

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).