

below net asset value or repurchase at a price above it, and other unfair results, including speculative trading practices.

9. The proposed recapture of the Credit, Applicants assert, does not pose such a threat of dilution, nor does it promote speculative trading practices, calculated to take advantage of backward pricing, the two evils that Rule 22c-1 was intended to eliminate or reduce. To effect a recapture of a Credit, AUL will redeem interests in a Contract at a price determined on the basis of the current accumulation unit value(s) of the Investment Account(s) to which the Contract owner's Contract value is allocated. The amount recaptured will equal the amount of the Credit paid out of AUL's general account assets. Although the Contract 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 values of the applicable Investment Accounts. Thus, Applicants assert, no dilution will occur upon the recapture of the Credit.

10. Applicants argue that because neither of the harms that Rule 22c-1 was meant to address is found in the recapture of the Credit, Rule 22c-1 should not apply to any Credit. However, to avoid any uncertainty as to full compliance with the 1940 Act, Applicants request an exemption from the provision of Rule 22c-1 to the extent deemed necessary to permit them to recapture the Credit under the Contracts and Future Contracts.

11. Applicants submit that their request for an order that applies to the Separate Account and any Future Accounts established by AUL, in connection with the issuance of the Contracts and Future Contracts, is appropriate in the public interest. Such an order would promote competitiveness in the variable annuity market by eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses and maximizing the efficient use of Applicants' resources. Applicants further submit 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 this application. Additionally, Applicants state that requiring Applicants to file additional applications would impair Applicants' ability to take advantage of business opportunities as they arise. Further, if Applicants were required repeatedly to seek exemptive relief with respect to the same issues addressed in this

application, investors would not receive any benefit or additional protection thereby. Applicants undertake that Future Contracts funded by the Separate Accounts or by Future Accounts, which seek to rely on the order issued pursuant to this Application, will be substantially similar to the Contracts in all material aspects.

Conclusion

Section 6(c) of the Act, in pertinent part, provides that the Commission, by order upon application, may conditionally or unconditionally exempt any persons, security or transaction, or any class or classes of persons, securities or transactions, from any provisions of the Act, or any rule or regulation thereunder, 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 submit, for the reasons stated herein, that their exemptive requests meet the standards set out in Section 6(c) and that an order should, therefore, be granted.

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47182; File No. SR-GSCC-2002-06]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Imposition of a Fee on Members That Fail To Submit Transaction Data in an Interactive and Timely Manner

January 14, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on August 12, 2002, the Government Securities Clearing Corporation ("GSCC") 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 primarily by GSCC. 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 proposed rule change will adjust the trade comparison fees for GSCC members that use GSCC's real time trade matching ("RTTM") process but do not submit trade data on an interactive and timely basis.

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

In its filing with the Commission, GSCC 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. GSCC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.²

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

Since its inception in December 2000, GSCC's RTTM service has grown to encompass an increasing portion of trades that are submitted to GSCC. The expansion of the use of RTTM for government securities, its introduction for mortgage backed securities products (which is scheduled for September 2002), and ultimately its use for other fixed-income products remains GSCC's most significant initiative.

In order to encourage members to shift to interactive processing, GSCC imposed, effective July 1, 2001, a five-cent per side comparison surcharge for non-interactive members.³ The imposition of this financial incentive and the growing use of interactive messaging in connection with the RTTM service have not, however, ensured that members are submitting transaction data promptly after trade execution.

In order to ensure that members not only participate in the RTTM process but also submit transaction data on a timely basis and in order to cover the cost of batch processing, GSCC is imposing the following new fees (which fees are *in addition* to the normal 50-cent per side comparison fee and *in lieu* of the current five cent per side surcharge):

² The Commission has modified the text of the summaries prepared by NSCC.

³ A transaction is considered non-interactive if it is submitted more than one hour after its execution.

¹ 15 U.S.C. 78s(b)(1).