

Variable Account H of Monarch Life Insurance Company [File No. 811-5637]

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. Applicant has not made any public offering of its securities, is not now engaged, or intending to engage, in any business activities other than those necessary for winding up its affairs.

Filing Dates: The application was filed on December 23, 1999, and amended on February 24, 2000.

Applicant's Address: One Monarch Place, Springfield, Massachusetts 01133.

Variable Account G of Monarch Life Insurance Company [File No. 811-5403]

Summary: Applicant seeks an order declaring that it has ceased to be an investment company. Applicant has not made any public offering of its securities, is not now engaged, or intending to engage, in any business activities other than those necessary for winding up its affairs.

Filing Dates: The application was filed on December 23, 1999, and amended on February 24, 2000.

Applicant's Address: One Monarch Place, Springfield, Massachusetts 01133.

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

[Investment Company Act Release No. 24371, 812-11952]

Touchstone Advisors, Inc., et al.; Notice of Application

March 31, 2000.

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

ACTION: Notice of an application under section 17(b) of the Investment Company Act of 1940 (the "Act") for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain series of two registered open-end management investment companies to acquire all of the assets, subject to certain liabilities, of certain series of a third registered open-end management investment company. Because of certain affiliations, applicants may not rely on rule 17a-8 under the Act.

APPLICANTS: Touchstone Advisors, Inc. ("Touchstone Advisors"), Touchstone

Series Trust ("Touchstone Trust"), Countrywide Investment Trust ("Investment Trust"), and Countrywide Strategic Trust ("Strategic Trust").

FLILING DATES: The application was filed on January 24, 2000. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary 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 April 25, 2000 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 Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 5th Street, NW, Washington, D.C. 20549-0609. Touchstone Advisors and Touchstone Trust, 311 Pike Street, Cincinnati, Ohio 45202; Investment Trust and Strategic Trust, 312 Walnut Street, Cincinnati, Ohio 45202.

FOR FURTHER INFORMATION CONTACT: Anu Dubey, Senior Counsel, at (202) 942-0687, or George Zornada, Branch Chief, 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 at the Commission's Public Reference Branch, 450 5th Street, NW, Washington, D.C. 20549-0102 (tel. 202-942-8090).

Applicants' Representations

1. Touchstone Trust, a Massachusetts business trust, is registered under the Act as an open-end management investment company and offers eight series, including the Touchstone Bond Fund ("TS Bond"), the Touchstone Growth & Income Fund ("TS G & I"), the Touchstone Value Plus Fund ("TS Value Plus"), the Touchstone International Equity Fund ("TS International") and the Touchstone Emerging Growth Fund ("TS Emerging") (together, the "Acquired Funds"). Investment Trust, a Massachusetts business trust, is registered under the Act as an open-end management investment company and offers six series, including Countrywide

Intermediate Bond Fund ("CW Bond"). Strategic Trust, a Massachusetts business trust, is registered under the Act as an open-end management investment company and will comprise nine series, including three newly-organized series. Countrywide Value Plus ("CW Value Plus"), Countrywide International Equity Fund ("CW International") and Countrywide Emerging Growth Fund ("CW Emerging"). CW Value Plus, CW International and CW Emerging, together with CW Bond, are the "Acquiring Funds". The Acquiring Funds and the Acquired Funds are referred to collectively as the "Funds".

2. Touchstone Advisors, the investment adviser to the Acquired Funds, is a wholly-owned subsidiary of The Western-Southern Life Assurance Company ("Western-Southern"). Western-Southern is a wholly-owned subsidiary of The Western and Southern Life Insurance Company ("Western Southern Life"). Countrywide Investments, Inc. ("Countrywide"), the investment adviser to each Acquiring Fund, is an indirect wholly-owned subsidiary of Western Southern Life. Touchstone Advisors is the investment adviser to the Acquiring Funds. Both Touchstone Advisors and Countrywide are registered as investment advisers under the Investment Advisers Act of 1940.

3. Currently, Western Southern Life and/or Western-Southern own more than 5% (and in some cases more than 25%) of the outstanding voting securities of each of the Acquired Funds. The initial investment in each of CW Value Plus, CW International and CW Emerging will be contributed by one or more entities controlling, controlled by or under common control with Touchstone Advisors ("Touchstone Affiliates") resulting in Touchstone Affiliates owning 100% of CW Value Plus, CW International and CW Emerging.¹

3. On January 7, 2000 and February 15, 2000, the board of trustees of each of the Touchstone Trust, Investment Trust and Strategic Trust (together, the "Boards"), including a majority of the trustees who are not "interested persons" as defined in section 2(a)(19) of the Act ("Disinterested Trustees"), approved a plan of reorganization between the Acquiring Funds and the Acquired Funds (the "Reorganization Plan", and the transaction the

¹ Western-Southern and Western Southern Life are Touchstone Affiliates.

“Reorganization”).² The Reorganization is expected to occur on April 28, 2000 (“Closing Date”). Under the Reorganization Plan, each Acquiring Fund will acquire all of the assets, subject to the liabilities, of each corresponding Acquired Fund in exchange for Class A and Class C shares of the respective Acquiring Fund having an aggregate net asset value equal to the aggregate net asset value of the corresponding Acquired Fund’s shares determined on the date immediately prior to the Closing Date. The value of the assets of the Funds will be determined in the manner set forth in the Funds’ then current prospectuses and statements of additional information. The Acquiring Fund shares received by the Acquired Funds will be distributed pro rata by each Acquired Fund to its shareholders and each Acquired Fund will liquidate and dissolve.

4. Applicants state that the investment objectives and policies of each Acquired Fund are substantially similar to those of its corresponding Acquiring Fund. Each Acquired Fund offers (i) class A shares, which are subject to a sales load and rule 12b-1 distribution fee, and (ii) class C shares, which are subject to a contingent deferred sales charge (“CDSC”) and rule 12b-1 distribution fee.³ The holding period used to determine whether a CDSC will apply to a holder of Class C shares of an Acquiring Fund who becomes a shareholder as a result of the Reorganization will include any period of time that the shareholder held shares of the Acquired Fund. No sales charges will be imposed in connection with the Reorganization. Touchstone Advisors

² The Funds will combine as follows: TS Bond with and into CW Bond, TS G & I with and into CW Value Plus, TS Value Plus with and into CW Value Plus, TS International with and into CW International and TS Emerging with and into CW Emerging.

³ Class A shares of each Acquired Fund and each Acquiring Fund have the same maximum sales load. Class A shares of TS G & I, TS Value Plus, TS International and TS Emerging and each corresponding Acquiring Fund have the same maximum distribution fee. Class A shares of TS Bond have a maximum distribution fee of 0.25% and Class A shares of CW Bond have a maximum distribution fee of 0.35%. From May 1, 2000 to October 31, 2001, Touchstone Advisors will waive a portion of the distribution fee on Class A shares of CW Bond so that the maximum distribution fee on the shares will be 0.25%. Class C shares of each Acquired Fund and each Acquiring Fund have the same maximum CDSC and the same maximum distribution fee. Class C shares of each Acquired Fund are not subject to a sales load while Class C shares of each Acquiring Fund have a maximum sales load of 1.25%. The 1.25% sales load will be waived on future purchases of Class C shares of the Acquiring Funds by the current shareholders of the Acquired Funds.

and/or one of the Touchstone Affiliates will pay the Reorganization expenses.

5. The Boards, including a majority of the Disinterested Trustees, determined that the Reorganization is in the best interests of each Fund, and that the interests of the existing shareholders of each Fund will not be diluted by the Reorganization. In assessing the Reorganization, the Boards considered various factors, including (a) the terms and conditions of the Reorganization Plan, (b) the investment advisory and other fees projected to be paid by an Acquiring Fund, and the projected expense ratio of an Acquiring Fund, as compared to those of the corresponding Acquired Fund,⁴ (c) the investment objectives, policies, practices and restrictions of the Acquiring Fund and their compatibility with those of the corresponding Acquired Fund, (d) that Touchstone Advisors and/or one of the Touchstone Affiliates would pay the expenses of the Reorganization, (e) the potential economies of scale to be gained from combining the assets of the Acquired Funds into the corresponding Acquiring Funds, and (f) the anticipated tax-free nature of the Reorganization.

6. The Reorganization is subject to a number of conditions precedent, including that (a) the shareholders of each Acquired Fund shall have approved the Reorganization Plan; (b) applicants shall have received exemptive relief from the Commission that is the subject of the application; (c) a registration statement on Form N-14, relating to the Acquiring Funds shall have become effective; and (d) applicants shall have received an opinion of counsel with respect to certain federal tax consequences of the Reorganization. The Reorganization Plan may be terminated and the Reorganization abandoned upon the mutual agreement of the Funds, upon a material breach of the Reorganization Plan by a Fund, or due to the failure to meet a condition precedent to consummation of the Reorganization Plan. Applicants agree not to make any material changes to the Reorganization Plan without prior approval of the Commission.

7. The definitive prospectus/proxy statement will be filed with the Commission and will be mailed to shareholders of the Acquired Funds on or about March 30, 2000. A special meeting of the shareholders will be held on or about April 19, 2000.

⁴ The Board’s consideration of this factor included considering that, upon giving effect to the waivers of certain fees, that the advisory fees and other fees of an Acquiring Fund will be no higher than those paid by the corresponding Acquired Fund.

Applicant’s Legal Analysis

1. Section 17(a) of the Act generally prohibits an affiliated person of a registered investment company, or an affiliated person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an “affiliated person” of another person to include (a) any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by, or under common control with the other person, and (d) if the other person is an investment company, any investment adviser of that company. Applicants state that the Funds may be deemed affiliated persons and thus the Reorganization may be prohibited by section 17(a).

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions set forth in the rule are satisfied.

3. Applicants state that they may not reply on rule 17a-8 because the Funds may be deemed to be affiliated for reasons other than those set forth in the rule. By virtue of the direct or indirect ownership by one or more Touchstone Affiliates of 5% or more (and in some cases 25% or more) of the outstanding voting securities of each of the Acquired Funds and of each of the Acquiring Funds (except CW Bond), each Acquired Fund may be deemed to be an affiliated person of an affiliated person of the Acquiring Fund. Thus, each Acquired Fund may be deemed to be an affiliated person of an affiliated person of the Acquiring Fund for reasons other than having a common investment adviser, common directors and/or common officers.

4. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, a reasonable and fair and do not involve overreaching on the part of any person concerned, and that the

proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) of the Act to the extent necessary to permit applicants to consummate the Reorganization. Applicants submit that the Reorganization satisfied the standards of section 17(b) of the Act. Applicants states that the Boards, including a majority of the Disinterested Trustees, have found that participation in the Reorganization is in the best interests of each Fund, and that the interests of the existing shareholders will not be diluted as a result of the Reorganization. In addition, applicants state that the Reorganization will be on the basis of net asset value.

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. 34-42605; File No. SR-Amex-98-33]

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Amendment Nos. 1 and 2 to the Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 3 to the Proposed Rule Change by the American Stock Exchange LLC Relating to Margin Requirements

March 31, 2000.

I. Introduction

On September 18, 1998, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² to allow specified Portfolio Depository Receipts ("PDRs")³ or Index Fund Shares⁴ to serve as cover for short

positions in options on specified indexes. On March 5, 1999, the Amex filed Amendment Nos. 1 and 2 to the proposal.⁵ The proposed rule change and Amendment Nos. 1 and 2 were published for comment in the **Federal Register** on October 20, 1999.⁶ On September 24, 1999, the Amex provided data regarding the correlation between several PDRs or Index Fund Shares and indexes.⁷ On December 15, 1999, the Amex filed Amendment No. 3 to the proposal.⁸ The Commission received no comments regarding the proposal. This order approves the proposed rule change, as amended.

II. Background and Description of the Proposal

In a letter dated February 1, 1993, the staff of the Board of Governors of the

Investment Company Act of 1940, as amended, whose assets are a securities portfolio.

⁵ See letter from Geraldine Brindisi, Vice President and Corporate Secretary, Amex, to Michael Walinskas, Deputy Associate Director, Office of Market Supervision, Commission, dated March 4, 1999 ("Amendment No. 1"); and letter from Michael Cavalier, Associate General Counsel, Legal and Regulatory Policy, Amex, to Michael A. Walinskas, Deputy Associate Director, Division of Market Regulation ("Division"), Commission, dated March 4, 1999 ("Amendment No. 2"). In Amendment No. 1, the Amex (1) provided requirements for calculating the margin for an existing position in PDRs or Index Fund Shares serving as cover for short index options; and (2) added Commentary .10 to Amex Rule 462(d)(2)(H) to specify the PDRs or Fund Shares that may serve as cover for short index options positions. Specifically, Commentary .10 provided that: (1) Positions in Standard & Poor's ("S&P") Depository Receipts ("SPDRs") shall be cover for positions in S&P 500 Index options; S&P 100 Index options, or Institutional Index options; (2) positions in S&P MidCap 400 Depository Receipts ("MidCap SPDRs") shall be cover for positions in S&P MidCap 400 Index options; (3) positions in DIAMONDS Trust Units ("DIAMONDS") shall be cover for positions in Dow Jones Industrial Index ("DJX") options or Major Market Index options; and (4) positions in Nasdaq-100 Shares shall be cover for positions in Nasdaq 100-Index options. Amendment No. 2 revised the caption for the notice provided with Amendment No. 1.

⁶ See Securities Exchange Act Release No. 41999 (October 13, 1999), 64 FR 56545.

⁷ See letter from Michael Cavalier, Associate General Counsel, Legal and Regulatory Policy, Amex, to Mandy Cohen, Special Counsel, Division, Commission, dated September 24, 1999.

⁸ See letter from Michael Cavalier, Associate General Counsel, Legal and Regulatory Policy, Amex, to Yvonne Fraticelli, Special Counsel, Division, Commission, dated December 8, 1999 ("Amendment No. 3"). In Amendment No. 3, the Amex revised proposed Commentary .10 to provide that specified PDRs or Index Fund Shares may serve as cover only for options on the index that the PDR or Index Fund Share is designed to replicate. Specifically, Amendment No. 3 revised Commentary .10 to provide that: (1) Positions in SPDRs shall be cover for S&P 500 Index options; (2) positions in MidCap SPDRs shall be cover for S&P 400 Index options; (3) positions in DIAMONDS shall be cover for DJX options; and (4) positions in Nasdaq-100 Shares shall be cover for positions in Nasdaq-100 Index options. In addition, Amendment No. 3 requested permanent approval of the proposed changes.

Federal Reserve System ("Federal Reserve Board") indicated that it was compatible with Regulation T⁹ for the Amex to treat positions in Standard & Poor's Depository Receipts ("SPDRs")¹⁰ as "cover" for an Options Clearing Corporation ("OCC")—issued option on a broad-based stock index with at least 99% correlation with the S&P 500 Index.¹¹ Specifically, the 1993 Letter stated that the Amex may require no additional margin where one leg of a position consisted of SPDRs and the other leg was an OCC-issued index option on a broad-based stock index with at least 99% correlation with the S&P 500 Index.¹² According to the Amex, the Federal Reserve Board staff also indicated that MidCap SPDRs¹³ could serve as cover for S&P MidCap 400 Index options.¹⁴

Federal Reserve Board amendments to Regulation T that became effective on June 1, 1997, modified or deleted certain margin requirements regarding options transactions in favor of rules to be adopted by the options exchanges, subject to approval by the Commission.¹⁵ Because exchange rules, as approved by the Commission, rather than Regulation T, now govern matters such as permitted offsets and cover for short options positions, the Amex proposes to revise Amex Rule 462, "Minimum Margins," to incorporate into Amex Rule 462 the Federal Reserve Board staff positions regarding SPDRs and MidCap SPDRs. In addition, the Amex proposes to amend Amex Rule

⁹ 12 CFR 220. The Federal Reserve Board issued Regulation T pursuant to Section 7(c) of the Act.

¹⁰ SPDRs represent interests in a unit investment trust that holds a portfolio of stocks replicating the S&P 500 Index. See Securities Exchange Act Release No. 31591 (December 11, 1992), 57 FR 60253 (order approving File No. SR-Amex-92-18).

¹¹ See letter from Michael J. Schoenfeld, Senior Securities Regulation Analyst, Federal Reserve Board, to James M. McNeil, Chief Examiner, Amex, dated February 1, 1993 ("1993 Letter").

¹² See Letter, *supra* note 11.

¹³ MidCap SPDRs represent interests in a unit investment trust that holds a portfolio of stocks replicating the S&P MidCap 400 Index. See Securities Exchange Act Release No. 35534 (March 24, 1995), 60 FR 16686 (order approving File No. SR-Amex-94-52).

¹⁴ According to the Amex, the Federal Reserve Board staff confirmed this position in a telephone conversation between Michael J. Schoenfeld, Senior Securities Regulation Analyst, Federal Reserve Board, and James M. McNeil, Chief Examiner, Amex, on May 1, 1995. Conversation between Michael Cavalier, Associate General Counsel, Legal and Regulatory Policy, Amex, and Yvonne Fraticelli, Special Counsel, Division, Commission, on February 24, 2000.

¹⁵ See Board of Governors of the Federal Reserve System Docket No. R-977 (April 24, 1996), 61 FR 20386 (permitting the adoption of margin requirements "deemed appropriate by the exchange that trades the option, subject to the approval of the Securities and Exchange Commission").

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ PDRs are shares in a unit investment trust registered under the Investment Company Act of 1940, as amended, whose assets are a securities portfolio.

⁴ Index Fund Shares are shares in an open-end management investment company registered under