

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 03-16518 Filed 6-30-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-26080; File No. 812-12938]

Western-Southern Life Assurance Company, et al.; Notice of Application

June 25, 2003.

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

ACTION: Notice of application for an order pursuant to Section 26 (c) of the Investment Company Act of 1940 (the "Act") approving certain substitutions of securities.

APPLICANTS: Western-Southern Life Assurance Company ("Western-Southern"), Separate Account 1 of Western-Southern ("Western-Southern Separate Account 1"), Separate Account 2 of Western-Southern ("Western-Southern Separate Account 2," together with Western-Southern Separate Account 1, the "Western-Southern Separate Accounts"), Integrity Life Insurance Company ("Integrity"), Separate Account I of Integrity ("Integrity Separate Account I"), Separate Account II of Integrity ("Integrity Separate Account II," together with Integrity Separate Account I, the "Integrity Separate Accounts"), National Integrity Life Insurance Company ("National Integrity"), Separate Account I of National Integrity ("National Integrity Separate Account I"), Separate Account II of National Integrity ("National Integrity Separate Account II," together with National Integrity Separate Account I, the "National Integrity Separate Accounts"), Columbus Life Insurance Company (Columbus Life" and together with Western-Southern, Integrity and National Integrity, the "Insurance Companies" and each individually, an "Insurance Company") and Separate Account 1 of Columbus Life ("Columbus Life Separate Account 1," and together with the Western-Southern Separate Accounts, the Integrity Separate Accounts and the National Integrity Separate Accounts, the "Separate Accounts") (collectively, the "Applicants").

SUMMARY OF APPLICATION: Applicants request an order approving the substitution of shares of (i) the

Touchstone Money Market Fund for shares of the Fidelity VIP Money Market Portfolio and (ii) the Putnam VT International Equity Fund (formerly the Putnam VT International Growth Fund) for the Touchstone International Equity Fund (each a "Substitution" collectively the "Substitutions").

FILING DATE: The application was filed on March 4, 2003 and was amended and restated on June 19, 2003.

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 July 18, 2003 and should be accompanied by proof of service on Applicants, 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 Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants: G. Stephen Wastek, Esq., Integrity Life Insurance Company, 515 West Market Street, Louisville, Kentucky 40202, Elisabeth A. Dahl, Esq., Western-Southern Life Assurance Company, 400 Broadway, Cincinnati, Ohio 45202 and Robert N. Hickey, Esq., Sullivan & Worcester LLP, 1666 K Street, NW., Washington, DC 20006.

FOR FURTHER INFORMATION CONTACT: H. Yuna Peng, Attorney, at (202) 942-0676, or Lorna J. MacLeod, Branch Chief, at 202-942-0670, Office of Insurance Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the Commission, 450 Fifth Street, NW., Washington, DC 20549 (tel. (202) 942-8090).

Applicant's Representations

1. Western-Southern is a stock life insurance company organized under the laws of the State of Ohio. It is a wholly-owned subsidiary of The Western and Southern Life Insurance Company ("WSLIC"). WSLIC is a wholly-owned subsidiary of Western-Southern Mutual Holding Company, a mutual holding company organized under the laws of the State of Ohio in 2000.

2. Integrity is a stock life insurance company organized under the laws of Ohio. Integrity is an indirect wholly-owned subsidiary of WSLIC.

3. National Integrity is a stock life insurance company organized under the laws of New York. National Integrity is a direct wholly-owned subsidiary of Integrity and an indirect wholly-owned subsidiary of WSLIC.

4. Columbus Life is a stock life insurance company organized under the laws of the State of Ohio. It is a wholly-owned subsidiary of WSLIC.

5. Western-Southern Separate Account 1 was established under Ohio law in 1992. Western-Southern Separate Account 1 is registered under the Act as a unit investment trust and is used to fund variable annuity contracts issued by Western-Southern. Two variable annuity contracts funded by Western-Southern Separate Account 1 are affected by this application.

6. Western-Southern Separate Account 2 was established under Ohio law in 1994. Western-Southern Separate Account 2 is registered under the Act as a unit investment trust and is used to fund variable annuity contracts issued by Western-Southern. One variable annuity contract funded by Western-Southern Separate Account 2 is affected by this application.

7. Integrity Separate Account I was established under Ohio law in 1986. Integrity Separate Account I is registered under the Act as a unit investment trust and is used to fund variable annuity contracts issued by Integrity. Three variable annuity contracts funded by Integrity Separate Account I are affected by this application.

8. Integrity Separate Account II was established under Ohio law in 1992. Integrity Separate Account II is registered under the Act as a unit investment trust and is used to fund variable annuity contracts issued by Integrity. One variable annuity contract funded by Integrity Separate Account II is affected by this application.

9. National Integrity Separate Account I was established under New York law in 1992. National Integrity Separate Account I is registered under the Act as a unit investment trust and is used to fund variable annuity contracts issued by National Integrity. Three variable annuity contracts funded by National Integrity Separate Account I are affected by this application.

10. National Integrity Separate Account II was established under New York law in 1992. National Integrity Separate Account II is registered under the Act as a unit investment trust and is used to fund variable annuity

contracts issued by National Integrity. One variable annuity contract funded by National Integrity Separate Account II is affected by this application.

11. Columbus Life Separate Account 1 was established under Ohio law in 1998. Columbus Life Separate Account 1 is registered under the Act as a unit investment trust and is used to fund variable universal life insurance policies issued by Columbus Life. One variable universal life insurance policy funded by the Columbus Life Separate Account 1 is affected by this application. The eleven variable annuity contracts and one variable universal life insurance policy affected by this application are hereinafter collectively referred to as the "Contracts."

12. Purchase payments under the Contracts are allocated to one or more subaccounts of the Separate Accounts (the "subaccounts"). Income, gains and losses, whether or not realized, from assets allocated to the Separate Accounts are, as provided in the Contracts, credited to or charged against the Separate Accounts without regard to other income, gains or losses of the applicable Insurance Company. The assets maintained in the Separate Accounts will not be charged with any liabilities arising out of any other business conducted by the applicable Insurance Company. Nevertheless, all obligations arising under the Contracts, including the commitment to make annuity payments or death benefit payments, are general corporate

obligations of the applicable Insurance Company. Accordingly, all of the assets of each of the Insurance Companies are available to meet its obligations under its Contracts.

13. Each of the Contracts permits allocations of accumulation value to available subaccounts that invest in specific investment portfolios of underlying mutual funds. Each Contract offers between 17 and 33 portfolios with respect to the Contracts funded by the Western-Southern Separate Accounts and Columbus Life Separate Account 1 and between 56 and 61 portfolios with respect to the Contracts funded by the Integrity Separate Accounts and the National Integrity Separate Accounts. Each of the Contracts offers the Fidelity VIP Money Market Portfolio and/or the Touchstone International Equity Fund, the portfolios that are the subject of the Substitutions (the "Replaced Funds"). Before the date of the Substitutions, the Touchstone Money Market Fund, which is proposed as the replacement for the Fidelity VIP Money Market Portfolio, and the Putnam VT International Equity Fund, which is proposed as the replacement for the Touchstone International Equity Fund, (each a "Replacement Fund" and together, the "Replacement Funds"), if not already offered under the Contracts, will be added to the Contracts, as applicable. In addition, included in the Contracts are several alternative fixed interest rate options that are available to contract owners.

14. Each of the Contracts permit transfers of accumulation value from one subaccount to another subaccount at any time prior to the extended coverage period that begins at the insured's age 100 (in the case of Contracts relating to the variable insurance policy) or prior to annuitization (in the case of Contracts relating to variable annuities), subject to certain restrictions and charges described below. No sales charge applies to such a transfer of accumulation value among subaccounts.

15. The Contracts permit up to twelve free transfers during any contract year. A fee may be imposed on transfers in excess of twelve transfers in a contract year. Transfers must be at least \$250, or, if less, the entire amount in the subaccount from which value is to be transferred. A variety of types of automatic scheduled transfers are permitted without charge and are not counted against the twelve free transfers in a contract year.

16. Each of the Contracts reserves the right, upon notice to contract owners and compliance with applicable law, to add, combine or remove subaccounts, or to withdraw assets from one subaccount and put them into another subaccount. This reserved right is disclosed in each Contract's prospectus.

17. Each Insurance Company, on its behalf and on behalf of the Separate Accounts set forth below, propose the following Substitutions:

Proposed substitution	Separate accounts
(i) the Touchstone Money Market Fund for shares of the Fidelity VIP Money Market Portfolio. (ii) the Putnam VT International Equity Fund for shares of the Touchstone International Equity Fund.	Integrity Separate Account I, Integrity Separate Account II, National Integrity Separate Account I, National Integrity Separate Account II, Western-Southern Separate Account 1, Western-Southern Separate Account 2, Integrity Separate Account I, Integrity Separate Account II, National Integrity Separate Account I, National Integrity Separate Account II, Columbus Life Separate Account 1.

18. In the case of the Substitution relating to the Touchstone Money Market Fund, shares of each class of the Replaced Fund will be liquidated and the proceeds will be used to purchase shares of the equivalent corresponding class of the Replacement Fund. Class I shares of the Touchstone Money Market Fund (which have no Rule 12b-1 fee) will be substituted for Initial class shares of the Fidelity VIP Money Market Portfolio (which have no Rule 12b-1 fee) and Class SC shares of Touchstone Money Market Fund (which have a Rule 12b-1 fee of 0.25%) will be substituted for Service Class 2 shares of the Fidelity VIP Money Market Portfolio (which have a Rule 12b-1 fee of 0.25%). In the case of the Substitution relating to the

Putnam VT International Equity Fund, Class IB shares of the Putnam VT International Equity Fund (which have a Rule 12b-1 fee of 0.25%) will be substituted for Class I shares of the Touchstone International Equity Fund (which have no Rule 12b-1 fee).

19. Touchstone Advisors, Inc. ("Touchstone"), a wholly-owned subsidiary of WSLIC, serves as the investment adviser to the Touchstone International Equity Fund and to the Touchstone Money Market Fund. Fidelity Management and Research Company serves as the investment adviser to the Fidelity VIP Money Market Portfolio. Putnam Investment Management, LLC serves as investment adviser to the Putnam VT International

Equity Fund. Fidelity Management and Research Company and Putnam Investment Management, LLC are unaffiliated with Touchstone and the Insurance Companies.

20. The investment objectives, policies and restrictions of the Replacement Funds are in each case substantially similar to the investment objectives, policies and restrictions of the respective Existing Funds. Set forth below is a description of the investment objectives and principal investment policies of each Existing Fund and its corresponding Replacement Fund.

21. The Fidelity VIP Money Market Portfolio is a separate series of the Variable Products Insurance Fund. The Fidelity VIP Money Market Portfolio

seeks to earn a high level of current income while preserving capital and providing liquidity. It invests only in high-quality, U.S. dollar denominated money market securities of domestic and foreign issuers, such as certificates of deposit, obligations of governments and their agencies, and commercial paper and notes.

22. The Touchstone Money Market Fund is a separate series of the Touchstone Variable Series Trust, an open-end management investment company registered under the Act. The Touchstone Money Market Fund seeks high current income, consistent with liquidity and stability of principal. The Fund invests in high-quality money market instruments. The Fund's investments may include domestic bank obligations, including certificates of deposit, bankers' acceptances and time deposits; U.S. Government obligations issued directly by the U.S. Treasury or by agencies of the U.S. Government; short-term corporate debt obligations and taxable and tax-exempt municipal securities.

23. The Touchstone International Equity Fund is a separate series of the Touchstone Variable Series Trust. The investment objective of the Touchstone International Equity Fund is to seek long-term growth of capital through investment in equity securities of foreign issuers. The Fund seeks growth of capital. This means that the Fund looks for investments that it thinks will increase in value over a period of 3 to 5 years. Under normal circumstances, the Fund will invest at least 80% of net assets in the common stock and preferred stock of foreign companies in at least 3 countries outside of the United States. The Fund focuses on mid- and large-capitalization located in Europe, Australia and the Far East. The Fund may invest up to 15% of its assets in securities issued by companies located in emerging market countries.

24. The Putnam VT International Equity Fund is a separate series of Putnam Variable Trust, an open-end management investment company registered under the Act. The Putnam VT International Equity Fund seeks capital appreciation. It invests mainly in common stocks of companies outside the United States. The Fund's investment adviser looks for companies it believes to have favorable investment potential. For example, it may purchase stocks of companies with stock prices that reflect a value lower than that which the investment adviser places on the company. The Fund invests mainly in mid-sized and large companies, although it can invest in companies of any size. Although the Fund emphasizes

investments in developed countries, it may also invest in companies located in emerging markets.

25. The Substitutions are a part of a restructuring designed to eliminate the offering of overlapping funds in the Western-Southern enterprise and those available from unaffiliated funds which also are available as investment options, with similar investment objectives and strategies and to eliminate uncompetitive products based on performance history or lack of ability to gather assets to be operationally efficient that serve as funding vehicles for insurance contracts issued by Western-Southern and its affiliates, including the Insurance Companies.

26. The Substitution of Touchstone Money Market Fund for Fidelity VIP Money Market Portfolio, which replaces an outside fund with a fund for which Touchstone acts as investment adviser also will permit Touchstone, under the Multi-Manager Order, to hire, monitor and replace sub-advisers as necessary to seek optimal performance. Before Touchstone Money Market Fund can rely on the Multi-Manager Order, the operation of the Touchstone Money Market Fund as a multi-manager fund, as described in the application for the Multi-Manager Order, will be approved, following the proposed Substitution, by a majority of the outstanding voting securities of the Touchstone Money Market Fund.

27. In addition, contract owners with sub-account balances invested in shares of the Replacement Funds will have a lower management fee and the same (or lower in the case of Class I shares) total expense ratio taking into account fund expenses and fee waivers, in the case of the Touchstone Money Market Fund, and a lower management fee and a lower total expense ratio taking into account fund expenses (including Rule 12b-1 fees) in the case of the Putnam VT International Equity Fund. With respect to the Substitution of the Class IB shares of the Putnam VT International Equity Fund for the Class I shares of the Touchstone International Equity Fund, the Insurance Companies considered the fact that the Class IB shares were already an investment option under certain contracts issued by Integrity and National Integrity. Moreover, there will be no increase in Contract fees and expenses, including mortality and expense risk fees and administration and distribution fees charged to the Separate Accounts as a result of the Substitutions. The Applicants believe that the Replacement Funds have investment objectives, policies and risk profiles that are substantially similar to the

corresponding Replaced Funds to make those Replacement Funds appropriate candidates as substitutes. The Insurance Companies considered the performance history of the Replaced Funds and the Replacement Funds and determined that no contract owners would be materially adversely affected as a result of the Substitutions.

28. With respect to the Substitution relating to the Touchstone International Equity Fund, the Applicants represent that (i) the Insurance Companies will not receive, for three years from the date of the Substitution, any direct or indirect benefits from the Replacement Fund, its adviser or underwriter (or their affiliates), in connection with assets representing contract values of Contracts affected by the Substitution, at a higher rate than they had received from the Replaced Fund, its adviser or underwriter (or their affiliates), including without limitation: Rule 12b-1, shareholder service, administration or other service fees, revenue sharing or other arrangements in connection with such assets; and (ii) the Substitution and the selection of the Replacement Fund was not motivated by any financial consideration paid or to be paid to the Insurance Companies by the Replacement Fund, its adviser or underwriter or their respective affiliates.

29. The following describes the proposed Substitutions with respect to each Fund's comparative performance history and comparative fund expenses.

Fidelity VIP Money Market Portfolio—Touchstone Money Market Fund

The Applicants represent that the historical performance of Touchstone Money Market Fund for the year ended December 31, 2002 is comparable to and for the three-month period ended April 30, 2003 and year-to-date through April 30, 2003 exceeds that of, Fidelity VIP Money Market Portfolio. Effective April 28, 2003, Touchstone Money Market Fund's management fee was reduced to 0.18%. In addition, the Fund entered into a Sponsor Agreement with Touchstone, effective April 28, 2003, whereby total annual operating expenses for the Class I shares will not exceed 0.28% and total annual operating expenses for the Class SC shares will not exceed 0.55% through December 31, 2005. The Sponsor Agreement will be amended with respect to Class SC shares prior to the Substitution to provide that total annual operating expenses will not exceed 0.54% for at least two years from the date of the Substitution. As a result of the change in management fee and the expense cap contained in the amended Sponsor Agreement, as set forth below,

the management fee of Touchstone Money Market Fund is lower than that of Fidelity VIP Money Market Portfolio, and, including expense waivers, Touchstone Money Market Fund's total annual operating expenses are the same (or lower in the case of Class I shares) as those of Fidelity VIP Money Market Portfolio.

In percent

	Fidelity VIP money market portfolio (Initial Class)*	Touchstone money market fund (Class I) ¹	Fidelity VIP money market portfolio (Service Class 2)*	Touchstone money market fund (Class SC)*
Management Fee	0.20	0.18	0.20	0.18
12b-1 fee			25	25
Other Expenses	0.09	0.96	0.09	0.53
Total Annual Operating Expenses	0.29	**1.14	0.54	0.96
Waivers		0.86		0.42
Net Expenses	0.29	0.28	0.54	0.54

* Expenses for fiscal year ended December 31, 2002.

** Based on estimated amounts for the current fiscal year.

¹ Pro forma expenses for fiscal year ended December 31, 2002 giving effect to amended Sponsor Agreement.

Found Performance as of April 30, 2003

In percent

	One Year*	Three-Month	YTD
Fidelity VIP Money Market Portfolio (Initial Class)	1.69	0.26	0.36
Touchstone Money Market Fund (Class I) ^{1 2*}	1.58	0.27	0.37

* For calendar year ended December 31, 2002.

¹ The Class SC shares of Touchstone Money Market Fund was organized on April 28, 2003 and has not yet commenced operations. No performance information is available.

² The Touchstone Money Market Fund's performance for the one year ended December 31, 2002 reflects total annual operating expenses of 0.60%. As indicated above, effective April 28, 2003, the total annual operating expenses of the Fund are limited to 0.28% for Class I shares. If this expense limitation were in effect for the one year ended December 31, 2002, the Touchstone Money Market Fund's performance would have been 1.90%.

Touchstone International Equity Fund—Putnam VT International Equity Fund

The Applicants represent that the historical performance of Putnam VT International Equity Fund for the one-,

three-, and five-year periods ended April 30, 2003 and year-to-date through April 30, 2003 has exceeded that of the Touchstone International Equity Fund. In addition, as set forth below, the management fee and total annual

operating expenses (including a Rule 12b-1 fee of 0.25%) of Putnam VT International Equity Fund, both before and after expense waivers, are lower than those of Touchstone International Equity Fund.

In percent

	Touchstone International Equity Fund (Class I)*	Putnam VT International Equity Fund (Class IB)*
Management Fee	0.95	0.76
12b-1 fee		¹ 0.25
Other Expenses	1.72	0.18
Total Annual Operating Expenses	2.67	1.19
Waivers	1.42	
Net Expenses	1.25	1.19

* Expenses for fiscal year ended December 31, 2002.

¹ The Fund has adopted a Distribution Plan with respect to its Class IB shares to compensate Putnam Retail Management (the Fund's underwriter) for services provided and expenses incurred by it as principal underwriter of the Class IB shares, including payments to insurance companies and their affiliated dealers for providing services to their contract holders investing in the Fund. The plan provides for payments by the Fund to Putnam Retail Management at the annual rate (expressed as a percentage of average net assets) of up to 0.35% on Class IB shares. The Trustees of the Fund currently limit payments on Class IB shares to 0.25% of average net assets.

Fund Performance as of April 30, 2003

[In percent]

	1 Year	3 Year	5 Year	YTD
Touchstone International Equity (Class I)	-23.50	-22.97	-10.05	-1.75
Putnam VT International Equity Fund (Class IB)	-18.01	-15.40	-1.26	0.12

30. The Substitutions will take place at the Funds' relative net asset values determined on the date of the Substitutions in accordance with Section 22 of the Act and Rule 22c-1 thereunder with no change in the amount of any contract owner's cash value or death benefit or in the dollar value of his or her investment in any of the subaccounts. Accordingly, there will be no financial impact on any contract owner. The Substitutions will be effected by having each of the subaccounts that invests in the Replaced Funds redeem its shares at the net asset value calculated on the date of the Substitution and purchase shares of the respective Replacement Fund at the net asset value calculated on the same date.

31. The Substitutions will be described in supplements to the prospectuses for the Contracts ("Stickers") filed with the Commission and mailed to contract owners. The Stickers will give contract owners notice of the Substitutions and will describe the reasons for engaging in the Substitutions. The Stickers will also inform contract owners with value allocated to a subaccount investing in the Replaced Funds that no additional amount may be allocated to those subaccounts on or after the date of the Substitutions. In addition, the Stickers will inform affected contract owners that they will have the opportunity to reallocate accumulation value prior to the Substitutions from the subaccounts investing in the Replaced Funds, and for 30 days after the Substitutions from the subaccounts investing in the Replacement Funds to subaccounts investing in other portfolios available under the respective Contracts, without the imposition of any transfer charge or limitation and without diminishing the number of free transfers that may be made in a given contract year.

32. The prospectuses for the Contracts, as supplemented by the Stickers, will reflect the Substitutions. Each contract owner will be provided with a prospectus for the Replacement Funds before the Substitutions, unless such contract owner has already received a copy of such prospectus in the ordinary course. Within five days after the Substitutions, the Insurance Companies will each send affected

contract owners written notice that the Substitutions have occurred. This written notice will also reiterate to contract owners that they will have the opportunity to reallocate accumulation value for 30 days after the Substitutions from the subaccounts investing in the Replacement Funds to subaccounts investing in other portfolios available under the respective Contracts.

33. The Insurance Companies, as applicable, will pay all expenses and transaction costs of the Substitutions, including all legal, accounting and brokerage expenses relating to the Substitutions. No costs will be borne by contract owners. Affected contract owners will not incur any fees or charges as a result of the Substitutions, nor will their rights or the obligations of the Applicants under the Contracts be altered in any way. 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 Substitutions. The Substitutions will have no adverse tax consequences to contract owners and will in no way alter the tax benefits to contract owners.

34. Applicants believe that their request satisfies the standards for relief of Section 26(c) of the Act, as set forth below, because the affected contract owners will have:

(i) Contract values allocated to a subaccount invested in a Replacement Fund with an investment objective and investment policies substantially similar to the investment objective and policies of the Replaced Fund; (ii) Superior or comparable performance to that of the Replaced Funds; and (iii) Current total annual operating expenses that are the same or lower than those of the Replaced Fund.

Applicants' Legal Analysis

1. Section 26(c) of the Act makes it 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 approves the substitution. The Commission will approve such a substitution if the evidence establishes that it is consistent with the protection of investors and the purposes fairly

intended by the policy and provisions of the Act.

2. The purpose of Section 26(c) is to protect the expectation of investors in a unit investment trust that the unit investment trust will accumulate shares of a particular issuer by preventing unscrutinized substitutions that 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 premium payments, an additional sales load upon reinvestment of the redemption proceeds, or both. Moreover, in the insurance product context, a contract owner forced to redeem may suffer adverse tax consequences. Section 26(c) affords this protection to investors by preventing a depositor or trustee of a unit investment trust that holds shares of one issuer from substituting for those shares the shares of another issuer, unless the Commission approves that substitution.

3. The purposes, terms and conditions of the Substitution are consistent with the principles and purposes of Section 26(c) and do not entail any of the abuses that Section 26(c) is designed to prevent.

4. Substitutions have been common where the substitute portfolio has investment objectives and policies that are similar to those of the eliminated portfolio, current expenses that are similar to or lower than those of the eliminated portfolio, and performance that is similar to or better than that of the eliminated portfolio.

5. In both cases the investment objectives and policies of the Replacement Funds are sufficiently similar to those of the corresponding Replaced Funds that contract owners will have reasonable continuity in investment expectations. Accordingly, the Replacement Funds are appropriate investment vehicles for those contract owners who have contract values allocated to the Replaced Funds.

6. The management fee and current total annual operating expenses (including Rule 12b-1 fees) are lower than those of the Replaced Fund, in the case of the Putnam VT International Equity Fund. In the case of the Touchstone Money Market Fund, the management fee is lower than that of the Replaced Fund and total annual

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).