

value of his or her investment in Variable Account One. Cova Life will redeem shares of the Global Equity Portfolio in cash and purchase shares of the International Equity Portfolio with the proceeds.

15. Contract owners will not incur any fees or charges as a result of the proposed substitution, nor will their rights under the Contracts be altered in any way. All expenses incurred in connection with the proposed substitution, including legal, accounting and other fees and expenses, will be paid by Cova Life. The proposed substitution will not cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the proposed substitution than before the proposed substitution.

16. Within five days of the substitution, affected Contract owners will receive written notice of the substitution reiterating their right to make transfers from the International Equity sub-account to any other sub-account of Variable Account One for a period of 30 days from the date of the notice without any limitation or charge being imposed. Cova Life will include in such mailing a supplement to the prospectus of Variable Account One which describes the substitution.

17. Following the substitution, Contract owners will be afforded the same contract rights, including surrender and other transfer rights with regard to amounts invested under the Contracts, as they currently have.

Applicants' Legal Analysis and Conditions

1. 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." Applicants assert that 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 in effect might 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 substitution for those

shares the shares of another issuer, unless the Commission approves that substitution.

2. 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. Applicant asserts that the substitute fund is a suitable and appropriate investment vehicle for Contract owners. Applicants further assert that effecting the proposed substitution will not result in greater (aggregate) fees and charges under the Contracts.

3. Applicants represent that the proposed substitution will not result in the type of costly forced redemption that section 26(b) was intended to guard against, and is consistent with the protection of investors and the purposes fairly intended by the 1940 Act for the following reasons: prior to the substitution and for a period of thirty (30) days thereafter, Contract owners may transfer Global Equity sub-account values to any other sub-account of Variable Account One without any limitation or charge being imposed; the investment objective of the substitute fund is similar to that of the removed fund; the substitution will be at the net asset value of the respective portfolio shares, with no change in a Contract owner's contract value or in the dollar value of the Contract owner's investment in Variable Account One; Contract owners will not incur any fees or charges as a result of the proposed substitution, nor will their rights under the Contracts be altered in any way; all expenses incurred in connection with the proposed substitution, including legal, accounting and other fees and expenses, will be paid by Cova Life; the proposed substitution will not impose any tax liability on Contract owners; Contract owners may choose to withdraw amounts credited to them following the substitution under the conditions that currently exist, subject to any applicable deferred sales charge.

4. Applicants assert that the substitute fund is substantially larger than the removed fund, and that the substitute fund should grow further. Applicants anticipate that, after the proposed substitution, the substitute fund will provide Contract owners with comparable or more favorable investment results than would be the case if the proposed substitution did not take place.

5. Applicants also note that within 5 days after the proposed substitution, any affected Contract owners will be sent a written notice informing them that shares of the International Equity

Portfolio have been substituted for shares of the Global Equity Portfolio. Cova Life will include in such a mailing a supplement to the prospectus of Variable Account one which describes the substitution.

Conclusion

For the reasons set forth above, Applicants represent that the order requested, approving the proposed substitution, is necessary and appropriate in the public interest and consistent with the protection of investors and purposes fairly intended by the policy and provisions of the 1940 Act and should be granted.

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

Jonathan G. Katz,
Secretary.

[FR Doc. 97-7645 Filed 3-25-97; 8:45 am]

BILLING CODE 8010-01-M

[Investment Company Act Release No. 22574; 811-7854]

The U.S. Stock Portfolio; Notice of Application

March 20, 1997.

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

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

APPLICANT: The U.S. Stock Portfolio.

RELEVANT ACT SECTION: Section 8(f).

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

FILING DATE: The application has filed on February 21, 1997.

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 April 14, 1997, 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, DC 20549. Applicant, Elizabethan Square, Shedden

Road, George Town, Grand Cayman, Cayman Islands, B.W.I.

FOR FURTHER INFORMATION CONTACT: Diane L. Titus, Paralegal Specialist, at (202) 942-0584, or H.R. Hallock, Jr., Special Counsel, 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 an open-end, diversified management investment company organized as a trust under the laws of the State of New York. On July 6, 1993, applicant filed a notification of registration on Form N-8A and a registration statement on Form N-1A. Applicant's registration statement has not been declared effective.

2. Applicant has no shareholders, liabilities or assets. Applicant is not a party to any litigation or administrative proceeding.

3. Applicant is not now engaged, nor does it propose to engage, in any business activities other than those necessary for the winding up of its affairs.

4. Applicant has terminated its existence under New York law.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 97-7646 Filed 3-25-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38417; File No. SR-NASD-97-17]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto by the National Association of Securities Dealers, Inc. Relating to Fees Charged for the Nasdaq Level 1 Service

March 18, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on March 3, 1997, the National Association of Securities Dealers, Inc. ("NASD") and the Nasdaq Stock Market, Inc. ("Nasdaq") (hereinafter referred to collectively as "Nasdaq" or the "Nasdaq Stock Market") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by

Nasdaq. On March 18, 1997, the Nasdaq Stock Market filed Amendment No. 1 to the proposal.¹ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The proposed rule change amends NASD Rule 7010(a) to increase the monthly fee charged for Nasdaq Level 1 Service. Below is the text of the proposed rule change. Proposed new language is italicized and proposed deletions are bracketed.

Rule 7000. CHARGES FOR SERVICES AND EQUIPMENT

7010. System Services

(a) Nasdaq Level 1 Service

The charge to be paid by the subscriber for each terminal receiving Nasdaq Level 1 Service is \$20 [19] per month. This Service includes the following data:

* * * * *

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

In its filing with the Commission, Nasdaq included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. Nasdaq 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 Statutory Basis for, the Proposed Rule Change

The Nasdaq Stock Market proposes to establish a fee increase for Nasdaq Level 1 Service to reflect the increased value of the data being disseminated via this Service. Under the new SEC Order Handling Rules, Nasdaq quotations now contain additional information that was not previously available to subscribers. That is, pursuant to SEC Rule 11Ac1-4,

¹ In Amendment No. 1, Nasdaq clarifies that the filing is made on behalf of the NASD and the Nasdaq Stock Market, Inc. Amendment No. 1 also includes additional discussion regarding the statutory basis for the fee increase for Nasdaq Level 1 Service. Finally, Amendment No. 1 corrects several typographical errors in the original filing. See letter from Eugene A. Lopez, Assistant General Counsel, Office of General Counsel, The Nasdaq Stock Market Inc., to Michael Walinskas, Senior Special Counsel, Office of Market Supervision, Division of Market Regulation, Commission, dated March 17, 1997 ("Amendment No. 1").

customer limit orders are now displayed in market maker quotations. In addition, Nasdaq's Level 1 Service includes price information from electronic communications networks ("ECNs") that was not previously available through this Service. Thus, to reflect the increased value of the transparency of Nasdaq quotes under these new rules and the price discovery information available in the Nasdaq Stock Market, Nasdaq believes that the fee for such service should be increased.

Nasdaq proposes to increase by \$1.00 the current monthly fee for the receipt of Nasdaq quote and trade information, resulting in a \$20 fee per month per authorized device for Level 1 Service. As noted above, the Nasdaq Level 1 Service will include limit order information (i.e., the best priced orders to buy and sell) and ECN prices. This information provides valuable information to investors and other market participants and helps in price discovery. However, this fee increase will not become effective until the latter of April 1, 1997, or such time when more than half of Nasdaq securities as measured by median daily dollar volume are subject to the new SEC Order Handling Rules. Nasdaq believes that it is appropriate to delay the implementation of the increased fee until the Level 1 Service reflects a substantial increase in this new information. Once Nasdaq's higher volume securities are subject to the new rules, the value of the Level 1 Service will have substantially increased and the fee should reflect that added value.

Nasdaq believes that the above-referenced fee is consistent with the provisions of Section 15A(b)(5) of the Act.² Section 15A(b)(5) specifies that the rules of a national securities association shall provide for the equitable allocation of reasonable dues, fees and charges among members, issuers and other persons using any facility or system that the association operates or controls. The increased fee to be charged for this valuable information results in an equitable allocation of the cost of providing this information in a way that the costs are applied fairly and uniformly to all users of the system. Nasdaq has attempted to equitably spread the costs associated with the information gathered pursuant to the new SEC Order Handling Rules over a broad base of end users, as was

² 15 U.S.C. 78o-3.