponsoring insurance company to sell a contract funded by the registered separate account unless 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 or her proportionate share of the issuer's current net assets, or the cash equivalent thereof.

3. Applicants submit that the recapture of the Credit under the circumstances set forth in the application would not deprive an owner of his or her proportionate share of the issuer's current net assets. An owner's interest in a Credit allocated to his or her Contract value upon receipt of an initial premium payment is not vested until the applicable free look period has expired without return of the Contract. Similarly, Applicants state that an owner's interest in the amount of any

Credit allocated within twenty-four months prior to the date of the death or the date of the surrender also is not vested. Unless and until the amount of any Credit is vested, Applicants submit that AIG retains the right and interest in the Credit, although not in the earnings attributable to that amount. Thus, Applicants argue that when AIG recaptures any Credit, it is merely retrieving its own assets, and the owner has not been deprived of a proportionate share of the Variable Account's assets because his or her interest in the Credit has not vested.

4. In addition, Applicants state that permitting an owner to retain a Credit under a Contract upon the exercise of the free look provision would not only be unfair, but would also encourage individuals to purchase a Contract, with no intention of keeping it, and return it for a quick profit.

5. Furthermore, Applicants state that the recapture of Credits applied within twenty-four months prior to the date of death or the date of surrender is designed to provide AIG with a measure of protection against anti-selection. The risk here is that, rather than spreading premium payments over a number of years, an owner might make very large premium payments shortly before death or surrender, thereby leaving AIG little time to recover the cost of the Credits. As noted earlier, the amount recaptured equals the Credits provided by AIG from its general account assets, and any gain would remain a part of the owner's Contract value.

6. Applicants represent that it is not administratively feasible to track a Credit in the Variable Account after the Credit is applied. Accordingly, the asset-based charges applicable to the Variable Account will be assessed against the entire amount held in the Variable Account, including the Credit, during the free look period and the twenty-four month recapture periods. As a result, during such periods, the aggregate asset-based charges assessed against an owner's Contract value will be higher than those that would be charged if the owner's Contract value did not include the Credit.

7. Applicants represent that the Credit will be attractive to and in the interest of investors because it will permit owners to put up to 104% of their premium payment to work for them in the selected subaccounts. In addition, the owner will retain any earnings attributable to the Credits, as well as the principal amount of the Credit once vested.

8. Applicants further submit that the recapture of any Credit only applies in relation to the risk of anti-selection

against AIG. In the context of the death benefit and surrender described in the application, anti-selection can generally be described as a risk that owners take undue advantage of the credit feature. AIG provides the Credit from its general account on a guaranteed basis and generally expects to recover its costs, including Credits, while a Contract is in force. The right to recapture Credits applied to premium payments made with twenty-four months prior to the date of death or the date of surrender protects AIG against the risk that an owner will purchase a Contract or make larger premium payments shortly before death or surrender knowing that the contingency that triggers payment of a benefit is likely or about to occur and leave AIG little time to recover the costs of the credits. With respect to refunds paid upon the return of the Contract during the free look period, the amount payable by AIG must be reduced by the amount of the Credit. Otherwise, investors could purchase a Contract for the sole purpose of exercising the free look provision and making a quick profit.

9. Applicants assert that the provisions for recapture of Credits under the Contract do not violate Sections 2(a)(32) and 27(i)(2)(A) of the Act. However, to avoid any uncertainty as to full compliance with the Act, Applicants request an exemption from Section 2(a)(32) and 27(i)(2)(A), to the extent deemed necessary, to permit the recapture of any Credit under the circumstances summarized herein, without the loss of relief from Section 27 provided by Section 27(i).

10. Section 22(c) of the 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 to accomplish the same purposes as contemplated by Section 22(a). Rule 22c-1 under the Act prohibits a registered investment company issuing any redeemable security, a person designated in such issuers' 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 next computed after receipt of a tender of such security for redemption or of an order to purchase or sell such security.

11. AIG's recapture of the Credit might 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 Variable

Account. Applicant assert, however, that the recapture of the Credit does not violate Section 22(c) or rule 22c-1. Applicants argue that the recapture of the Credit does not involve either of the evils that Rule 22c-1 was intended to eliminate the reduce as far as reasonably practicable, 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 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. 5519 (Oct. 16, 1968). To effect a recapture of a Credit, AIG will redeem interests in a Contract at a price determined on the basis of the current accumulation unit value(s) of the subaccount(s) to which the owner's Contract value is allocated. The amount recaptured will equal the amount of the Credit that AIG paid out of its general account assets. Although the owner will be entitled to retain any investment gain attributable to the Credit, the amount of that gain will be determined on the basis of the current accumulation unit value of the applicable subaccounts. Thus, no dilution will occur upon the recapture of the Credit. Applicants also argue 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 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 under the Contract.

12. Applicants assert that their request for an order that applies to the Variable Account and any Other Account established by AIG or AIL, in connection with the issuance of the Contract and Future Contracts, 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's expenses and maximizing the efficient use of Applicants' resources. Applicants state 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 Act that has not already been addressed in the application. Applicants assert that having Applicant

file additional applications would impair Applicants' ability to take advantage of business opportunities as they arise. Further, Applicants state that if Applicants 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.

### Conclusion

Applicants assert, based on the grounds summarized above, that their exemptive requests meet the standards set out in Section 6(c) of the 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 Act.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 00-28325 Filed 11-3-00; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43492; File No. SR-NASD-00-64]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Regulatory Element of the Continuing Education Requirements

October 27, 2000.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 25, 2000, the National Association of Securities Dealers, Inc. ("NASD"), through its wholly owned subsidiary, NASD Regulation, Inc. ("NASD Regulation"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

NASD Regulation proposes to amend NASD Rule 1120(a) to permit the in-firm delivery of the Regulatory Element of the Continuing Education Requirements. Currently, this computer-based training program can be administered to registered persons only at the location of an outside vendor. Below is the text of the proposed rule change. Proposed new language is in *italics*.

1000. Membership, Registration and Qualification Requirements \* \* \*

1120. Continuing Education Requirements

This Rule prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with the Association. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(a) Regulatory Element

(1) through (5) No change

(6) *In-Firm Delivery of the Regulatory Element Members will be permitted to administer the continuing education Regulatory Element program to their registered persons by instituting an in-firm program acceptable to the Association.*

*The following procedures are required:*

(A) *Principal/Officer In-Charge. The firm has designated a principal to be responsible for the in-firm delivery of the Regulatory Element.*

(B) *Site Requirements.*

(i) *The location of all delivery sites will be under the control of the firm.*

(ii) *Delivery of Regulatory Element continuing education all take place in an environment conducive to training. (Examples: a training facility, conference room or other area dedicated to this purpose would be appropriate. Inappropriate locations would include a personal office or any location that is not or cannot be secured from traffic and interruptions.)*

(iii) *Where multiple delivery terminals are placed in a room, adequate separation between terminals will be maintained.*

(C) *Technology Requirements. The communication links and firm delivery computer hardware must comply with standards defined by the Association or its designated vendor.*

(D) *Supervision.*

(i) *The firm's Written Supervisory Procedures must contain the procedures implemented to comply with the requirements of in-firm delivery of the*

*Regulatory Element continuing education.*

(ii) *The firm's Written Supervisory Procedures must identify the principal designated pursuant to Rule 1120(a)(6)(A) and contain a list of individuals authorized by the firm to serve as proctors.*

(iii) *Firm locations for delivery of the Regulatory element continuing education will be specifically listed in the firm's Written Supervisory Procedures.*

(E) *Proctors.*

(i) *All sessions will be proctored by an authorized person during the entire Regulatory Element session. Proctors must be present in the session room or must be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor.*

(ii) *The individual responsible for proctoring at each administration will sign a certification that required procedures have been followed, that no material from Regulatory Element continuing education has been reproduced, and that no candidate received any assistance to complete the session. Such certification may be part of the sign-in log required under Rule 1120(a)(6)(F).*

(iii) *Individual serving as proctors must be persons registered with an SRO and supervised by the designated principal for purposes of in-firm delivery of the Regulatory Element continuing education.*

(iv) *Proctors will check and verify the identification of all individuals taking Regulatory Element continuing education.*

(F) *Administration.*

(i) *All appointments will be scheduled in advance using the procedures and software specified by the Association to communicate with the Association's system and designated vendor.*

(ii) *The firm/proctor will conduct each session in accordance with the administrative appointment scheduling procedures established by the Association or its designated vendor.*

(iii) *A sign-in log will be maintained at the delivery facility. Logs will contain the date of each session, the name and social security number of the individual taking the session, that required identification was checked, the sign-in time, the sign-out time, and the name of the individual proctoring the session. Such logs are required to be retained pursuant to SEC Rules 17a-3 and 17a-4.*

(iv) *No material will be permitted to be utilized for the session nor may any session-related material be removed.*

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.