

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.

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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”)¹ and Rule 19b-4 under the Act.² 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:³

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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,

- Rule 15c3-1(e)—Withdrawals of equity capital.
- Rule 15c3-3(i)—Special Reserve Bank Account.
- Rule 17a-4(f)(2)(i); Rule 17a-4(f)(3)(vii)—Electronic storage media.
- Rule 17a-5(f)(4)—Replacement of accountant.
- Rule 17a-11(b)—Net capital deficiency.
- Rule 17a-11(c)(1)—Aggregate indebtedness is in excess of 1200 percent of net capital.
- Rule 17a-11(c)(2)—Net capital is less than 5 percent of aggregate debit items.
- Rule 17a-11(c)(3)—Net capital is less than 120 percent of required minimum dollar amount.
- Rule 17a-11(d)—Failure to make and keep current books and records.
- Rule 17a-11(e)—Material inadequacy in accounting systems, internal controls, or practices and procedures.

The proposed rule change was published for comment in the **Federal Register** on August 22, 2006.⁴ A correction was published on September 22, 2006.⁵ This order approves the proposed rule change.

The Commission received two comment letters in response to the proposed rule change.⁶ Mr. Akridge supported the proposal. Wulff, Hansen supported the general purpose of the rule change, but stated that converting documents that exist only in paper form to electronic format could be burdensome for firms that do not have the necessary technology. On October 5, 2006, the NASD filed a response to the comment letters.⁷ In its response, the NASD stated that it intends to accommodate firms that do not have the ability to convert documents to electronic format. Further, the NASD stated that when technologies change, the NASD will consider the economic

effect of the new technologies and consult with its members regarding requiring filings that use the new technologies.

The Commission finds that the NASD's proposal to adopt NASD Rule 3170 is consistent with the requirements of the Act and the rules and regulations under the Act applicable to a national securities exchange.⁸ In particular, the Commission believes that the proposal is consistent with section 15A(b)(6) of the Act,⁹ which requires, among other things, that NASD rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest in that the proposed rule change will establish a cost-saving and efficient method of filing these notices that will enhance the speed and efficiency of processing the notices and reduce administrative costs.

The NASD will issue a *Notice to Members* and other member communications, as appropriate, to advise its members which regulatory notices or documents members will be required to file or submit electronically to the NASD and the date on which electronic filing or submission of these notices or documents will be required. These communications will also advise members that as of the specified date, electronic filing or submission of the specified regulatory notices or documents will be mandatory, and that the NASD will no longer accept facsimile or other non-electronic transmissions of these notices or documents.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-NASD-2006-060) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Nancy M. Morris,
Secretary.

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Social Security Administration

Agency Information Collection Activities: Proposed Request and Comment Request

The Social Security Administration (SSA) publishes a list of information collection packages that will require clearance by the Office of Management and Budget (OMB) in compliance with Pub. L. 104-13, the Paperwork Reduction Act of 1995, effective October 1, 1995. The information collection packages that may be included in this notice are for new information collections, approval of existing information collections, revisions to OMB-approved information collections, and extensions (no change) of OMB-approved information collections.

SSA is soliciting comments on the accuracy of the agency's burden estimate; the need for the information; its practical utility; ways to enhance its quality, utility, and clarity; and on ways to minimize burden on respondents, including the use of automated collection techniques or other forms of information technology. Written comments and recommendations regarding the information collection(s) should be submitted to the OMB Desk Officer and the SSA Reports Clearance Officer. The information can be mailed and/or faxed to the individuals at the addresses and fax numbers listed below:

(OMB) Office of Management and Budget, Attn: Desk Officer for SSA, Fax: 202-395-6974.

(SSA) Social Security Administration, DCFAM, Attn: Reports Clearance Officer, 1333 Annex Building, 6401 Security Blvd., Baltimore, MD 21235; Fax: 410-965-6400.

I. The information collections listed below are pending at SSA and will be submitted to OMB within 60 days from the date of this notice. Therefore, your comments should be submitted to SSA within 60 days from the date of this publication. You can obtain copies of the collection instruments by calling the SSA Reports Clearance Officer at 410-965-0454 or by writing to the address listed above.

1. *Statement of Household Expenses and Contributions—20 CFR 416.1130-416.1148—0960-0456.* SSA needs the information about household expenses and contributions, which is collected on Form SSA-8011-F3, to determine whether the claimant or beneficiary receives in-kind support and maintenance. This is necessary to determine the claimant's or beneficiary's eligibility for Supplemental Security Income (SSI) and the amount of benefits payable.

Commission, dated May 16, 2006. The staff of the Division of Market Regulation is issuing a no-action letter providing such relief. See letter from Michael A. Macchiaroli, Associate Director, Division of Market Regulation, Commission, to Patrice Gliniecki, Senior Vice President and General Counsel, NASD, dated October 26, 2006. Electronic filing of notices with the NASD does not affect requirements in these rules to file notices with the Commission or other securities regulatory agencies.

⁴ See Securities Exchange Act Release No. 54319 (August 15, 2006), 71 FR 48958 (SR-NASD-2006-060).

⁵ See Securities Exchange Act Release No. 54319A (September 18, 2006), 71 FR 55537 (SR-NASD-2006-060).

⁶ See e-mail dated August 31, 2006 from Frank Akridge Jr. ("Mr. Akridge") and letter dated September 7, 2006 from Chris Charles, President, Wulff, Hansen & Co. ("Wulff, Hansen").

⁷ See letter from Shirley H. Weiss, Office of General Counsel, NASD, to Katherine A. England, Division of Market Regulation, Commission.

⁸ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78o-3(b)(6).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).