performance of contracts for registered holding companies or their subsidiaries, for services, construction, or sales of goods. The Commission requires this information to enforce the provisions of Section 13(e) and Section 13(f) of the Act. The enforcement of these statutes would be compromised without the collection of this information, which is not available from other sources. Companies that file under this rule are required to retain records for a period of six years, and the provision of this information is required. The retention period allows the Commission to perform its audit functions. One company meets this requirement on an annual basis with an estimated average burden of two hours. This information is not kept confidential.

Form U–7D [17 CFR 259.404] establishes the filing company's right to the exemption authorized for financing entities holding title to utility assets leased to a utility company. The information is necessary for the Commission to determine whether a company is exempt from, or governed by, the Act. The form imposes a total annual burden of 126 hours on 42 respondents, who each spend three hours annually preparing and filing one response. Companies filing under this rule are required to retain records for a period of ten years, and the provision of the information is mandatory. The retention time period allows the Commission the opportunity to perform its audit functions, and generally coincides with companies' obligation period under their respective leases. Responses are not kept confidential.

The estimates of average burden hours are made for the purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments regarding the above information should be directed to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, D.C. 20503; and (ii) Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Comments must be submitted to OMB within 30 days of this notice.

Dated: August 25, 1997.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97–23136 Filed 8–29–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–22798; File No. 812–10364]

Monarch Life Insurance Company, et al.

August 25, 1997.

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: Monarch Life Insurance Company (''Monarch Life'') and Monarch Separate Account VA (''Separate Account VA'').

RELEVANT 1940 ACT SECTIONS: Order requested under Section 26(b).

SUMMARY OF APPLICATION: Applicants seek an order approving the substitution of shares of certain funds (''Funds'') of Merrill Lynch Variable Series Funds, Inc. (''ML Fund'') for shares of certain series (''Portfolios'') of Variable Investors Series Trust (''VIST'') held by Separate Account VA to fund certain variable annuity contracts (''Contracts'') issued by Monarch Life.

FILING DATE: The Application was filed on September 25, 1996, and an amendment thereto was filed on May 29, 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 by writing to the Secretary of the Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m., on September 19, 1997, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing request should state the nature of the requester'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 Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC 20549. Applicants, c/o Raymond A. O'Hara III, Esq., Blazzard, Grodd & Hasenauer, P.C., P.O. Box 5108, Westport, Connecticut, 06881. Copies to John S. Coulton, Esq., Monarch Life Insurance Company, One Monarch Place, Springfield, MA 01133.

FOR FURTHER INFORMATION CONTACT: Joyce Merrick Pickholz, Senior Counsel, or Kevin M. Kirchoff, Branch Chief, Office of Insurance Products (Division of Investment Management), at (202) 942–0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the Application. The complete Application is available for a free from the Public Reference Branch of the Commission.

Applicants' Representations

Background

1. Monarch Life was incorporated in 1901 and is domiciled in Massachusetts. Monarch Life is a wholly-owned subsidiary of Regal Reinsurance Company (''Regal Re''), formerly Monarch Capital Corporation (''Monarch Capital''). On September 23, 1992, pursuant to a reorganization under Chapter 11 of the Federal Bankruptcy Code, Monarch Capital was reorganized and emerged from bankruptcy as a Massachusetts life insurer, Regal Re. Regal Re is owned by Monarch Capital's pre-bankruptcy secured and unsecured creditors.

2. On June 9, 1994, the Insurance Commissioner of the Commonwealth of Massachusetts (the ''Commissioner'') was appointed receiver (the ''Receiver'') of Monarch Life in a rehabilitation proceeding pending before the Supreme Judicial Court for Suffolk County, Massachusetts (the ''Court'').

3. A term sheet dated July 19, 1994 (the ''Term Sheet'') among the Commissioner (in her capacity as Commissioner and Receiver) and certain Regal Re shareholders and noteholders and holders of Monarch Life's surplus notes (representing approximately 85% of both the total outstanding Regal Re notes and common stock) (the ''Holders'') was approved by the Court on September 1, 1994. Pursuant to the Term Sheet, the Holders transferred their notes and stock into voting trusts for which the Commissioner is the sole trustee, which effectively vests control of Regal Re and Monarch Life in the Commissioner.

4. Insurance department of various jurisdictions have either suspended the certificate of authority of Monarch Life, ordered Monarch Life to cease writing new business, or have requested a voluntary suspension of sales by Monarch Life. In addition, Monarch Life's certificate of authority has been revoked by the insurance departments of the states of Louisiana on May 13, 1994, Michigan on February 27, 1994,

Missouri on November 10, 1994 and Wyoming on June 25, 1992.

5. Monarch Life currently limits its business to maintaining its existing blocks of disability income insurance, variable life insurance, and annuity businesses. Monarch Life ceased issuing new variable life policies and new annuity contracts effective May 1, 1992, and new disability income insurance policies effective June 15, 1993.

6. Separate Account VA, a separate account of Monarch Life, was established under Massachusetts law on October 20, 1987, for the purpose of funding the Contracts which invest in VIST. Separate Account VA is registered under the 1940 Act as a unit investment trust and security interest under the Contracts have been registered under the Securities Act of 1933 (''1933 Act'') on Form N–4 (File No. 33–21238). Separate Account VA is currently divided into seven sub-accounts, each of which reflects the investment performance of a corresponding Portfolio of VIST.

7. VIST currently offers shares of its Portfolios to corresponding sub-accounts of Separate Account VA and certain separate accounts of First Variable Life Insurance Company (''First Variable Life''). VIST was organized as a Massachusetts business trust under the laws of Massachusetts on December 23, 1986, and is registered under the 1940 Act as an open-end management investment company of the series type. VIST currently offers nine Portfolios.

8. The Cash Management Portfolio seeks to preserve shareholder capital, to maintain liquidity, and to achieve maximum current income consistent with the foregoing objectives by investing exclusively in a diversified portfolio of short-term money market securities. The High Income Bond Portfolio primarily invests in high yield, high risk, fixed-income securities to obtain as high a level of current income as is believed to be consistent with prudent investment management and, as a secondary objective, capital appreciation when consistent with its primary objective. The Multiple Strategies Portfolio seeks to achieve as high a level of total return over an extended period of time as the adviser and sub-adviser consider consistent with prudent investment risk. The Growth Portfolio (formerly the ''Common Stock Portfolio'') seeks capital growth by investing primarily in a diversified portfolio of common stocks and securities convertible into or exchangeable for common stocks, including convertible preferred stock, convertible debentures, warrants, and options. As a secondary objective, the Growth Portfolio may seek current income when consistent with its primary investment objective. The U.S. Government Bond Portfolio seeks current income and preservation of capital through investment primarily in securities issued or guaranteed as to principal and interest by the U.S. Government or by its agencies, authorities, or instrumentalities. The investment objective of the Matrix Equity Portfolio is capital appreciation and current income to be achieved by investing in a diversified portfolio of equity securities that is selected by State Street Global Advisors, the Sub-Advisor, on the basis of its proprietary model. Sector weights are maintained at a similar level to the S&P 500 Index. The Portfolio will invest at least 65% of its total assets in equity securities. The World Equity Portfolio seeks maximum long-term total return by investing primarily in common stocks, and securities convertible into common stocks, traded in securities markets located around the world, including the United States.

9. First Variable Advisory Services Corp. (''FVAS''), a wholly-owned subsidiary of First Variable, is the investment adviser for VIST. FVAS has engaged sub-advisers for each Portfolio to make investment decisions and place orders.

10. The shares of the ML Fund are sold to separate accounts of certain insurance companies to fund benefits under variable annuity contracts and/or variable life insurance policies issued by such companies. The ML Fund was incorporated on October 16, 1981, and is registered under the 1940 Act as an open-end management investment company of the series type. The ML Fund currently offers sixteen Funds, seven of which are relevant herein.

11. The investment objectives of the Domestic Money Market Fund of the ML Fund are to preserve shareholder capital, to maintain liquidity and to achieve the highest possible current income consistent with the foregoing objectives by investing in short-term domestic money market securities. The primary investment objective of the High Current Income Fund is to obtain the highest level of current income that is consistent with the investment policies of the Fund and with prudent investment management. As a secondary objective, the High Current Income Fund seeks capital appreciation when consistent with its primary objective. The Quality Equity Fund seeks to achieve the highest total investment return, or the aggregate of income and capital value changes, consistent with prudent risk. The investment objective of the Equity Growth Funds [1] is to seek long-term growth of capital by investing in a diversified portfolio of securities, primarily common stocks, of relatively small companies that management of the ML Fund believes have special investment value, and of emerging growth companies regardless of size. The investment objective of the Government Bond Fund (formerly the ''Intermediate Government Bond Fund'') is to seek the highest possible current income consistent with the protection of capital afforded by investing in debt securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities. The investment objective of the Basic Value Focus Fund is to seek capital appreciation and, secondarily, income by investing in securities, primarily equities, that management of the Fund believes are undervalued and therefore represent basic investment value. The investment objective of the Global Strategy Focus Fund is to seek high total investment return by investing primarily in a portfolio of equity and fixed income securities, including convertible securities, of U.S. and foreign issuers.

12. Merrill Lynch Asset Management, L.P. (''MLAM''), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc., is the investment adviser for each of the Funds.

13. Certain separate accounts of Monarch Life currently are invested in the shares of other investment companies advised by MLAM, the investment adviser to the ML Fund. Further, an affiliate of MLAM provides third party administrative services to Monarch Life in connection with its variable life insurance operations. Given its existing relationship with the Merrill Lynch organization and given the fact that it is no longer affiliated with First Variable Life, Monarch Life determined that it was in its best interests and in the best interests of its variable annuity contract owners to pursue the substitutions.

14. Applicants state that the VIST Portfolios are relatively small when compared with many other similar investment portfolios of open-end management investment companies. As a result, the annual expense ratios of these Portfolios have generally been higher than the ratios of many similar but larger funds. Applicants state further that, although the recent performance of the VIST Portfolios has been generally good, frequent changes

[1] The Board of Directors of the ML Fund has approved a change in the name of the Equity Growth Fund to the Special Value Focus Fund.

in the VIST investment advisory arrangements over the years have contributed to a somewhat erratic long-term performance record.

The Proposed Substitution

15. Applicants propose that Monarch Life substitute shares of the Funds of the ML Fund (each, a ''substitute fund'', together the ''substitute funds'') for shares of the Portfolios of VIST (each a ''removed fund'', together the ''removed funds'') as follows: (1) Shares of the Domestic Money Market Fund for shares of the Cash Management Portfolios; (2) shares of the High Current Income Fund for shares of the High Income Bond Portfolio; (3) shares of the Quality Equity Fund for shares of the Multiple Strategies Portfolio; (4) shares of the Equity Growth Fund for shares of the Growth Portfolio; (5) shares of the Government Bond Fund for shares of the U.S. Government Bond Portfolio; (6) shares of the Basic Value Focus Fund for shares of the Matrix Equity Portfolio; and (7) shares of the Global Strategy Focus Fund for shares of the World Equity Portfolio.

16. Applicants propose to have Monarch Life redeem shares of each removed fund in cash and purchase with the proceeds shares of the substitute fund identified above. The proposed substitution would not change the number of subaccounts in Separate Account VA.

17. By supplement to the prospectus for the Contracts and Separate Account VA, Contract owners were notified of the proposed substitutions. The supplement advised owners that they retained the ability to allocate net purchase payments, or transfer contracts values to the subaccounts of Separate Account VA corresponding to each of the removed funds until the date of the substitutions.

18. Applicants state that the proposed substitutions will take place at relative net asset value with no change in the amount of any Contract owner's Contract value or in the dollar value of his or her investment in Separate Account VA. Contract owners will not incur any fees or charges as a result of the proposed substitutions nor will their rights under the Contracts be altered in any way. All expenses incurred in connection with the proposed substitutions, including legal, accounting and other fees and expenses, will be paid by Monarch Life. In addition, the proposed substitutions will not result in the imposition of any tax liability on Contract owners. The proposed substitutions will not cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed substitutions than before the proposed substitutions.

19. Applicants state that in addition to the prospectus supplements distributed to owners of Contracts, within 5 days after the proposed substitutions, all owners who were affected by a substitution will be sent a written notice informing them that the substitutions were carried out. Monarch Life will include in such mailing the supplement to the prospectus of Separate Account VA, which describes the substitutions.

20. Monarch Life and certain of its separate accounts (including Separate Account VA) (collectively, ''Accounts'') have previously received no-action assurances from the staff of the Commission that the staff would not recommend that the Commission take any enforcement action against Monarch Life or the Accounts if post-effective amendments to registration statements are not filed under the 1933 Act and the 1940 Act, and updated prospectuses for the Accounts are not distributed to owners of existing variable contracts issued through the Accounts provided that certain conditions are met (Monarch Life Insurance Company, pub. avail. June 9, 1992, referred to herein as the ''June 9th No-Action Letter''). The conditions of the June 9th No-Action Letter include providing various documents to the variable contract owners including, but not limited to, periodic reports, prospectuses, proxy statements and related voting instructions pertaining to the relevant underlying mutual funds. In accordance with the terms of the June 9th No-Action Letter, Monarch Life does not update the Separate Account VA prospectus on an annual basis as would otherwise be required by the 1933 Act and the 1940 Act. Therefore, Contract owners do not have the benefit of receiving an updated Separate Account VA prospectus which would provide them with certain information concerning the ML Fund. In light of this fact, Applicants undertake to provide the variable contract owners of Separate Account VA with the same disclosure concerning the ML Fund as such owners would receive if Monarch Life updated and mailed its Separate Account VA prospectus to owners. Such information primarily consists of a fee table for Separate Account VA, which includes the fees and expenses of the ML Fund, and a description of the investment objectives of each of the Funds of the ML Fund.

21. Applicants state that following the substitutions, Contract owners will be afforded the same contract rights, including surrender an other transfer rights with regard to amounts invested under the Contracts, as they currently have. (Monarch Life currently imposes no restrictions or fees on the ability of Contract owners to make transfers nor does it intend to impose any after the proposed substitutions are effected.)

Applicants' Legal Analysis

22. Section 26(b) of the 1940 Act provides, in pertinent part, that ''[i]t shall be unlawful for any depositor or trustee of a registered unit investment trust holding the security of a single issuer to substitute another security for such security unless the Commission shall have approved such substitution.'' The purpose of Section 26(b) is to protect the expectation of investors in a unit investment trust that the unit investment trust will accumulate the shares of a particular issuer and to prevent unscrutinized substitutions which might, in effect, force shareholders dissatisfied with the substituted security to redeem their shares, thereby possibly incurring either a loss of the sales load deducted from initial purchase payments, an additional sales load upon reinvestment of the redemption proceeds, or both. Section 26(b) affords this protection to investors by preventing a depositor or trustee of a unit investment trust holding the shares of one issuer from substituting for those shares the shares of another issuer, unless the Commission approves that substitution.

23. Applicants maintain that the purposes, terms and conditions of the Substitution are consistent with the principles and purposes of Section 26(b) and do not entail any of the abuses that Section 26(b) is designed to prevent.

24. Applicants assert that each of the substitute funds is substantially larger than the removed fund that it would replace. Each of the substitute funds has also had significantly more favorable expense ratios over the past three years than the removed fund that it would replace. Applicants assert that recent investment performance between the substitute funds and the removed funds has been generally comparable. Applicants anticipate that, after the proposed substitutions, the substitute funds will provide Contract owners with comparable or more favorable investment results than would be the case if the proposed substitutions do not take place. Applicants further assert that each of the substitute funds is a suitable and appropriate investment vehicle for Contract owners. Each of the substitute funds has substantially identical investment objectives to the removed fund that it would replace.

25. Applicants assert that, although the Equity Growth Fund invests primarily in the securities of relatively small companies, while the Growth Portfolio does not focus on companies with small market capitalizations, the investment objective of each of the Equity Growth Fund and the Growth Portfolio is capital growth and each invests primarily in equity securities. Because capital growth is the investment objective for both the Equity Growth Fund and the Growth Portfolio, Applicants believe that the investment goals of owners will continue to be achieved after the substitution and that the differences between the investment policies are non-material to the achievement of the investment goals of the owners.

26. Applicants generally submit that the proposed substitutions meet the standards that the Commission and its staff have applied to substitutions that have been approved in the past in that:

a. The expense ratios of each of the Funds of the ML Fund are substantially lower than the expense ratios of the corresponding VIST Portfolios and are expected to remain so;

b. The substitution will be at net asset value of the respective shares, without the imposition of any transfer or similar charge;

c. Monarch Life has undertaken to assume the expenses and transaction costs, including among others, legal and accounting fees and any brokerage commissions, relating to the substitution;

d. The substitution in no way will alter the insurance benefits to Contract owners or the contractual obligations of Monarch Life;

e. The substitution in no way will alter tax benefits to Contract owners;

f. Contract owners may choose simply to withdraw amounts credited to them following the substitution under the conditions that currently exist without incurring any charges; and

g. The substitution is expected to confer certain economic benefits to Contract owners by virtue of the enhanced asset size of the substitute funds. Conclusion:

Applicants submit, for the reasons summarized above, that the proposed substitution is 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.

[FR Doc. 97–23185 Filed 8–29–97; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–38968; File No. SR–AMEX–97–31]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange, Inc., Relating to Options on The Disk Drive Index

August 25, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Exchange Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on August 19, 1997, the American Stock Exchange, Inc. (''AMEX'' or ''Exchange'') 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 the Exchange. 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

The AMEX proposes to trade options on The Disk Drive Index (''the Index''), a new stock index developed by the AMEX based on stocks, or American Depositary Receipts (''ADRs'') thereon, of companies involved in the design and/or manufacture of disk drives, components of disk drives, and/or software designed to interact with disk drives. AMEX proposes to amend its Rule 901C, Commentary .01, to provide for the listing and trading of the Index. In addition, the AMEX proposes to amend Rule 901C, Commentary .01, to reflect that 90 percent of the Index's numerical index value will be accounted for by stocks that meet the current criteria and guidelines set forth in AMEX Rule 915.

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 AMEX 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 IV below. The AMEX 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The AMEX has developed a new index called The Disk Drive Index (''Index''), based entirely on shares of widely held companies involved in the design and/or manufacture of disk drives, components of disk drives, and/or software designed to interact with disk drives. The companies represented in the index include: Applied Magnetics Corp., a supplier of magnetic heads for disk-drive applications; HMT Technologies Corp., a designer and manufacturer of thin-film disks for high-capacity computer disk drives; Hutchinson Technology, a supplier of suspension assemblies for rigid disk drives; Iomega Corp., a manufacturer of removable data-storage devices; Komag Inc., a manufacturer of components for hard-disk drives, including thin-film disks and recording heads; Quantum Corp., a manufacturer of storage products for computer systems; Read-Rite Corp., a producer of thin-film magnetic recording heads for hard-disk drives; Seagate Technology, a designer of rigid, magnetic disk drives and components for computer systems; Storage Technology, a manufacturer of information storage and retrieval subsystems and networking products; and Western Digital Corp., a manufacturer of hard-disk drives.[3] The AMEX intends to trade standardized option contracts on the newly developed Index. The AMEX is filing this proposal pursuant to AMEX Rule 901C, Commentary .02, which provides for the commencement of the trading of options on the Index thirty days after the date of this filing. The proposal meets all the criteria set forth in Commentary .02 and the Commission's order approving that rule as outlined below.[4]

Eligibility criteria for index components. Pursuant to Commentary .02 to Rule 901C, (1) each of the component securities has a minimum market capitalization of at least $75 million and has a trading volume in

[1] 15 U.S.C 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The AMEX submitted additional information regarding the component securities. This information is available in the Commission's public reference room, as described in section IV below, or at the Office of the Secretary, AMEX.

[4] *See* Securities Exchange Act Release No. 34157 (June 3, 1994), 59 FR 30062 (June 10, 1994) (SR–AMEX–92–35) (approval order relating to narrow-based index options listing standards) (''Generic Index Approval Order'').