open market, and, in general, to protect investors and the public interest.[20]

A. Non-member Viewing Access

In its *Market 2000* report,[21] the Commission's Division of Market Regulation (''Division'') expressed concern that the limited transparency of SelectNet orders often conceals from the broader market the best trading interest in a security and, in turn, impedes competition and price discovery.[22] The Division, therefore, recommended that the NASD consider ways to enhance SelectNet transparency.[23] The Commission believes that this proposal is a positive response to the Division's recommendation in *Market 2000.*

The NASD's proposal to provide non-members viewing access to orders broadcast through SelectNet will help achieve more efficient and effective market operations by increasing transparency of market information. Increased transparency, in turn, will facilitate more efficient price discovery and enhance price competition among all market participants. This change to SelectNet will allow non-members to obtain with relative ease and low cost important pricing information about Nasdaq securities. Moreover, investors will be better able to assess the overall supply and demand for a particular Nasdaq security and, thus, effect transactions in a more cost-effective manner. They will now be able to view, although not participate directly in, an important system for trading Nasdaq securities.[24]

In response to the NASD's proposal, the NYSE and Amex raised broad policy concerns about the operation of SelectNet in the context of the Quote Rule. The NYSE and Amex argued that orders broadcast through SelectNet constitute quotations for purposes of the Quote Rule and, therefore, should be reflected in market maker quotations.

The Commission believes that this issue reaches beyond the broadcast of SelectNet orders to non-members. For example, it raises question about whether the widespread dissemination of orders through broker-dealer trading systems, such as Instinet, constitute quotations for purposes of the Quote Rule. Thus, the Commission believes that this issue is beyond the scope of this proposal and that the policy issue raised by the NYSE and Amex deserve continued examination. Moreover, the Commission believes that this proposal is a meaningful advance in the effort to enhance transparency in the Nasdaq market and, therefore, should not await further debate of this issue.

B. The Anonymous Display of All Broadcast Orders

As noted above, the NASD will not identify the origin of SelectNet orders when pricing information is made available through Nasdaq or vendor facilities. One commenter opposed this feature for the reasons described above.

The Commission currently believes the NASD's proposal incorporating anonymity in the display of orders broadcast through SelectNet is consistent with the goals of the Act. The Commission believes requiring anonymity will promote just and equitable principles of trade by removing a mechanism for a participant to induce market movement simply by associating its name with a particular order.

In addition, the Commission finds that the rule change does not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. While the imposition of the anonymity requirement may alter certain existing trading practices, the Commission believes that the proposal furthers the purposes of the Act by enhancing SelectNet transparency for non-members. The Commission believes that expanded dissemination of SelectNet information will better inform public investors regarding the prices at which investors and dealers are willing to transact business in a particular security.

VI. Conclusion

For the reasons stated above, the Commission finds that the proposed rule change is consistent with the requirements of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change SR–NASD–94–9 be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[25]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–12698 Filed 5–23–95; 8:45 am]

BILLING CODE 8010–01–M

[20] *Id.* 78*o*–3(b)(6).

[21] *Market 2000: An Examination of Current Equity Market Developments,* Division of Market Regulation, United States Securities and Exchange Commission (Jan. 1994).

[22] *Id.* at IV–7.

[23] *Id.* at 19 and IV–7.

[24] The NASD has represented that SelectNet usage has grown from a daily average of 3,000 transactions and 6 million shares in the first half of 1991 to over 10,550 transactions and more than 12.6 million shares in the first quarter of 1995.

[25] 17 CFR 200.30–3(a)(12).

[Investment Company Act Release No. 21081; 811–0407]

SBM Company; Notice of Application

May 17, 1995.

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

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

APPLICANT: SBM Company.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an amended order eliminating prior conditions, thus permitting applicant to sell substantially all of its assets, including a subsidiary that is a registered investment company, to another company.

FILING DATE: The application was filed on April 5, 1995.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on June 12, 1995, and should be accompanied by proof of service on applicant, 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 such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicant, 8400 Normandale Lake Boulevard, Suite 1150, Minneapolis, Minnesota 55437.

FOR FURTHER INFORMATION CONTACT: James J. Dwyer, Staff Attorney, at (202) 942–0581, or Robert A. Robertson, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant, a Minnesota corporation, is a financial holding company that also acts as investment adviser, transfer agent, and dividend disbursing agent for certain mutual funds. Applicant's wholly-owned subsidiaries are State Bond and

Mortgage Life Insurance Company (''SBM Life''), a Minnesota insurance company, and SBM Financial Services, Inc., a registered broker-dealer. SBM Certificate Company (the ''Certificate Company''), a registered face-amount certificate company, is a wholly-owned subsidiary of SBM Life.

2. In 1990, the Certificate Company was formed for the purpose of acquiring all of the assets and assuming all of the liabilities of applicant's face-amount certificate business in order to permit applicant to deregister as an investment company. On January 29, 1991, the SEC issued an order (the ''Existing Order'') [1] under section 8(f) of the Act declaring that applicant had ceased to be an investment company because, among other things, it primarily was engaged, through wholly-owned subsidiaries, in businesses that are excepted from the definition of an investment company under sections 3(c)(3) and 3(c)(6) of the Act.[2] The Existing Order was issued subject to the following conditions: (i) applicant will not issue any additional face-amount certificates; (ii) applicant will maintain 100% ownership of the Certificate Company so long as any face-amount certificates that applicant issued (the ''Certificates'') are outstanding and the Certificate Company is a registered investment company; (iii) applicant will require the Certificate Company to maintain reserves for the Certificates as required by section 28 and comply with all other applicable provisions of the Act so long as any Certificates are outstanding and the Certificate Company is a registered investment company; and (iv) until released from such obligation by the Certificate holders or such obligations are paid in accordance with their terms upon maturity or surrender, applicant will remain liable to the Certificate holders for all amounts due them under the Certificates.

3. Since the time the Certificate Company assumed applicant's face-amount certificate business, applicant represents that the Certificate Company has conducted such business in accordance with applicable federal law, including maintaining deposits of qualified assets with an independent custodian and making all payments required by the terms of the Certificates. During 1994, however, the Certificate Company and SBM Life experienced significant capital pressures as a result of increasing interest rates and the fact that a large portion of the investment portfolios of both companies was invested in mortgage pass-through securities and collateralized mortgage obligations. The market value and cash flows of these securities were adversely affected by rapid increases in interest rates during 1994. The capital position of these companies also was adversely affected by the adoption of FASB 115, which requires that certain debt securities be reflected at market value rather than at amortized cost. As a result of the Minnesota Department of Commerce's annual examination of the Certificate Company, the Minnesota Department, in a letter dated November 9, 1994, recommended an increase in the capital of the Certificate Company. In March 1995, SBM Life invested $1.5 million cash into the Certificate Company to satisfy concerns of the Minnesota Department. After extensive efforts to raise up to $15–20 million of additional capital, it was decided that the sale of control of applicant or of its operating assets was necessary.

4. Consequently, applicant intends to sell substantially all of its assets, including the stock of SBM Life and the Certificate Company, to ARM Financial Group, Inc. (''ARM''), a Delaware corporation. Approximately 86% of the outstanding voting shares of ARM is owned by an investment fund sponsored by Morgan Stanley & Co. The balance of ARM is owned chiefly by ARM's executives, certain employees, managers, and independent directors. ARM has committed to contribute up to $20 million to the capital of SBM Life and the Certificate Company, up to $2.5 million of which is expected to be used to strengthen the capital of the Certificate Company. ARM intends that its subsidiary, ARM Capital Advisors, will manage the assets transferred from the Certificate Company. Following the sale, applicant intends to liquidate and dissolve in accordance with Minnesota law.

Applicant's Legal Analysis

1. Applicant requests that the Existing Order be amended to remove all of the conditions thereto to permit the sale of assets to ARM. The requested amendment is necessary to assure that the proposed sale of applicant's assets does not conflict with the Existing Order. Applicant believes that the proposed sale will afford additional protection to Certificate holders and is in the best interests of these investors. ARM, relative to applicant, has greater and more ready access to capital by reason of its financial and operating characteristics, as well as its affiliation with Morgan Stanley.

2. Applicant believes that the Act is not intended to limit the power of an entity to engage in fundamental corporate acts such as a sale of assets and dissolution. Applicant asserts that the conditions to the Existing Order did not contemplate the proposed sale, nor, in the view of applicant, could the conditions reasonably have been intended to inhibit such sale. The conditions may afford Certificate holders additional safeguards while applicant is a going concern, but have no continuing utility once applicant ceases to conduct business.

3. Applicant notes that the Certificate Company is a registered investment company that has operated as a stand-alone entity for more than four years. The Certificates and their holders will continue to be protected following the proposed sale by all applicable provisions of the Act, including the maintenance of deposits of qualified assets and the capital requirements of section 28 of the Act. Applicant contends that nothing contemplated by its proposal will result in any failure to comply with the Act.

4. Applicant also represents that substantially all existing Certificate holders have renewed their Certificates at least once since the Certificate Company assumed the liabilities of such Certificates from applicant in 1991. In so doing, these holders received and had an opportunity to review the then current prospectus relating to the Certificates prior to the date of renewal. The prospectus primarily describes the Certificate Company and its business, and disclaims applicant as a potential source of capital strength to the Certificate Company. Accordingly, applicant believes that the vast majority of the Certificate holders have made their decision to renew their Certificates largely in reliance on the financial strength and other operating characteristics of the Certificate Company, and not on applicant's continuing liability with respect to the Certificates.

5. Applicant, moreover, states that Certificate holders may surrender their Certificates to the Certificate Company for payment at any time before or after the proposed sale. Applicant states its proposed dissolution will not affect the obligations created by the Certificates,

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[1] *State Bond and Mortgage Company,* Investment Company Act Release Nos. 17826 (Oct. 29, 1990) (notice) and 17965 (Jan. 29, 1991) (order).

[2] Section 8(f) provides that ''[w]henever the [SEC], on its own motion or upon application, finds that a registered investment company has ceased to be an investment company, it shall so declare by order and upon the taking effect of such order the registration of such company shall cease to be in effect. If necessary for the protection of investors, an order under this subsection may be made upon appropriate conditions.'' Sections 3(c)(3) and 3(c)(6) provide in relevant part that a person is not an investment company if it is an insurance company or a company that primarily is engaged, directly or through majority-owned subsidiaries, in the insurance company business.

which obligations were expressly assumed by the Certificate Company. For the reasons discussed above, applicant believes that an amended order is appropriate.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–12695 Filed 5–23–95; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Release No. 21080; 811–3902]

Sentry Investors Variable Account II; Notice of Application

May 17, 1995.

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

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

APPLICANT: Sentry Investors Variable Account II.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant requests an order declaring it has ceased to be an investment company.

FILING DATE: The application was filed on March 29, 1995.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on June 12, 1995, and should be accompanied by proof of service on the applicant, 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 may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street NW., Washington, D.C. 20549. Applicant, c/o Sentry Investors Life Insurance Company, 1800 North Point Drive, Stevens Point, Wisconsin 54481.

FOR FURTHER INFORMATION CONTACT: Sarah A. Wagman, Staff Attorney, at (202) 942–0654, or Robert A. Robertson, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is a life insurance separate account established pursuant to Massachusetts insurance law to fund certain individual flexible purchase payment deferred variable annuity contracts (the ''Contracts''). On November 10, 1983, applicant registered under the Act as a unit investment trust. On the same date, applicant filed a registration statement on Form S–6 to register the Contracts as securities under the Securities Act of 1933. The registration statement became effective on July 23, 1984. Sentry Investors Life Insurance Company is applicant's depositor (the ''Depositor''), and Sentry Equity Services, Inc. is applicant's principal underwriter.

2. On November 1, 1994, applicant transferred all of its assets and liabilities to Sentry Variable Account II (the ''Sentry Account''), an existing registered separate account, pursuant to an assumption reinsurance agreement. The agreement provided that Sentry Life Insurance Company would assume legal ownership of applicant's assets, as well as responsibility for satisfying all liabilities and obligations arising under the Contracts. The transaction was effected pursuant to an SEC order.[1] The transfer of applicant's assets and liabilities to the Sentry Account was achieved by combining each of applicant's subaccounts with the identical subaccounts of the Sentry Account. The share transfer was made at the relative net asset values of the subaccounts in conformance with section 22(c) of the Act and rule 22c–1 thereunder. No charges or other deductions were made with respect to the Contracts. As a result of the transaction, applicant's Contract owners received certificates reflecting the new depositor and the new separate account supporting their Contracts. The net asset value of the subaccount units acquired in the transaction was identical to the net asset value of the subaccount units supporting applicant's Contracts before the transfer.

3. The transaction was approved by the Depositor's board of directors, and by the board of directors of Sentry Life Insurance Company, the Sentry Account's depositor. Applicant also obtained approvals from state insurance authorities of those states in which applicant's Contract owners reside.

4. Immediately prior to the merger, applicant had 70 Contract owners. At the time of filing the application, applicant has no remaining Contract holders. All of applicant's Contract holders had the assets underlying their contracts transferred to the Sentry Account.

5. Sentry Life Insurance Company bore all direct and indirect costs incurred in connection with the merger.

6. Applicant has no remaining assets, outstanding debts, or liabilities. Applicant is current with all of its filings under the Act, including all Form N–SAR filings. Applicant is not a party to any litigation or administrative proceeding. Applicant is not now engaged, nor does it intend to engage, in any business activities other than those necessary for the winding-up of its affairs.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–12694 Filed 5–23–95; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21082; File No. 812–9280]

T. Rowe Price Equity Series, Inc. et al.

May 17, 1995.

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

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

APPLICANTS: T. Rowe Price Equity Series, Inc., T. Rowe Price International Series, Inc. and T. Rowe Price Fixed Income Series, Inc. (the ''Fund(s)'') and T. Rowe Price Associates, Inc. and Rowe Price-Fleming International, Inc. (the ''Adviser(s)'').

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the Act for exemptions from Sections 9(a), 13(a), 15(a) and 15(b) of the Act and Rules 6e–2(b)(15) and 6e–3(T)(b)(15) thereunder.

SUMMARY OF APPLICATION: Applicants seek an order of exemption to the extent necessary to permit shares of the Funds to be issued to and held by registered and unregistered variable annuity and variable life insurance separate accounts of both affiliated and unaffiliated life insurance companies.

FILING DATE: The application was filed on October 11, 1994 and amended on May 4, 1995.

HEARING OR NOTIFICATION HEARING: An order granting the application will be

[1] Sentry Life Insurance Company, *et al.*, Investment Company Act Release Nos. 20576 (Sep. 26, 1994) (notice) and 20654 (Oct. 25, 1994) (order).