

operating expenses, taking into effect expenses waivers, will be the same (or lower in the case of Class I shares). The Putnam VT International Equity Fund has had consistently better performance than the Touchstone International Equity Fund since its inception, and the Touchstone Money Market Fund has had comparable historical performance for the year ended December 31, 2002 to that of the Fidelity VIP Money Market Portfolio and its performance has exceeded that of the Fidelity VIP Money Market Portfolio for the three-month period ended April 30, 2003 and year-to-date through April 30, 2003.

7. The Substitutions will not result in the type of costly forced redemption that Section 26(c) was intended to guard against and, for the following reasons, are consistent with the protection of investors and the purposes fairly intended by the Act:

(a) Each of the Replacement Funds is an appropriate portfolio to which to move contract owners with values allocated to the Replaced Funds because the portfolios have substantially similar investment objectives and policies.

(b) The costs of the Substitutions, including any brokerage costs, will be borne by the Insurance Companies and will not be borne by contract owners. No charges will be assessed to effect the Substitutions.

(c) The Substitutions will be at the net asset values of the respective shares without the imposition of any transfer or similar charge and with no change in the amount of any contract owner's accumulation value or death benefit.

(d) The Substitutions will not cause the fees and charges under the Contracts currently being paid by contract owners to be greater after the Substitutions than before the Substitution and will result in contract owners' contract values being moved to portfolios with lower current total annual operating expenses (including a lower current management fee) than the Replaced Fund, in the case of the Putnam VT International Equity Fund, and the same (or lower) total annual operating expenses (including a lower current management fee) as the current total annual operating expenses of the Replaced Fund in the case of the Touchstone Money Market Fund.

(e) Touchstone will cap total annual operating expenses of the Touchstone Money Market Fund Class I shares at 0.28% of average daily net assets through December 31, 2005 and Class SC shares at 0.54% of average daily net assets for at least two years from the date of the Substitution.

(f) All contract owners will be given notice of the Substitutions prior to the Substitutions and will have an

opportunity for 30 days after the Substitutions to reallocate accumulation value among other available subaccounts without the imposition of any transfer charge or limitation and without being counted as one of the contract owner's free transfers in a contract year.

(g) Within five days after the Substitutions, the Insurance Companies will send to its affected contract owners written confirmation that the Substitutions have occurred.

(h) For those contract owners who are contract owners on the date of the Substitutions, the Insurance Companies will not increase Separate Account or Contract fees and expenses for a two-year period beginning on the date of the Substitutions.

(i) The Substitutions will in no way alter the insurance benefits to contract owners or the contractual obligations of the Insurance Companies.

(j) The Substitutions will have no adverse tax consequences to contract owners and will in no way alter the tax benefits to contract owners.

Conclusion

Applicants assert that for the reasons summarized above, the requested order approving the Substitution should 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. 34-48064; File No. S7-966]

Program for Allocation of Regulatory Responsibilities Pursuant to Rule 17d-2; Order Granting Approval of Plan and Amendment No. 1 Thereto for Allocation of Regulatory Responsibilities Between the National Association of Securities Dealers, Inc. and the International Securities Exchange, Inc.

June 19, 2003.

On January 7, 2003, the National Association of Securities Dealers, Inc. ("NASD" or "Association") and the International Securities Exchange, Inc. ("ISE") filed with the Securities and Exchange Commission ("SEC" or "Commission") a plan, pursuant to Section 17(d) of the Securities Exchange of 1934 ("Act")¹ and Rule 17d-2

thereunder,² for allocation of regulatory responsibilities relating to options-related sales practices.³ On May 1, 2003, NASD and ISE filed Amendment No. 1 to the plan.⁴ The regulatory responsibilities transferred to the NASD under this plan, as amended, for common members of the ISE and NASD are all the regulatory responsibilities initially allocated to the ISE under a 17d-2 plan for allocating regulatory responsibilities with respect to options-related sale practices executed by several SROs that was approved by the Commission.⁵

The plan, including Amendment No. 1, was published for comment on May 21, 2003.⁶ The Commission received no comments on the plan. This order approves the plan, as amended.

Accordingly, the NASD shall assume, in addition to the regulatory responsibilities it already has under the Act, the regulatory responsibilities allocated to it under the plan, as amended. At the same time, the ISE is relieved of those regulatory responsibilities allocated to the NASD.

I. Introduction

Section 19(g)(1) of the Act,⁷ among other things, requires every national securities exchange and registered securities association ("SRO") to examine for, and enforce compliance by, its members and persons associated with its members with the Act, the rules and regulations thereunder, and the SRO's own rules, unless the SRO is relieved of this responsibility pursuant to section 17(d) or 19(g)(2) of the Act.⁸ Without this relief, the statutory obligation of each individual SRO could result in a pattern of multiple examinations of broker-dealers that maintain memberships in more than one SRO ("common members"). This regulatory duplication would add unnecessary expenses for common members and their SROs.

Section 17(d)(1) of the Act was intended, in part, to eliminate

² 17 CFR 240.17d-2.

³ See letter from Michael Simon, Senior Vice President and General Counsel, ISE, to Nancy Sanow, Assistant Director, Division of Market Regulation ("Division"), SEC, dated January 6, 2003.

⁴ See letter from Michael Simon, Senior Vice President and General Counsel, ISE, to Nancy Sanow, Assistant Director, Division, SEC, dated April 30, 2003. Amendment No. 1 deleted paragraphs 5.1 and 5.2 of the plan filed on January 7, 2003.

⁵ See Securities Exchange Act Release No. 46800 (November 8, 2002), 67 FR 69774 (November 19, 2002).

⁶ See Securities Exchange Act Release No. 47871 (May 14, 2003), 68 FR 27869 (May 21, 2003).

⁷ 15 U.S.C. 78s(g)(1).

⁸ 15 U.S.C. 78q(d) and 15 U.S.C. 78s(g)(2).

¹ 15 U.S.C. 78q(d).

unnecessary multiple examinations and regulatory duplication.⁹ With respect to a common member, Section 17(d)(1) authorizes the Commission, by rule or order, to relieve an SRO of the responsibility to receive regulatory reports, to examine for and enforce compliance with applicable statutes, rules and regulations, or to perform other specified regulatory functions.

To implement Section 17(d)(1), the Commission adopted two rules: Rule 17d-1 and Rule 17d-2 under the Act.¹⁰ Rule 17d-1, adopted on April 20, 1976,¹¹ authorizes the Commission to name a single SRO as the designated examining authority ("DEA") to examine common members for compliance with financial responsibility requirements imposed by the Act, or by Commission or SRO rules. When an SRO has been named as a common member's DEA, all other SROs to which the common member belongs are relieved of the responsibility to examine the firm for compliance with applicable financial responsibility rules.

On its face, Rule 17d-1 deals only with an SRO's obligations to enforce broker-dealers' compliance with the financial responsibility requirements. Rule 17d-1 does not relieve an SRO from its obligation to examine a common member for compliance with its own rules and provisions of the federal securities laws governing matters other than financial responsibility, including sales practices, and trading activities and practices.

To address regulatory duplication in these other areas, on October 28, 1976, the Commission adopted Rule 17d-2 under the Act.¹² This rule permits SROs to propose joint plans allocating regulatory responsibilities with respect to common members. Under paragraph (c) of Rule 17d-2, the Commission may declare such a plan effective if, after providing for notice and comment, it determines that the plan is necessary or appropriate in the public interest and for the protection of investors, to foster cooperation and coordination among the SROs, to remove impediments to and foster the development of a national market system and a national clearance and settlement system, and in conformity with the factors set forth in Section 17(d) of the Act. Commission

approval of a plan filed pursuant to Rule 17d-2 relieves an SRO of those regulatory responsibilities allocated by the plan to another SRO.

II. Discussion

The Commission finds that the proposed plan is consistent with the factors set forth in Section 17(d) of the Act¹³ and Rule 17d-2(c)¹⁴ in that the proposed plan is necessary or appropriate in the public interest and for the protection of investors, to foster cooperation and coordination among self-regulatory organizations, or to remove impediments to and foster the development of the national market system. In particular, the Commission believes that the proposed plan is an achievement of cooperation between the ISE and NASD which will reduce unnecessary regulatory duplication by allocating to NASD certain responsibilities related to options-related sale practice regulation for members that belong to both the ISE and NASD. Furthermore, because the ISE and NASD will coordinate their regulatory functions in accordance with the plan, the plan will promote investor protection.

III. Conclusion

This order gives effect to the plan, as amended, filed with the Commission that is contained in File S7-966. The parties shall notify all members affected by the plan, as amended, of their rights and obligations under the amended plan.

It Is Therefore ordered, pursuant to Sections 17(d)¹⁵ and 11A(a)(3)(B)¹⁶ of the Act, that the plan of the ISE and NASD, as amended, filed pursuant to Rule 17d-2,¹⁷ is approved.

It Is Therefore ordered that the ISE is relieved of those responsibilities allocated to NASD under the plan, as amended.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁸

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 03-16522 Filed 6-30-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-48080; File No. SR-BSE-2003-11]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Boston Stock Exchange Relating to an Extension of a Temporary Exemption Concerning an Interpretation of Its Execution Guarantee Rule

June 24, 2003.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 16, 2003, the Boston Stock Exchange ("BSE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons and to grant accelerated approval retroactively to June 5, 2003.

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

The Exchange proposes to extend a temporary exemption related to an interpretation of its Execution Guarantee Rule in response to Commission action regarding *de minimis* trades through of certain Exchange Traded Funds ("ETFs") in the Intermarket Trading System ("ITS").

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 Exchange 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 III below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

⁹ 15 U.S.C. 78q(d). See also Securities Acts Amendments of 1975, Report of the Senate Committee on Banking, Housing, and Urban Affairs to Accompany S. 249, S. Rep. No. 94-75, 94th Cong., 1st Session, 32 (1975).

¹⁰ 17 CFR 240.17d-1 and 17 CFR 240.17d-2.

¹¹ See Securities Exchange Act Release No. 12352, 41 FR 18809 (May 3, 1976).

¹² See Securities Exchange Act Release No. 12935, 41 FR 49093 (November 8, 1976).

¹³ 15 U.S.C. 78q(d).

¹⁴ 17 CFR 240.17d-2(c).

¹⁵ 15 U.S.C. 78q(d).

¹⁶ 15 U.S.C. 78k-1(a)(3)(B).

¹⁷ 17 CFR 240.17d-2.

¹⁸ 17 CFR 200.30-3(a)(34).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.