Research, U.S. Nuclear Regulatory Commission, Washington, DC 20555, telephone (301) 415–6498; e-mail jxw4@nrc.gov.

Dated at Rockville, Maryland, this 2nd day of March 1995.

For the Nuclear Regulatory Commission.

Franklin D. Coffman, Jr.,

Chief, Control, Instrumentation & Human Factors Branch, Division of Systems Technology, Office of Nuclear Regulatory Research.

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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–20961; No. 812–9302]

Jackson National Life Insurance Company, et al.

March 17, 1995.

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

ACTION: Notice of application for an order under the Investment Company Act of 1940 (''1940 Act'').

APPLICANTS: Jackson National Life Insurance Company (''Jackson National''), Jackson National Separate Account–I (''Separate Account'') and Jackson National Financial Services, Inc. (''Services'').

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act granting exemptions from the provisions of Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants seek an order to permit the deduction of a mortality and expense risk charge from the assets of the Separate Account or any other separate account (''Other Accounts'') established by Jackson National to support certain flexible premium individual deferred variable annuity contracts (''Contracts'') as well as other variable annuity contracts that are substantially similar in all material respects to the Contracts (''Future Contracts'').

FILING DATE: The application was filed on October 21, 1994, and was amended and restated on December 29, 1994.

HEARING OR NOTIFICATION OF HEARING: An order granting the Application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on April 11, 1995, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the requestor's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 5th Street NW., Washington, D.C. 20549. Applicants, Thomas J. Meyer, Esq., 5901 Executive Drive, Lansing, Michigan 48911.

FOR FURTHER INFORMATION CONTACT: Pamela K. Ellis, Attorney, or Wendy F. Friedlander, Deputy Chief, both at (202) 942–0670, Office of Insurance Products (Division of Investment Management).

SUPPLEMENTARY INFORMATION: Following is a summary of the Application; the complete Application is available for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. Jackson National, a stock life insurance company, is organized in Michigan and licensed to do business in the District of Columbia and all states except Maine and New York. Jackson National is an indirect wholly-owned subsidiary of Prudential Corporation plc, London, England.

2. The Separate Account is a separate account established by Jackson National to fund the Contracts. The Separate Account is registered with the Commission as a unit investment trust under the 1940 Act and the Contracts are registered as securities under the Securities Act of 1933.

3. Jackson National will establish for each investment option offered under the Contract a Separate Account subaccount or portfolio (''Subaccount''), which will invest solely in a specific corresponding series of the JNL Series Trust or of some other designated investment company (''Funds''). The Funds will be registered under the 1940 Act as open-end management investment companies. Each Fund series will have separate investment objectives and policies.

4. Services will serve as the distributor and principal underwriter of the Contracts. Services, a wholly owned subsidiary of Jackson National, is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers, Inc.

5. The Contracts are flexible premium individual deferred variable annuity contracts. They may be purchased on a non-tax qualified basis (''Non-Qualified Contracts'') or they may be purchased and used in connection with retirement plans that qualify for favorable federal income tax treatment (''Qualified Contracts''). The Non-Qualified Contracts may be purchased with an initial premium of $5,000 and the Qualified Contracts may be purchased with an initial premium of $2,000. The minimum subsequent premium for both the Unqualified and Qualified Contracts is $500 (or $50 if made in connection with an automatic payment plan).[1] Premiums may be allocated to one or more of the Separate Account Subaccounts that have been established to support the Contracts. The Contracts also provide for the allocation of premiums to the general account of Jackson National, where such premiums are credited with a predetermined fixed rate of interest.

6. The Contracts provide for a series of annuity payments beginning on the annuity date. Several annuity forms are available under the Contracts.

7. The Contracts provide for a death benefit if the annuitant dies during the accumulation period. The standard death benefit is the greater of: (1) The Contract value at the end of the valuation period;[2] or (2) the total dollar amount of premiums made prior to the annuitant's death, minus the sum of any partial withdrawals and premium taxes incurred. Where permitted by state law, Jackson National will provide an enhanced death benefit. This benefit is determined by recomputing the total dollar amounts under (2) above annually at 5% (4% if the annuitant was age 70 or older on the issue date) to the date of death, and paying the greater of the amount so determined and the following amount, which is deemed to be $0 if the annuitant dies prior to the seventh Contract year: the Contract value at the seventh Contract year, plus any premiums made since that time and before the death of the annuitant, minus the sum of the total amount of partial withdrawals since the seventh year and premium taxes incurred since the seventh year, all accumulated annually at 5% (4% if the annuitant was age 70 or older on the issue date) to the date of death. However, the enhanced death benefit shall not exceed 250% of all premiums paid under a Contract,

[1] Jackson National may waive the minimum premiums at any time.

[2] Applicants define the valuation period as the period commencing at the close of normal trading on each day the New York Stock Exchange (''NYSE'') is open for business. (''Valuation Date'') and ending at the close of the NYSE on the next succeeding Valuation Date.

reduced by the amount of any partial withdrawals.

8. Certain charges and fees are assessed under the Contracts. During the accumulation and annuity periods, amounts allocated to the Separate Accounts may be transferred among Subaccounts. Prior to the annuity date, transfers from the Separate Account to the fixed account and, to a limited extent, from the fixed account to the Separate Account, also are permitted. There is no transfer fee charged for the first 15 transactions effecting transfers in any Contract year. Subsequent transfers within a Contract year, however, will be assessed a fee of $25 per transfer. This fee will be deducted from Contract values that remain in the Subaccount from which the transfer was made. If these Contract values are insufficient to pay the transfer fee, the fee will be deducted from transferred Contract values. The transfer fee is at cost with no anticipation of profit.

9. A contingent deferred sales charge (''CDSC'') may be imposed on certain withdrawals. The amount of the CDSC decreases annually from 7% to 0% over 8 Contract years. The CDSC is deducted from the remaining Contract value. For the purposes of determining the CDSC withdrawals will be allocated first to investment income, if any (which may generally be withdrawn free of the CDSC), and then to premiums on a first-in, first-out basis so that all withdrawals are allocated to premiums to which the lowest (if any) CDSC applies. In addition, there may be a free withdrawal amount for the first withdrawal during a Contract year. This withdrawal amount is equal to 10% of premiums that remain subject to the CDSC, less earnings in the owner's account.[3]

10. During the valuation period, Jackson National will deduct an administration charge from each Subaccount of the Separate Account. The charge is equal, on an annual basis, to .15% of the net asset value of each Subaccount. The administration charge is designed to compensate Jackson National for assuming administrative expenses related to the Separate Account and the issuance and maintenance of the Contracts.

11. An annual contract maintenance charge of $35 will be charged against each Contract. The contract maintenance charge will be assessed each anniversary of the Contract date that occurs on or prior to the annuity date. In the event that a total surrender of the Contract value is made other than on such anniversary, the charge will be assessed as of the date of surrender without assert that this charge reimburses Jackson National for the expenses incurred in establishing and maintaining records relating to the Contracts.

12. Applicants represent that the administration charge and the contract maintenance charge will not increase regardless of the actual cost incurred. In addition, Applicants represent that these charges are at cost with no anticipation of profit. Applicants rely on Rule 26(a)(1) of the Act to deduct the transfer fee, the CDSC, the administration charge and the contract maintenance charge.[4]

13. Jackson National proposes to deduct a mortality and expense risk charge from each Subaccount during each valuation period. Jackson National represents that the aggregate mortality and expense risk charge is equal, on an annual basis, to 1.25% of the net asset value on each Subaccount. Of this amount, approximately 1.02% is for mortality risks (of which .90% is for the standard death benefit and .12% is assessed for the enhanced death benefit) and .23% is for expense risks.

14. Jackson National assumes the mortality risk that the life expectancy of the annuitant will be greater than that assumed in the guaranteed annuity purchase rates, thus requiring Jackson National to pay out more in annuity income than it had planned. Additional mortality risks assumed by Jackson National are that it will waive the CDSC in the event of the death of the owner and Jackson National's contractual obligation to provide a standard and an enhanced death benefit prior to the annuity date. Thus, Jackson National assumes the risk that it may not be able to cover its distribution expenses and that the owner may die at a time when the amount of the death benefit payable exceeds the then net surrender value of the Contracts. The expense risk assumed by Jackson National is that the contract administration charge will be insufficient to cover the cost of administering the Contracts.

15. In the event the mortality and expense risk charges are more than sufficient to cover Jackson National's costs and expenses, any excess will be a profit to Jackson National. Any profit realized by these charges may be used by Jackson National to, among other things, offset losses experienced when the mortality and expense risk charges are insufficient. These charges may not be increased under the Contracts.

16. Should the owner live in a jurisdiction that levies a premium tax, Jackson National will pay the taxes when due. Jackson National represents that state premium taxes may range up to 3.5% to purchase payments and are subject to change. Jackson National reserves the right to deduct the amount of the tax either from the premiums as they are received or deduct the tax at a later date as permitted or required by applicable law.

Applicants' Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission, by order upon application, to conditionally or unconditionally grant an exemption from any provision, rule or regulation of the 1940 to the extent that the 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. Sections 26(a)(2)(C) and 27(c)(2) of the 1940, in relevant part, prohibit a registered unit investment trust, its depositor or principal underwriter, from selling periodic payment plan certificates unless the proceeds of all payments, other than sales loads, are deposited with a qualified bank and held under arrangements which prohibit any payment to the depositor or principal underwriter except a reasonable fee, as the Commission may prescribe, for performing bookkeeping and other administrative duties normally performed by the bank itself.

3. Applicants request exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction from the assets of the Separate Account and the Other Accounts in connection with the Contracts and Future Contracts of the 1.25% charge for the assumption of mortality and expense risks. Applicants assert that the terms of the relief requested with respect to any Future Contracts funded by the Separate Account or Other Accounts are consistent with the standards enumerated in Section 6(c) of the 1940 Act. Without the requested relief, Applicants would have to request and obtain exemptive relief for each new Other Account it establishes to fund any Future Contract. Applicants submit that any such additional request for exemption would present no issues under the 1940 Act that have not already been addressed in this application, and that investors would

[3] Jackson National states that it may waive the CDSC under certain circumstances.

[4] Applicants represent that, during the notice period, the application will be amended to reflect this representation.

not receive any benefit or additional protections thereby.[5]

Applicants submit that the requested relief is appropriate in the public interest, because it would promote competitiveness in the variable annuity contract market by eliminating the need for Applicants to file redundant exemptive applications, thereby reducing their administrative expenses and maximizing the efficient use of their resources. The delay and expense involved in having repeatedly to seek exemptive relief would reduce Applicants' ability effectively to take advantage of business opportunities as they arise.

Applicants further submit that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons.

Applicants thus believe that the requested exemption is 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.

4. Applicants represent that the 1.25% per annum mortality and expense risk charge is within the range of industry practice for comparable annuity contracts. This representation is based upon an analysis of publicly available information about similar industry products, taking into consideration such factors as, among others, the current charge levels and benefits provided, the existence of expense charge guarantees and guaranteed annuity rates. Jackson National will maintain at its principal offices, available to the Commission, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, Applicants' comparative review.

5. Jackson National has concluded that there is a reasonable likelihood that the Separate Accounts' proposed distribution financing arrangements will benefit the Separate Accounts and their investors. Jackson National represents that it will maintain and make available to the Commission upon request a memorandum setting forth the basis of such conclusion.

6. The Separate Accounts will be invested only in management investment companies that undertake, in the event the company should adopt a plan for financing distribution expenses pursuant to rule 12b–1 under the 1940 Act, to have such plan formulated and approved by the company's board members, the majority of whom are not "interested persons" of the management investment company within the meaning of Section 2(a)(19) of the 1940 Act.

Conclusion

For the reasons set forth above, Applicants represent that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

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

[Release No. 34–35502; File No. SR–PSE–94–27]

Self-Regulatory Organizations; The Pacific Stock Exchange Incorporated; Order Approving Proposed Rule Change Relating to Implementation of a Three-Day Settlement Standard

March 16, 1995.

On December 19, 1994, The Pacific Stock Exchange Incorporated ("PSE") filed a proposed rule change (File No. SR–PSE–94–27) with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act").[1] Notice of the proposal was published in the **Federal Register** on January 12, 1995 to solicit comments from interested persons.[2] The Commission received one written comment.[3] As discussed below, this order approves the proposed rule change.

I. Description

In October 1993, the Commission adopted Rule 15c6–1 under the Act[4] which establishes three business days after the trade date ("T+3"), instead of five business days ("T+5"), as the standard settlement cycle for most securities transactions. The rule will become effective June 7, 1995.[5] Several of the PSE's rules are interrelated with the standard settlement time frame. The purpose of the proposed rule change is to amend PSE's rules to be consistent with a T+3 settlement standard for securities transactions.

Under PSE Rule 5.7, transactions in stocks traded "regular" will be "ex-dividend" or "ex-rights," as the case may be, on the second business day preceding the record date fixed by the company or the date of the closing of transfer books, except when PSE's board of directors rules otherwise. Rule 5.7 also provides that should such record date or such closing of transfer books occur upon a day other than a business day, this rule applies for the third preceding business day.

Under Rule 5.9(a)(2), transactions in securities admitted to dealings on an "issued" basis settling "regular way" will be for delivery on the third business day following the day of the contract. Rule 5.9(a)(3) provides that transactions on a "seller's option" basis will be made for delivery at the option of the seller within the time specified in the option, which time may not be less than four business days following the date of the contract. Rule 5.9(a)(4) provides that transactions in rights and warrants may be made on a "next day" basis only during the three business days preceding the final day for trading therein.

Rule 9.12(a)(4) requires that no member organization may grant delivery versus payment ("DVP") or receipt versus payment ("RVP") privileges to a customer without obtaining an agreement from the customer to provide instructions to its agent no later than the second day after the trade date for RVP trades or no later than the first business day after trade date for DVP trades.

PSE has requested that the proposed rule change become effective on the same date as Rule 15c6–1. Rule 15c6–1 will become effective on June 7, 1995.[6]

II. Written Comment

The Commission received one comment letter from Thomson Trading Services, Inc. ("Thomson") suggesting that additional regulatory changes may be necessary to implement T+3

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[1] 15 U.S.C. § 78s(b) (1988).

[2] Securities Exchange Act Release No. 35193 (January 4, 1995), 60 FR 3015.

[3] Letter from P. Howard Edelstein, President, Electronic Settlements Group, Thomson Trading Services, Inc., to Jonathan G. Katz, Secretary, Commission (February 1, 1995).

[4] 17 CFR 240.15c6–1 (1994).

[5] Securities Exchange Act Release Nos. 33023 (October 6, 1993), 58 FR 52891 (order adopting Rule 15c6–1 and 34952 (November 9, 1994), 59 FR 59137 (changing effective date from June 1, 1995, to June 7, 1995).

[6] The transition from five day settlement to three day settlement will occur over a four day period. Friday, June 2, will be the last trading day with five business day settlement. Monday, June 5, and Tuesday, June 6, will be trading days with four business day with three business day settlement. As a result, trades from June 2 and June 5 will settle on Friday, June 9. Trades from June 6 and June 7 will settle on Monday, June 12.