

### Applicants' Condition

Applicants agree that any order granting the requested relief shall be subject to the following condition:

Any temporary exemption granted pursuant to the application shall be without prejudice to, and shall not limit the Commission's rights in any manner with respect to, any Commission investigation of, or administrative proceedings involving or against, Covered Persons, including, without limitation, the consideration by the Commission of a permanent exemption from section 9(a) of the Act requested pursuant to the application or the revocation or removal of any temporary exemption granted under the Act in connection with the application.

### Temporary Order

The Commission has considered the matter and finds that Applicants have made the necessary showing to justify granting a temporary exemption.

Accordingly, *it is hereby ordered*, pursuant to section 9(c) of the Act, that the Covered Persons are granted a temporary exemption from the provisions of section 9(a), effective as of the date of the Injunction, solely with respect to the Injunction, subject to the condition in the application, until the date the Commission takes final action on an application for a permanent order.

By the Commission.

Jill M. Peterson,

Assistant Secretary.

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BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-27651; File No. 812-13282]

### Sun Life Assurance Company of Canada (U.S.), et al., Notice of Application

December 29, 2006.

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

**ACTION:** Notice of application for an order of approval pursuant to Section 26(c) of the Investment Company Act of 1940, as amended (the "Act"), and an order of exemption pursuant to Section 17(b) of the Act from Section 17(a) of the Act.

**APPLICANTS:** Sun Life Assurance Company of Canada (U.S.) ("Sun Life U.S."), Sun Life Insurance and Annuity Company of New York ("Sun Life N.Y.") (together with Sun Life U.S., the "Companies"), Keyport Variable Account A ("Keyport Account A"), Sun

Life of Canada (U.S.) Variable Account F ("Account F"), Sun Life of Canada (U.S.) Variable Account I ("Account I"), KBL Variable Annuity Account ("KBL Annuity Account"), KBL Variable Account A ("KBL Account A"), and Sun Life (N.Y.) Variable Account C ("Account C") (collectively, the "Applicants"). Applicants, together with Sun Capital Advisers Trust ("Sun Capital Trust") are "Section 17(b) Applicants."

**SUMMARY OF APPLICATION:** Applicants seek an order approving the proposed substitutions (the "Substitutions") of Class O shares of Alger American Growth Portfolio of the Alger American Fund and Class A and Class B shares of the AllianceBernstein VPS Large Cap Growth Portfolio of the AllianceBernstein Variable Product Series Fund (collectively, the "Old Portfolios") with Initial and Service Class Shares of the SC FI Large Cap Growth Fund of Sun Capital Trust (the "New Portfolio") under certain variable life insurance policies and variable annuity contracts ("Contracts"). Section 17(b) Applicants also seek an order pursuant to Section 17(b) of the Act to permit certain in-kind transactions in connection with the Substitutions.

**FILING DATE:** The application was originally filed on April 19, 2006, and an amended and restated application was filed on December 20, 2006.

**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 must be received by the Commission by 5:30 p.m. on January 24, 2007, 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 requester's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Secretary of the Commission.

**ADDRESSES:** The Commission: Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090; Applicants: c/o Maura A. Murphy, Esq., Sun Life Assurance Company of Canada (U.S.), One Sun Life Executive Park, Wellesley Hills, Massachusetts 02481.

**FOR FURTHER INFORMATION CONTACT:** Rebecca A. Marquigny, Senior Counsel, or Joyce M. Pickholz, Branch Chief,

Office of Insurance Products, Division of Investment Management, at (202) 551-6795.

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the Commission, 100 F Street, NE., Washington, DC 20549 (202-551-8090).

### Applicants' and Section 17 Applicants' Representations

1. Sun Life U.S. is a stock life insurance company ultimately controlled by Sun Life Financial Inc. ("Sun Life Financial"), a Canadian reporting company under the Securities Exchange Act of 1934 (the "1934 Act"). Pursuant to a 2003 merger, Keyport Life Insurance Company ("Keyport") was merged with and into Sun Life U.S. with Sun Life U.S. as the survivor. Sun Life U.S. is the depositor and sponsor of Keyport Account A, Account F, and Account I.

2. Keyport Account A is registered with the Commission under the Act as a unit investment trust (File No. 811-07543) with interests are offered through Contracts (the "Keyport Contracts") registered under the Securities Act of 1933 ("1933 Act") on Form N-4 (File Nos. 333-114126, 333-114129, 333-114132, 333-111642, 333-111645, 333-111646, 333-111647, and 333-111648). Account F is registered as a unit investment trust (File No. 811-05846); its interests are also offered through Contracts (the "Account F Contracts") registered under the 1933 Act on Form N-4 (File Nos. 33-29852, 33-41628, 33-37907, 33-05227, 33-82957, 33-30844, 33-31248, 33-41438, 33-74844, 33-83256, 33-83362, 33-83364, 33-83516, 33-74972, 33-115525, and 33-115536). Account I, registered as a unit investment trust (File No. 811-09137) also offers its interests through Contracts (the "Account I Contracts") registered under the 1933 Act on Form N-6 (File Nos. 333-68601, 333-59662, 333-94359, 333-100831, and 333-100829).

3. Sun Life N.Y., a wholly owned subsidiary of Sun Life U.S., is a stock life insurance company which merged with Keyport Benefit Life Insurance Company ("KBL"), a subsidiary of Keyport, in 2002. Sun Life N.Y. is the depositor and sponsor of the KBL Annuity Account, KBL Account A, and Account C.

4. KBL Annuity Account is a registered unit investment trust (File No. 811-05422) for which interests are offered through a Contract (the "KBL

Annuity Contract") registered under the 1933 Act on Form N-4 (File No. 333-102275). KBL Account A is a registered unit investment trust (File No. 811-08635) with interests are offered through other Contracts (the "KBL Account A Contracts") registered under the 1933 Act on Form N-4 (File Nos. 333-102274, 333-102278, 333-102279, and 333-102280). Account C, a registered unit investment trust (File No. 811-04440), also offers its interests through certain Contracts (the "Account C Contracts") registered under the 1933 Act on Form N-4 (File Nos. 33-41629, 333-05037, 333-67864, 333-100475, 333-100474, 333-99907, and 333-107983).

5. All of the Contracts involved in the Substitutions (a) reserve the right to substitute shares of one portfolio for shares of another; (b) permit transfers of contract value among the subaccounts pursuant to the limitations of the particular Contract, (c) impose or reserve the right to impose a transfer charge; and (d) are subject to market timing policies and procedures that may operate to limit transfers.

6. Applicants represent that: (a) The Keyport Contracts involved in the Substitutions are no longer offered for sale, except to certain employee plans; (b) none of the Account I, KBL Account A, or KBL Annuity Contracts involved in the Substitutions are still offered for sale; and (c), the subaccounts investing in the Old Portfolios are no longer offered as investment options to new Contract owners under the Account F Contracts and Account C Contracts.

7. Alger American Growth Portfolio ("Alger Growth" or "Old Portfolio") is a portfolio of Alger American Fund, a registered, diversified, open-end management investment company (File No. 811-05550). Class O and Class S of its shares are registered under the 1933 Act on Form N-1A (File No. 33-21722). The shares are the same except Class S shares are subject to a distribution and shareholder servicing fee while Class O shares are not. The portfolio's investment adviser is Fred Alger Management, Inc. ("FAM").

8. AllianceBernstein VPS Large Cap Growth Portfolio ("AB Large Cap Growth") is a portfolio of the AllianceBernstein Variable Product Series Fund, a registered diversified, open-end management investment company (File No. 811-05398). Class A and B shares of AB Large Cap Growth (also referred to as "Old Portfolio") are registered under the 1933 Act on Form N-1A (File No. 33-18647). The shares are the same except Class B shares are subject to a distribution fee and Class A shares are not. AllianceBernstein L.P.

("AB L.P.") is the portfolio's investment adviser.

9. SC FI Large Cap Growth Fund ("SC Large Cap Growth" or "New Portfolio") is a portfolio of Sun Capital Trust, a registered, diversified, open-end management investment company (File No. 811-08879). Initial and Service Class shares of New Portfolio are registered under the 1933 Act on Form N-1A (File No. 333-59093); the shares are the same except that Service Class shares are subject to a distribution fee and Initial Class shares are not.

10. Sun Capital Advisers LLC ("Sun Capital"), an indirect, wholly owned subsidiary of Sun Life Financial, is investment adviser to all the Sun Capital Trust portfolios. Through an order from the Commission pursuant to Section 6(c) of the Act, Sun Capital is exempt from Section 15(a) of the Act and Rule 18f-2 thereunder with respect to subadvisory agreements (the "Manager of Managers Order").<sup>1</sup>

11. Applicants represent that the relief granted in the Manager of Managers Order extends to New Portfolio permitting it to enter into and materially amend investment subadvisory agreements without obtaining shareholder approval. Applicants also indicate that the prospectus for the New Portfolio discloses and explains the existence, substance and effect of the Manager of Managers Order.

12. Applicants propose to substitute (a) Initial Class shares of New Portfolio for Class O shares of Alger Growth; (b) Initial Class shares of New Portfolio for Class A shares of AB Large Cap Growth; and (c) Service Class shares of New Portfolio for Class B shares of AB Large Cap Growth. Applicants state that the proposed Substitutions are part of an overall business goal of the Companies to make the Contracts more attractive to Contract owners by providing a diverse array of investment options that are not redundant or duplicative in terms of the investment types and styles of mutual funds underlying such options. Applicants assert their belief that:

(a) Reducing the number of nonproprietary funds will provide the Companies with more control over fund changes that affect their Contracts, allowing for appropriate long-term strategic planning;

(b) The New Portfolio better promotes their goals of increasing administrative efficiency of, and control over, their

Contracts because the New Portfolio is part of their affiliated fund family;

(c) Streamlining the number of nonproprietary funds available through the Contracts and altering the available portfolios will simplify the administration of the Contracts, particularly with regard to communications with the fund families and the preparation of various reports and disclosure documents; and

(d) This streamlining will allow the Companies to enhance their communication efforts to Contract owners and sales representatives regarding the available portfolios, and may provide for more enhanced and timely reporting to the Companies from fund families and therefore from the Companies to Contract owners.

13. Regarding Contracts that offer both of the Old Portfolios as investment options, Applicants assert that a more concentrated and streamlined array of investment options could result in increased operational and administrative efficiencies and economies of scale for the Companies. Applicants note that Contract owners could benefit from streamlining Contract investment options. Specifically, Applicants state that Contracts that offer too many similar investment options may be unnecessarily confusing to Contract owners and may increase the Companies' costs of administering the Contracts.

14. Applicants represent that because the New Portfolio operates pursuant to the Manager of Managers Order, the Substitutions would provide protection to Contract owners by giving Sun Capital the agility and flexibility to change the subadviser of the New Portfolio should such a change become warranted or advisable. In support of the Substitutions, Applicants further represent that the Substitutions will provide Contract owners with substantially similar investment vehicles. Specifically, Applicants assert that the investment objectives, principal investment strategies and principal investment risks of the New Portfolio are substantially similar to those of the Old Portfolios. The following summarizes the more complete comparison of New and Old Portfolios provided in the Application.

15. *Alger Growth Substitution.*

Applicants describe the investment objective of Alger Growth as "to seek long-term capital appreciation" and the investment objective of New Portfolio as "to seek long-term growth of capital." Applicants state that the principal investment strategies of the two portfolios are substantially similar

<sup>1</sup> Sun Capital Advisers Trust and Sun Capital Advisers, Inc., 1940 Act Rel. No. 24401 (April 24, 2000) (Order), File No. 812-11790; see also Sun Capital Advisers Trust and Sun Capital Advisers, Inc., 1940 Act Rel. No. 23793 (Apr. 20, 1999) (Order), File No. 812-11464.

noting that both invest primarily in common stocks with an emphasis on "growth" stocks and the stocks of highly capitalized companies. Alger Growth invests at least 65% of its total assets in equity securities of companies that, at the time of purchase, have total market capitalization of \$1 billion or greater. SC Large Cap Growth invests at least 80% of its assets in the common stocks of companies with large market capitalizations. Both portfolios may invest up to 20% of the value of their total assets in foreign securities (not including American Depositary Receipts, American Depositary Shares, or U.S. dollar denominated securities of foreign issuers). Applicants represent that both Alger Growth and New Portfolio have substantially similar risk characteristics and share substantially similar risk profiles.

Charges for Class O of Alger Growth include Management Fees of 0.75%, Other Expenses of 0.06%, and no 12b-1 Fee.<sup>2</sup> Charges for the Initial Class shares of New Portfolio include: Management Fees of 0.75% and Other Expenses of 0.30%; it does not charge a 12b-1 Fee. Alger Growth's total gross and net operating expenses are both 0.81%. Respectively, New Portfolio's total gross and net operating expenses are 1.05% and 0.81% (reflecting a 0.24% contractual fee reduction arrangement).

#### 16. *AB Large Cap Growth Substitutions.*

Applicants represent that the investment objectives of AB Large Cap Growth and New Portfolio are identical; both portfolios see long-term growth of capital. Applicants state that the principal investment strategies of the two portfolios are substantially similar noting that New Portfolio invests at least 80% of its net assets in common stocks of large-capitalization companies based on the market capitalization of companies in the Russell 1000 Index or the S&P 500. Old Portfolio invests an identical 80% of its assets in common stock of companies with large market capitalizations based on the market capitalization range of companies appearing in the Russell 1000 Growth Index. Applicants represent that both AB Large Cap Growth and New Portfolio have substantially similar risk characteristics as both invest in substantially similar securities.

For the proposed substitution involving Class A of AB Large Cap

Growth, charges for Class A of Old Portfolio include Management Fees of 0.75% and Other Expenses of 0.06%. Charges for the Initial Class of New Portfolio include Management Fees of 0.75% and Other Expenses of 0.30%. Neither imposes a 12b-1 Fee. The Old Portfolio's total gross and net operating expenses for Class A shares are both 0.81%. Respectively, New Portfolio's total gross and net operating expenses for Initial Class shares are 1.05% and 0.81% (reflecting a 0.24% contractual fee reduction arrangement).

For the proposed substitution involving Class B of AB Large Cap Growth, charges for Class B of Old Portfolio include Management Fees of 0.75%, 12b-1 Fees of 0.25%, and Other Expenses of 0.06%. Charges for the Service Class of New Portfolio include Management Fees of 0.75%, 12b-1 Fees of 0.25%, and Other Expenses of 0.30%. The Old Portfolio's total gross and net operating expenses for Class B shares are both 1.06%. Respectively, New Portfolio's total gross and net operating expenses for Service Class shares are 1.30% and 1.06% (reflecting a 0.24% contractual fee reduction arrangement).

17. Applicants assert that as of the effective date of the Substitutions ("Effective Date"), each Separate Account will redeem shares of the applicable Old Portfolio in-kind. Applicants state that if Sun Capital declines to accept particular portfolio securities of either of the Old Portfolios for purchase in-kind of shares of the New Portfolio, the applicable Old Portfolio will liquidate portfolio securities as necessary and shares of the New Portfolio will be purchased with cash. Applicants represent that in either event, the proceeds of such redemptions will then be used to purchase shares of the corresponding class of the New Portfolio, with each subaccount of the applicable Separate Account investing the proceeds of its redemption from the Old Portfolios in the applicable class of the New Portfolio.

18. Applicants further state that redemption requests and purchase orders will be placed simultaneously so that contract values will remain fully invested at all times. Applicants represent that all redemptions of shares of the Old Portfolios and purchases of shares of the New Portfolios will be effected in accordance with Section 22(c) of the Act and Rule 22c-1 thereunder. Applicants state that the Substitutions will take place at relative net asset value as of the Effective Date with no change in the amount of any Contract owner's contract value or death benefit or in the dollar value of his or her investments in any of the

subaccounts. Applicants represent that Contract owners will receive Service Class shares of the New Portfolio in the Substitutions only if they are currently invested in Class B shares of the AB Large Cap Growth, which also imposes a distribution fee.

19. Applicants further represent that all expenses incurred in connection with the Substitutions, including legal, accounting, transactional, and other fees and expenses, including brokerage commissions, will be paid by Sun Life U.S. or Sun Life N.Y. Applicants also state that, as a result of the Substitutions, Contract owners will not incur any additional fees or charges, nor will their rights or insurance benefits or the Companies' obligations under the Contracts be altered. Applicants assert that the Substitutions: (a) Will not impose any tax liability on Contract owners; and (b) will not cause the Contract fees and charges currently being paid by existing Contract owners to be greater after the Substitutions than before the Substitutions. Applicants represent that neither Sun Life U.S. nor Sun Life N.Y. will exercise any right either may have under the Contracts to impose restrictions on transfers under the Contracts for a period of at least thirty days following the Substitutions.

20. Applicants represent that during the twenty-four months following the date of the Substitutions, the total net operating expenses of the applicable class of the New Portfolio (taking into account any expense waiver or reimbursement) will not exceed the net expense level of the corresponding class of the Old Portfolio for the fiscal year ended December 31, 2005. Applicants also state that through the twenty-four months following the date of the Substitutions, Sun Capital has contractually agreed to waive its management fee and, if necessary, to limit other ordinary operating expenses so that total operating expenses, as a percentage of average net assets, do not exceed 0.81% or 1.06%, as applicable. In addition, Applicants represent that for twenty-four months following the date of the Substitutions, the Companies will not increase asset-based fees or charges for Contracts outstanding on the date of the Substitutions.

21. Applicants represent that a prospectus for the New Portfolio containing disclosure about the Manager of Managers Order will be provided to each Contract owner prior to or at the time of the Substitutions. Notwithstanding the Manager of Managers Order, after the Effective Date of the Substitutions, the Applicants agree not to change the New Portfolio's subadviser, add a new subadviser, or

<sup>2</sup>For the descriptions of charges involved in the Substitution, all percentages for the Management Fees, 12b-1 Fees, Other Expenses, Fee Reductions, Total Gross and Net Annual Operating Expenses, and Separate Account Fees represent a percentage of average annual assets.

otherwise rely on the Manager of Managers Order without first obtaining shareholder approval of either: (1) The subadviser change; or (2) the New Portfolio's continued ability to rely on the Manager of Managers Order.

22. Applicants state that Contract owners were notified of the initial application by means of a prospectus supplement for each of the Contracts stating that the Applicants filed the initial application and seek approval for the Substitutions ("Pre-Substitution Notice"). The Pre-Substitution Notice set forth the anticipated Effective Date and advised Contract owners that contract values attributable to investments in the Old Portfolios will be transferred to the New Portfolios, without charge (including sales charges or surrender charges) and without counting toward the number of transfers that may be permitted without charge, on the Effective Date. Applicants indicate that the Pre-Substitution Notice stated that, from the date the initial application was filed with the Commission through the date thirty days after the Substitutions, Contract owners may make one transfer of contract value from the subaccounts investing in the Old Portfolios (before the Substitutions) or the New Portfolio (after the Substitutions) to one or more other subaccount(s) without charge (including sales charges or surrender charges) and without that transfer counting against their contractual transfer limitations.

23. Applicants represent that all Contract owners will have received a copy of the most recent New Portfolio prospectus prior to the Substitutions. Applicants also agree that, within five days following the Substitutions, Contract owners affected by the Substitutions will be notified in writing that the Substitutions were carried out and that this notice will restate the information set forth in the Pre-Substitution Notice.

#### **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 may 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. Applicants submit that the Substitutions meet the standards set forth in Section 26(c) and assert that

replacement of the Old Portfolios with the New Portfolio is consistent with the protection of Contract owners and the purposes fairly intended by the policy and provisions of the Act. Applicants have reserved the right to make such a substitution under the Contracts and represent that this reserved right is disclosed in the prospectus for the Contracts.

3. Section 17(a)(1) of the Act, in relevant part, prohibits any affiliated person of a registered investment company, or any affiliated person of such person, acting as principal, from knowingly selling any security or other property to that company. Section 17(a)(2) of the Act generally prohibits the persons described above, acting as principal, from knowingly purchasing any security or other property from the registered company. Pursuant to Section 10(a)(1) of the Act, the Section 17(b) Applicants may be considered affiliates of one or more of the portfolios involved in the Substitutions. Because the Substitutions may be effected, in whole or in part, by means of in-kind redemptions and subsequent purchases of shares and by means of in-kind transactions, the Substitutions may be deemed to involve one or more purchases or sales of securities or property between affiliates.

4. Section 17(b) of the Act provides that the Commission may, upon application, grant an order exempting any transaction from the prohibitions of Section 17(a) if the evidence establishes that: The terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; the proposed transaction is consistent with the policy of each registered investment company concerned, as recited in its registration statement and records filed under the Act; and the proposed transaction is consistent with the general purposes of the Act.

5. The Section 17(b) Applicants state that the terms under which the in-kind redemptions and purchases will be effected are reasonable and fair and do not involve overreaching on the part of any person principally because the Substitutions will conform with all but two of the conditions enumerated in Rule 17a-7. Applicants assert that the use of in-kind transactions will not cause Contract owner interests to be diluted. In support, Applicants represent that: (a) The proposed transactions will take place at relative net asset value as of the Effective Date in conformity with the requirements of Section 22(c) of the 1940 Act and Rule

22c-1 thereunder with no change in the amount of any Contract owner's contract value or death benefit or in the dollar value of his or her investment in any of the Separate Accounts; (b) Contract owners will not suffer any adverse tax consequences as a result of the Substitutions; and (c) Fees and charges under the Contracts will not increase because of the Substitutions.

6. Further, though the Section 17(b) Applicants may not rely on Rule 17a-7 because they cannot meet all of its conditions, the Section 17(b) Applicants agree to carry out the proposed in-kind purchases in conformity with all of the conditions of Rule 17a-7 and the procedures adopted thereunder, except that: (1) The consideration paid for the securities being purchased or sold may not be entirely cash; and (2) the Sun Capital Trust board will not separately review each portfolio security purchased by the New Portfolio. However, Applicants assert that the circumstances surrounding the Substitutions will offer the same degree of protection to the New Portfolio from overreaching that Rule 17a-7 provides to it generally in connection with its purchase and sale of securities under that Rule in the ordinary course of its business.

7. Applicants assert that the Board of Sun Capital Trust has adopted procedures, as required by Rule 17a-7, and that Sun Capital or any subadviser to the New Portfolio will review the securities holdings of the Old Portfolio to determine whether their portfolio holdings would be suitable investments for the New Portfolio in the overall context of its investment objectives and policies and consistent with its management. Applicants also note that the Companies (or any of their affiliates) cannot effect the proposed Substitutions at a price disadvantageous to the New Portfolio. Although the Substitutions may not be entirely for cash, Applicants represent that each will be effected based upon (1) the independent market price of the portfolio securities valued as specified in paragraph (b) of Rule 17a-7, and (2) the net asset value per share of each portfolio involved valued according to the procedures disclosed in its registration statement and as required by Rule 22c-1 under the Act. The Section 17(b) Applicants state that securities to be paid out as redemption proceeds and subsequently contributed to the New Portfolio to effect the in-kind purchases of shares will be valued based on the normal valuation procedures of the redeeming and purchasing Portfolios, and redeeming and purchasing values will be the same. Applicants note that if Sun Capital

declines to accept particular portfolio securities of either of the Old Portfolios for purchase in-kind of shares of the New Portfolio, the applicable Old Portfolio will liquidate portfolio securities as necessary and purchase New Portfolio shares with cash. Consistent with Rule 17a-7(d), Applicants also agree that no brokerage commissions, fees, or other remuneration will be paid in connection with the in-kind transactions.

### Conclusions

1. Applicants submit that for the reasons and upon the facts set forth in their application, the requested order meets the standards set forth in Section 26(c) and should, therefore, be granted.

2. Section 17 Applicants represent that the proposed in-kind transactions meet all of the requirements of Section 17(b) of the Act and that an exemption should be granted, to the extent necessary, from the provisions of Section 17(a).

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

**Nancy M. Morris,**  
Secretary.

[FR Doc. E7-61 Filed 1-8-07; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55018; File No. SR-Amex-2006-109]

### Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change and Amendment No. 1 Thereto Relating to Listing Standards for Series of Portfolio Depository Receipts and Index Fund Shares

December 28, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 21, 2006, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. Amex filed Amendment No. 1 with the Commission on December 20, 2006. This order provides notice of the proposed rule change as modified by Amendment No. 1 and approves the

proposed rule change on an accelerated basis.

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

The Exchange proposes to make clarifying changes to Amex Rules 1000, 1002, 1000A and 1002A and minor, typographical changes to Amex Rules 1000, 1002 and 1002A, relating to listing standards for series of portfolio depository receipts and index fund shares (collectively, "exchange-traded funds" or "ETFs"). The text of the proposed rule change is available at Amex, at <http://www.amex.com>, and at the Commission's Public Reference Room.

### 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 Amex 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 Amex 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to clarify the listing standards in Amex Rules 1000, 1002, 1000A and 1002A governing ETFs, amendments to which were approved by the Commission on November 9, 2006.<sup>3</sup> In particular, the Commission approved changes to Rules 1000 and 1000A to include generic listing standards for series of ETFs that are based on international or global indexes. Additionally, the Commission approved revisions to Amex Rules 1000 and 1000A to include generic listing standards for ETFs that are based on indexes or portfolios previously approved by the Commission as an underlying benchmark for the trading of ETFs, options or other specified index-based securities. These changes enable the Exchange to list exchange-traded funds pursuant to Rule 19b-4(e) of the Act<sup>4</sup> if each of the conditions set forth in Commentary .03 to Rule 1000 or

Commentary .02 to Rule 1000A is satisfied.

Rule 19b-4(e) provides that the listing and trading of a new derivative securities product by a self-regulatory organization shall not be deemed a proposed rule change under Rule 19b-4(c)(1) of the Act<sup>5</sup> if the Commission has approved, pursuant to Section 19(b) of the Act, the self-regulatory organization's trading rules, procedures and listing standards for the product class that would include the new derivatives securities product and the self-regulatory organization has a surveillance program for the product class.<sup>6</sup>

The Commission also approved other minor clarifying changes to Amex Rules 1000, 1002, 1000A and 1002A.

In connection with those approved changes, the Exchange now proposes to make additional clarifying changes to Rules 1000, 1002, 1000A and 1002A. Specifically, the Exchange proposes to amend the definition of "US Component Stock" in Rules 1000(b)(3) and 1000A(b)(3). The definition of U.S. Component Stock was designed to include any equity security that is registered under Sections 12(b) or 12(g) of the Act, and therefore to comprise all securities that are subject to Commission oversight through registration. This definition was intended to include American Depository Receipts ("ADRs"), the underlying security of which is registered under Section 12(b) or 12(g) of the Act. In the case of listed ADRs, it is the equity security underlying an ADR that is registered pursuant to Section 12 of the Act, not the ADRs.<sup>7</sup> Under Amex's generic listing standards,<sup>8</sup> the ADR would also be required to be listed on a national securities exchange and be an NMS Stock as defined in Rule 600 of Regulation NMS.<sup>9</sup> Consequently, the Exchange proposes to revise the definition of U.S. Component Stock to clarify that, while the ADR would be considered the U.S. Component Stock and therefore the index component for purposes of satisfying the eligibility criteria, the ADR can only qualify as a "US Component Stock" if the equity security underlying that ADR is

<sup>5</sup> 17 CFR 240.19b-4(c)(1).

<sup>6</sup> When relying on Rule 19b-4(e), the SRO must submit Form 19b-4(e) to the Commission within five business days after the exchange begins trading the new derivative securities products. See Exchange Act Release No. 40761 (December 8, 1998), 63 FR 70952 (December 22, 1998).

<sup>7</sup> See 17 CFR 240.12a-8.

<sup>8</sup> See Amex Rule 1000, Commentary .03(a)(A)(5), (a)(B)(5) and (a)(C), and Amex Rule 1000A, Commentary .02(a)(A)(5), (a)(B)(5) and (a)(C).

<sup>9</sup> 17 CFR 242.600.

<sup>3</sup> See Securities Exchange Act Release No. 54739 (November 9, 2006), 71 FR 66993 (November 17, 2006) (SR-Amex-2006-78).

<sup>4</sup> 17 CFR 240.19b-4(e).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.