

Commission may require by rule.<sup>6</sup> Rule 17i-8 requires that an SIBHC to notify the Commission upon the occurrence of certain events that would indicate a decline in the financial and operational well-being of the firm.

The collections of information included in Rule 17i-8 are necessary to allow the Commission to effectively determine whether supervision of an IBHC as an SIBHC is necessary or appropriate in furtherance of the purposes of section 17 of the Act and allow the Commission to supervise the activities of these SIBHCs. Rule 17i-8 also enhances the Commission's supervision of the SIBHCs' subsidiary broker-dealers through collection of additional information and inspections of affiliates of those broker-dealers. Without these notices, the Commission would be unable to adequately supervise an SIBHC, nor would it be able to determine whether continued supervision of an IBHC as an SIBHC were necessary and appropriate in furtherance of the purposes of section 17 of the Act.

We estimate that three IBHCs will file Notices of Intention with the Commission to be supervised by the Commission as SIBHCs. An SIBHC will require about one hour to create a notice required to be submitted to the Commission pursuant to Rule 17i-8. However, as these notices only need be filed in certain situations indicative of financial or operational difficulty, only one SIBHC may be required to file notice pursuant to the Rule every other year. Thus, we estimate that the annual burden of Rule 17i-8 for all SIBHCs would be about 30 minutes.

The reports and notices required to be filed pursuant to Rule 17i-8 must be preserved for a period of not less than three years.<sup>7</sup> The collection of information is mandatory and the information required to be provided to the Commission pursuant to this Rule is deemed confidential pursuant to section 17(j) of the Securities Exchange Act of 1934<sup>8</sup> and Section 552(b)(3)(B) of the Freedom of Information Act,<sup>9</sup> notwithstanding any other provision of law. In addition, paragraph 17i-8(c) specifies that the notices and reports filed in accordance with Rule 17i-8 will be accorded confidential treatment to the extent permitted by law.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information

unless it displays a currently valid control number.

Comments should be directed to: (i) The Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503 or by sending an e-mail to: [David\\_Rostker@omb.eop.gov](mailto:David_Rostker@omb.eop.gov); and (ii) R. Corey Booth, Director/Chief Information Officer, Securities and Exchange Commission, c/o Shirley Martinson, 6432 General Green Way, Alexandria, Virginia 22312 or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: October 23, 2006.

**Nancy M. Morris,**

*Secretary.*

[FR Doc. E6-18355 Filed 10-31-06; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

### Submission for OMB Review; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission Office of Filings and Information Services, Washington, DC 20549.

Extension: Rule 17Ad-15; SEC File No. 270-360; OMB Control No. 3235-0409.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget a request for extension of the previously approved collection of information discussed below.

### Rule 17Ad-15—Signature Guarantees

Rule 17Ad-15 (17 CFR 240.17Ad-15) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) (the "Act") requires approximately 760 transfer agents to establish written standards for accepting and rejecting guarantees of securities transfers from eligible guarantor institutions. Transfer agents are also required to establish procedures to ensure that those standards are used by the transfer agent to determine whether to accept or reject guarantees from eligible guarantor institutions. Transfer agents must maintain, for a period of three years following the date of a rejection of transfer, a record of all transfers rejected, along with the reason for the rejection, identification of the

guarantor, and whether the guarantor failed to meet the transfer agent's guarantee standard. These recordkeeping requirements assist the Commission and other regulatory agencies with monitoring transfer agents and ensuring compliance with the rule.

There are approximately 760 registered transfer agents. The staff estimates that every transfer agent will spend about 40 hours annually to comply with Rule 17Ad-15. The total annual burden for all transfer agents is 30,400 hours. The average cost per hour is approximately \$50. Therefore, the total cost of compliance for all transfer agents is \$1,520,000.

The retention period for the recordkeeping requirement under Rule 17Ad-15 is three years following the date of a rejection of transfer. The recordkeeping requirement under the rule is mandatory to assist the Commission and other regulatory agencies with monitoring transfer agents and ensuring compliance with the rule. This rule does not involve the collection of confidential information. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503 or by sending an e-mail to: [David\\_Rostker@omb.eop.gov](mailto:David_Rostker@omb.eop.gov); and (ii) R. Corey Booth, Director/Chief Information Officer, Securities and Exchange Commission, c/o Shirley Martinson, 6432 General Green Way, Alexandria, Virginia 22312 or by sending an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: October 23, 2006.

**Nancy M. Morris,**

*Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-27540; File No. 812-13300]

### AIG SunAmerica Life Assurance Company and Variable Annuity Account Seven, Notice of Application

October 26, 2006.

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

<sup>6</sup> 15 U.S.C. 78q(i)(3)(A).

<sup>7</sup> 17 CFR 240.17i-5(b)(4).

<sup>8</sup> 15 U.S.C. 78q(j).

<sup>9</sup> 5 U.S.C. 552(b)(3)(B).

**ACTION:** Notice of an application for an order (the "Order") of approval pursuant to section 26(c) of the Investment Company Act of 1940, as amended (the "1940 Act").

*Applicants:* AIG SunAmerica Life Assurance Company ("AIG SunAmerica"), and Variable Annuity Account Seven (collectively, the "Applicants").

*Summary of the Application:* The Applicants request an order permitting the substitution of the Equity Income Fund (the "Replaced Portfolio") with the Davis Venture Value Portfolio (the "Replacement Portfolio") both of which are Portfolios of the SunAmerica Series Trust ("SAST") (the "Substitution").

*Filing Date:* The application was filed on June 2, 2006, and an amended and restated application was filed on October 19, 2006. 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 application will be issued unless the SEC orders a hearing. Interested persons may request a hearing on the application by writing to the Secretary of the SEC and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the SEC by 5:30 p.m. on November 16, 2006, 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 SEC.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090. Applicants: c/o Jorden Burt LLP, 1025 Thomas Jefferson Street, NW., East Lobby, Suite 400, Washington, DC 20007-5208, Attention: Joan E. Boros, Esq.

**FOR FURTHER INFORMATION CONTACT:** Jeffrey Foor, Esq., Senior Counsel, or Zandra Y. Bailes, Esq., 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 SEC, 100 F Street, NE., Room 1580, Washington, DC 20549 (202-551-8090).

### Applicants' Representations

1. AIG SunAmerica is a stock life insurance company originally organized under the laws of the State of California in April 1965. AIG SunAmerica, redomesticated under the laws of the State of Arizona on January 1, 1996. AIG SunAmerica is a wholly-owned subsidiary of SunAmerica Life Insurance Company, an Arizona corporation, which is, in turn, wholly-owned by AIG Retirement Services, a Delaware corporation, which is, in turn, wholly-owned by American International Group, Inc. AIG SunAmerica is authorized to write annuities and life insurance in the District of Columbia and all states except New York.

2. Separate Account Seven (the "Separate Account") was established by AIG SunAmerica on August 28, 1998, in accordance with the laws of the State of Arizona. The Separate Account is registered as a unit investment trust under the 1940 Act. The Separate Account is used to fund the Contract and other annuity contracts issued by AIG SunAmerica and is currently divided into a total of 42 subaccounts (the "Sub-Accounts"). Each of the available Sub-Accounts invests in shares of the available portfolios of the SAST. One of the Sub-Accounts currently invests in the Replaced Portfolio.

3. The Polaris Plus Contract (the "Contract"), issued by AIG SunAmerica through the Separate Account, is a flexible premium group and individual deferred annuity contract that currently utilizes the Replaced Portfolio as one of many underlying investments. AIG SunAmerica discontinued offering the Contract as of the close of business on February 28, 2002. Existing Contractowners ("Owners") may continue to allocate purchase payments to and transfer among the available Sub-Accounts, including the Sub-Account that currently invests in the Replaced Portfolio (the "Equity Income Sub-Account"). The allocation/transfer rights will continue until one week prior to the date of the proposed Substitution requested by the application. The Contract is the only contract investing in the Equity Income Sub-Account, and no other sub-account of any other separate account invests in the Replaced Portfolio. During the accumulation period, there are no limits on the number of transfers Owners can make among the available Sub-Accounts under the Contract and/or the Contract fixed accounts. Transfers resulting from participation in the Dollar Cost Averaging or Asset Rebalancing

Programs do not count against the fifteen (15) free transfers per contract year. All transfers in excess of fifteen (15) transfer requests per contract year must be submitted by mail until the next contract anniversary and may be subject to further restrictions.

4. SAST was organized as a Massachusetts business trust on September 11, 1992. SAST was established and serves to provide a funding medium for the Sub-Accounts which constitute its sole shareholders. SAST is registered as an open-end management investment company under the 1940 Act (File No. 811-07238), and its offering of its shares is registered under the Securities Act of 1933 (File No. 033-52742).

5. The Replaced Portfolio, which offers a single class of shares, constitutes a separate series available through SAST. The inception date of the Replaced Portfolio was December 14, 1998, and it has been offered in the Separate Account since the inception date of the Contract on March 19, 1999.

6. The Separate Account buys and sells shares of the Replaced Portfolio at net asset value that is net of the advisory fee of 0.650% based on average daily net assets, paid to the investment adviser, AIG SunAmerica Asset Management ("AIG SAAMCo"), to manage the business affairs of the Replaced Portfolio and to provide administrative services pursuant to a written investment advisory agreement (the "Advisory Agreement"). The Replaced Portfolio's other expenses were 1.25% for the fiscal year ended January 31, 2006. The Replaced Portfolio's total annual operating expenses for this period were 1.90%, subject to voluntary fee waivers and expense reimbursement by AIG SAAMCo that provided for total annual net operating expenses of 1.35%. FAF Advisors, Inc., formerly U.S. Bancorp Asset Management, Inc. ("FAF") serves as subadviser to the Replaced Portfolio. AIG SAAMCo is affiliated with AIG SunAmerica, but FAF is not affiliated with AIG SunAmerica.

7. The Replaced Portfolio is a portfolio in which the Separate Account invests under the Contract as one of the 42 Sub-Account investment alternatives currently available. If the requested Order is granted, the Substitution will result in the reduction of the available investment alternatives by one. Shares of the Replacement Portfolio will be offered at net asset value that is net of the current Replacement Portfolio's advisory fee of 0.71% which is paid to AIG SAAMCo to manage the business affairs of the Replacement Portfolio and to provide administrative services

pursuant to the Advisory Agreement. The Replacement Portfolio's other expenses are 0.05%, and the Replacement Portfolio's total annual operating expenses are 0.76% for Class 1 shares. The Replacement Portfolio does not pay Rule 12b-1 fees for distribution activities. Davis Selected Advisers, L.P. d/b/a Davis Advisers ("Davis") serves as the sub-adviser to the Replacement Portfolio. Davis is not affiliated with AIG SunAmerica.

8. The application covers a single portfolio in which the Separate Account invests under the Contract. Applicants propose the Substitution due to the Replaced Portfolio's declining assets and relatively high total expenses. Applicants note that since the Replaced Portfolio's inception on December 14, 1998, the Replaced Portfolio has accumulated only \$5.8 million in assets as of January 31, 2006. Applicants note further that the Equity Income Sub-Account is the only sub-account that invests in the Replaced Portfolio, that the Equity Income Sub-Account is offered as an investment option in only one variable contract (the Contract), and that the Contract is no longer offered to new contract owners. Applicants also note that the Replaced Portfolio's total net annual expenses of 1.35% exceed the median for its peer group by 0.43%. The Replaced Portfolio's sub-adviser announced its intention to terminate the voluntary expense reimbursement agreement within the current fiscal period. As a result, the Replaced Portfolio's total net annual expenses can be expected to increase significantly, further limiting the Replaced Portfolio's ability to achieve competitive performance. AIG SunAmerica undertook to review the various alternative investment portfolios to determine which would be a suitable replacement for the Replaced Portfolio. AIG SunAmerica determined that the Replacement Portfolio is an appropriate and suitable replacement for the Replaced Portfolio based on the following conclusions: (1) The Replacement Portfolio has investment objectives, policies, and restrictions substantially similar to those of the Replaced Portfolio; (2) the Replaced Portfolio and the Replacement Portfolio take on comparable levels of risk; (3) the Replacement Portfolio has significantly lower total annual expense ratios than the Replaced Portfolio prior to and after voluntary fee waivers and reimbursements for the Replaced Portfolio; (4) the Replacement Portfolio has a significantly greater number of outstanding shares than the Replaced Portfolio; (5) the Replacement Portfolio

has a significantly larger asset base than the Replaced Portfolio. The Replacement Portfolio's total assets at January 31, 2006, were approximately \$2.4 billion, while the Replaced Portfolio's assets at January 31, 2006 were approximately \$5.8 million. The larger asset base of the Replacement Portfolio provides the potential for a future reduction in the total annual expenses of all its share classes, in addition to providing potential enhanced performance. Moreover, the larger asset base of the Replacement Portfolio provides greater protection against adverse effects on expenses and performance occasioned by large redemptions; and (6) the Replacement Portfolio has a performance record significantly superior to that of the Replaced Portfolio, and the potential for enhanced future performance.

9. The Applicants note that the Replaced Portfolio will process redemption requests and the Replacement Portfolio will process purchase orders at prices based on the current net asset values next computed after receipt of the requests and orders in a manner consistent with Rule 22c-1 under the 1940 Act. The Applicants will effect the proposed Substitution by redeeming shares of the Replaced Portfolio in cash at net asset value and then immediately contributing those assets to the Replacement Portfolio to purchase their Class 1 shares. At all times, before and after the Substitution, monies attributable to Owners that have allocated assets to the Equity Income Sub-Account will remain fully invested, and no change will result in the amount of any Owner's Contract value, death benefit or investment in the Equity Income Sub-Account so that the full net asset value of the redeemed shares will be reflected in the Owners' accumulation values or annuity unit values following the Substitution. In addition, AIG SunAmerica undertakes to assume all transaction costs and expenses relating to the Substitution so that the full net asset value of redeemed shares of the Replaced Portfolio held by the Equity Income Sub-Account will be reflected in the Owners' accumulation values or annuity unit values following the Substitution.

10. Owners will not incur any fees or charges as a result of the Substitution, nor will the rights of Owners or obligations of AIG SunAmerica under the Contract be altered in any way. The proposed Substitution will not have any adverse tax consequences to Owners. The proposed Substitution will not cause Contract fees and charges currently being paid by existing Owners to be greater after the proposed

Substitution than before the proposed Substitution. The proposed Substitution will not be treated as a transfer for the purpose of transfer limits or assessing transfer charges.

11. AIG SunAmerica will schedule the Substitution to occur after issuance of the requested Order and any required state insurance department approvals. Further, although the Substitution will result in the replacement of the Replaced Portfolio as the investment of the Equity Income Sub-Account under the Contract, AIG SunAmerica will not exercise any right it may have under the Contract to collect transfer fees or impose any additional restrictions on Owners who may wish to make transfers from the Equity Income Sub-Account among the other available Sub-Accounts for a period of at least thirty (30) days following mailing of the Notice, as defined below, of the proposed Substitution (the "Free Transfer Period"). During the Free Transfer Period, Owners may transfer all assets, as substituted, from the Equity Income Sub-Account to other available Sub-Accounts without charge or limitation and without those transfers being counted against any limit on free transfers under the Contract, or any requirements for the method of submitting transfer requests.

12. Upon filing the application, AIG SunAmerica supplemented the prospectus for the Contract to reflect the proposed Substitution. Within five days after the Substitution, AIG SunAmerica will send to its Owners written notice of the Substitution ("Notice") identifying the shares of the Replaced Portfolio that have been eliminated and the shares of the Replacement Portfolio that have been substituted. AIG SunAmerica will include in the mailing the applicable prospectus supplement for the Contract describing the Substitution. AIG SunAmerica will also mail a copy of the prospectus for the Replacement Portfolio to Owners who have not already received a copy of that prospectus in the ordinary course. The Notice will further advise Owners that during the Free Transfer Period, Owners may transfer all assets, as substituted, from the Equity Income Sub-Account to the other available Sub-Accounts without limit or charge and without those transfers being counted against any limit on free transfers under their Contracts, or any requirements for the method of submitting transfer requests.

#### **Applicant's Legal Analysis**

1. Section 26(c) of the 1940 Act provides that "[i]t shall be 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 [SEC] shall have approved such substitution."

2. Applicants represent that the proposed Substitution involves a substitution of securities within the meaning of section 26(c) of the 1940 Act. The Applicants, therefore, request an order from the SEC pursuant to section 26(c) approving the proposed Substitution.

3. Applicants submit that the Substitution does not present the type of costly forced redemption or other harms that section 26(c) was intended to guard against and is consistent with the protection of investors and the purposes fairly intended by the 1940 Act for the following reasons: (i) The Substitution will continue to fulfill Owners' objectives and risk expectations, because the Replacement Portfolio has substantially similar objectives, policies, and restrictions to the objectives, policies, and restrictions of the Replaced Portfolio and comparable risk characteristics; (ii) after mailing of the Notice informing an Owner of the Substitution, an Owner may request that his or her assets in the Equity Income Sub-Account be reallocated among the other available Sub-Accounts at any time during the Free Transfer Period without any limit or charge and without those transfers being counted against any limit on free transfers under the Contract, or any requirements for the method of submitting transfer requests. This right also will be granted to Owners, if any, who are receiving variable payments based on the Replaced Portfolio. The Free Transfer Period provides sufficient time for Owners to consider and effect their reinvestment and withdrawal options; (iii) the Substitution will be at net asset value of the respective shares determined on the date of the Substitution in accordance with section 22 of the 1940 Act and Rule 22c-1 thereunder, without the imposition of any transfer or similar charge; (iv) AIG SunAmerica has undertaken to assume all expenses and transaction costs, including, but not limited to, legal and accounting fees and any brokerage commissions, in connection with the Substitution; (v) the Substitution will in no way alter the contractual obligations of AIG SunAmerica or the rights and privileges of Owners under the Contract; (vi) the Substitution will in no way alter the tax treatment of Owners in connection with their Contracts, and no tax liability will arise for Owners as a result of the Substitution; (vii) the Substitution is expected to confer certain future economic benefits on

Owners by virtue of the greater asset base or lower portfolio expenses; (viii) at the time of the Substitution, the total annual expenses of the Replacement Portfolio's shares are expected to be lower than the Replaced Portfolio; (ix) the Substitution which will be effected in accordance with section 22 of the 1940 Act and Rule 22c-1 thereunder by redeeming shares of the Replaced Portfolio in cash to be conveyed immediately to the Replacement Portfolio to purchase its respective shares; and (x) AIG SunAmerica represents that at no time after date of the Substitution (the "Substitution Date") will AIG SunAmerica increase Contract charges or total Separate Account charges (net of any waiver or reimbursements) of the Sub-Account that currently invests in the Replacement Portfolio (the "Davis Sub-Account"). If the total operating expenses for the Replacement Portfolio (taking into account any expense waiver or reimbursement) for any fiscal quarter following the Substitution Date, exceed on an annualized basis the net expense ratio for the Replaced Portfolio for the fiscal year ended January 31, 2006, AIG SunAmerica will reduce (through reimbursement) the Separate Account expenses paid during that quarter of the Davis Sub-Account to the extent necessary to offset the amount by which the Replacement Portfolio's net expense ratio for such period exceeds, on an annualized basis, 1.35%.

4. AIG SunAmerica has determined that the Replacement Portfolio is an appropriate replacement for the Replaced Portfolio. The Replacement Portfolio has investment objectives, policies, and restrictions substantially similar to the Replaced Portfolio with comparable levels of risk. The Replacement Portfolio has a significantly lower total expense ratio than the Replaced Portfolio. Also, the Replacement Portfolio has a significantly larger asset base than the Replacement Portfolio. In addition, the average annual total returns of the Replacement Portfolio are clearly superior to those of the Replacement Portfolio, other than with respect to the year to date performance.

#### Conclusion

For the reasons set forth in the application, the Applicants state that the proposed Substitution and the related transactions meet the standards of section 26(c) of the 1940 Act and that the requested Order should be granted.

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

**Nancy M. Morris,**  
*Secretary.*

[FR Doc. E6-18349 Filed 10-31-06; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54654; File No. SR-NASD-2006-060]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Proposed Rule Change To Require Members To File Regulatory Notices With NASD Electronically

October 26, 2006.

On May 16, 2006, the National Association of Securities Dealers, Inc. ("NASD") filed a proposed rule change with the Securities and Exchange Commission ("Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act")<sup>1</sup> and Rule 19b-4 under the Act.<sup>2</sup> The proposed rule change adopts NASD Rule 3170 to provide the NASD with the authority to require member firms to file or submit electronically with the NASD any regulatory notice or other document that member firms are required to file with (or otherwise submit to) the NASD. The NASD may specify the electronic format to be used. The proposed rule change does not specify the particular regulatory notices or documents that the NASD will require members to file electronically. Instead, the NASD's proposed rule change would give the NASD the authority to require members to file or submit electronically with the NASD any specified regulatory notice or document.

The NASD plans to require members to file certain specified notices with the NASD via an electronic, Internet-based receiving and processing system ("System"), using templates developed by the NASD for each notice. The System will be available to members on the NASD's Internet Web site. Initially, the NASD plans to require members to file notices that must be filed with the NASD under the following Exchange Act Rules electronically:<sup>3</sup>

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

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

<sup>3</sup> The NASD has requested relief on behalf of its members from the Commission with respect to these Exchange Act rules. See Letter from Patrice Gliniecki, Senior Vice President and General Counsel, NASD, to Michael A. Macchiaroli, Associate Director, Division of Market Regulation,