

offering any Credit is 7% of the amount withdrawn if no contract anniversary has elapsed since the purchase payment was made, 6% if only one contract anniversary has elapsed, 5% if only two contract anniversaries have elapsed, 4% if only three contract anniversaries have elapsed, 3% if only four contract anniversaries have elapsed, 2% if only five contract anniversaries have elapsed, and 1% if only six contract anniversaries have elapsed. The withdrawal charge no longer applies once seven or more contract anniversaries have elapsed since the date that the purchase payment was made. In addition, there is an additional, asset-based charge equal to 10 basis points annually that applies to the version of Strategic Partners Annuity One under which Credits (including the 6% Credit) are not recaptured after expiration of the free look period unless death occurs within one year of a purchase payment.

Applicants' Legal Analysis

1. Section 6(c) of the Act authorizes the Commission to exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from the provisions of the Act and the rules promulgated thereunder if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants request that the Commission, pursuant to section 6(c) of the Act, amend the Existing Order to the extent necessary to permit the recapture of the 6% Credit amounts described above under the Contracts. Applicants believe that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

2. Applicants submit that the recapture of 6% Credits will not raise concerns under sections 2(a)(32), 22(c) and 27(i)(2)(A) of the 1940 Act, and rule 22c-1 thereunder for the same reasons given in support of the Existing Order. 6% Credits under the Contracts will be recaptured only if the owner exercises his/her free look right, and with respect to certain 6% Credits granted within one year prior to death. The amounts recaptured equal the Credits provided by each Insurance Company from its own general account assets. When the Insurance Companies recapture any 6% Credit, they are merely retrieving their own assets, and the owner has not been deprived of a proportionate share of the applicable Account's assets, because his

or her interest in the 6% Credit amount has not vested. With respect to 6% Credit recaptures upon the exercise of the free-look privilege, it would be unfair to allow an owner exercising that privilege to retain a 6% Credit amount under a Contract that has been returned for a refund after a period of only a few days. If the Insurance Companies could not recapture the 6% Credit during the free look period, individuals could purchase a Contract with no intention of retaining it, and simply return it for a quick profit. Applicants also note that the Contract owner is entitled to retain any investment gain attributable to the 6% Credit, even if the Credit is ultimately recaptured. Furthermore, the recapture of 6% Credits relating to purchase payments made within one year prior to death is designed to provide the Insurance Companies with a measure of protection against "anti-selection." The risk here is that, rather than spreading purchase payments over a number of years, an owner will make very large payments shortly before death, thereby leaving the Insurance Companies less time to recover the cost of the 6% Credits applied, to their financial detriment.

3. Applicants submit that the provisions for recapture of any 6% Credits under the Contracts do not, and any such Future Contract provisions will not, violate section 2(a)(32) and 27(i)(2)(A) of the Act, and rule 22c-1 thereunder, and that the relief requested is consistent with the exemptive relief provided under the Existing Order.

4. Applicants submit that their request for an amended order that applies to any Account or any Future Account established by an Insurance Company in connection with the issuance of Contracts and Future Contracts, and underwritten or distributed by PIMS or other broker-dealers, is appropriate in the public interest. Such an order would promote competitiveness in the variable annuity market by eliminating the need to file redundant exemptive applications, thereby reducing administrative expenses and maximizing the efficient use of Applicants' resources. Investors would not receive any benefit or additional protection by requiring Applicants to repeatedly seek exemptive relief that would present no issue under the Act that has not already been addressed in this application. Having Applicants file additional applications would impair Applicants' ability effectively to take advantage of business opportunities as they arise.

5. Applicants undertake that Future Contracts funded by Accounts or by Future Accounts that seek to rely on the

order issued pursuant to the application will be substantially similar to the Contracts in all material respects.

Conclusion

Applicants submit that their request for an amended order meets the standards set out in section 6(c) of the 1940 Act and that an amended order should, therefore, be granted.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 03-9159 Filed 4-14-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-26003; File No. 812-12906]

John Hancock Life Insurance Company, et al.

April 10, 2003.

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

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

APPLICANTS: John Hancock Life Insurance Company ("John Hancock"), John Hancock Variable Life Insurance Company ("JHVLICO"), John Hancock Variable Life Account S ("Account S"), John Hancock Variable Life Account UV ("Account UV"), John Hancock Variable Life Account U ("Account U"), John Hancock Variable Annuity Account JF ("Account JF"), John Hancock Variable Annuity Account I ("Account I"), and John Hancock Variable Annuity Account H ("Account H") (collectively, "Applicants").

FILING DATE: The application was filed on December 2, 2002 and amended and restated on April 10, 2003.

SUMMARY OF APPLICATION: Applicants request an order permitting (1) Account S, Account UV, Account U, Account JF, and Account H (together with Account I, the "Separate Accounts") to substitute shares of the International Equity Index Fund (the "Hancock International Fund") for their shares of the Templeton Foreign Securities Fund (the "Templeton Foreign Fund"); (2) Account JF and Account H to substitute shares of the International Opportunities Fund (the "Hancock International Opportunities Fund") for their shares of the Templeton Developing Markets Securities Fund (the "Templeton Developing Fund");

and (3) all of the Separate Accounts to substitute shares of the AIM V.I. Premier Equity Fund (together with the Hancock International Fund and the Hancock International Opportunities Fund, the "Replacing Funds") for their shares of the AIM V.I. Growth Fund (together with the Templeton Foreign Fund and the Templeton Developing Fund, the "Replaced Funds").

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 April 30, 2003 and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Secretary of the Commission.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609; Applicants, c/o Arnold R. Bergman, Esq., John Hancock Life Insurance Company, John Hancock Place, PO Box 111, Boston MA 02117. Copy to Foley & Lardner, 3000 K Street, NW., Washington, DC, 20007, for the attention of Thomas C. Lauerman, Esq.

FOR FURTHER INFORMATION CONTACT: Harry Eisenstein, Senior Counsel, at (202) 942-0552 or Zandra Bailes, Branch Chief, Office of Insurance Products, Division of Investment Management at (202) 942-0670.

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

Applicants' Representations

1. John Hancock is a stock life insurance company organized under the laws of Massachusetts. John Hancock is a publicly-held financial services company whose primary business is life insurance and annuities.

2. JHVLICO is a wholly-owned subsidiary of John Hancock organized under the laws of Massachusetts. JHVLICO is a stock life insurance company whose primary business is life insurance and annuities.

3. Account S is a separate investment account established by JHVLICO under Massachusetts law to fund variable life insurance policies issued by JHVLICO. Account S is registered under the Act as a unit investment trust (File No. 811-7782).

4. The variable life insurance policies funded by Account S that are affected by this application are as follows: Medallion Executive Variable Life ("MEVL"), MEVL II, and MEVL III, interests under all of which are also registered under the Securities Act of 1933 (the "1933 Act") (File No. 333-425); Majestic Variable Universal Life ("MVUL"), and MVUL 98, interests under both of which are also registered under the 1933 Act (File No. 333-15075); Variable Master Plan Plus ("VCOLI"), interests under which are also registered under the 1933 Act (File No. 33-79108); Majestic VCOLI ("MVCOLI"), interests under which are also registered under the 1933 Act (File No. 333-60274); and Variable Estate Protection ("VEP"), Majestic Variable Estate Protection ("MVEP"), MVEP98, and VEP Plus, interests under all of which also are registered under the 1933 Act (File No. 33-64366); and VEP Edge, interests under which are also registered under the 1933 Act (File No. 33-55172).

5. Account UV is a separate investment account established by John Hancock under Massachusetts law to fund variable life insurance policies issued by John Hancock. Account UV is registered under the Act as a unit investment trust (File No. 811-7766).

6. The variable life insurance policies funded by Account UV that are affected by this application are as follows: VEP (NY), interests under which are also registered under the 1933 Act (File No. 33-64364); VEP Plus—NY, interests under which are also registered under the 1933 Act (File No. 333-73082); VEP Edge—NY, interests under which are also registered under the 1933 Act (File No. 333-73072); MVUL98—NY, interests under which are also registered under the 1933 Act (File No. 333-42378); MVEP98—NY, interests under which are also registered under the 1933 Act (File No. 333-73444); MEVL III—NY, interests under which are also registered under the 1933 Act (File No. 333-63654); MVL Plus—NY, interests under which are also registered under the 1933 Act (File No. 70734); MVL Edge—NY, interests under which are also registered under the 1933 Act (File No. 333-70746); and VCOLI—NY, interests under which are also registered under the 1933 Act (File No. 333-67744).

7. Account U is a separate investment account established by JHVLICO under Massachusetts law to fund variable life

insurance policies issued by JHVLICO. Account U is registered under the Act as a unit investment trust (File No. 811-3068).

8. The Account U variable life insurance policies affected by this application are as follows: MVL Plus, and MVL Edge, interests under both of which are also registered under the 1933 Act (File Nos. 33-76660 and 333-52128, respectively); and eVariable Life, interests under which are also registered under the 1933 Act (File No. 333-50312).

9. Account JF is a separate investment account established by JHVLICO under Massachusetts law to fund variable annuity contracts issued by JHVLICO. Account JF is registered under the Act as a unit investment trust (File No. 811-07451).

10. The Account JF variable annuity contracts affected by this application are as follows: Revolution Access, Revolution Extra, Revolution Standard, and Revolution Value, interests under all of which are also registered under the 1933 Act (File Nos. 333-84769, 333-84767, 333-84763, and 333-81127, respectively).

11. Account I is a separate investment account established by JHVLICO under Massachusetts law to fund variable annuity contracts issued by JHVLICO. Account I is registered under the Act as a unit investment trust (File No. 811-8696).

12. The only Account I variable life insurance policy affected by this application is eVariable Annuity, interests under which are also registered under the 1933 Act (File No. 333-16949).

13. Account H is a separate investment account established by John Hancock under Massachusetts law to fund variable annuity contracts issued by John Hancock. Account H is registered under the Act as a unit investment trust (File No. 811-07711).

14. The Account H contracts affected by this application are as follows: Revolution Access, Revolution Extra, Revolution Standard, and Revolution Value, interests under all of which are also registered under the 1933 Act (File Nos. 333-84771, 333-84783, 333-84765 and 333-81103, respectively).

15. Purchase payments under the variable life insurance policies and variable annuity contracts identified above (collectively, the "Contracts") are allocated to one or more subaccounts ("Subaccounts") of the Separate Accounts.

16. Income, gains and losses, whether or not realized, from assets allocated to a Separate Account are, as provided in the Contracts, credited to or charged

against that Separate Account without regard to other income, gains or losses of John Hancock or JHVLICO. The assets maintained in the Separate Accounts will not be charged with any liabilities arising out of any other business conducted by John Hancock or JHVLICO. Nevertheless, all of the obligations of each of those companies arising under the Contracts, including its commitment to make cash value payments, annuity payments or death benefit payments, are general corporate obligations of that company. Accordingly, all of the assets of John Hancock or JHVLICO, as the case may be, are available to meet its obligations under its Contracts.

17. Each Separate Account meets the definition of "separate account" contained in section 37 of the Act.

18. Each of the Contracts permits its owner to allocate the Contract's accumulated value among numerous available Subaccounts, each of which invests in a different investment portfolio ("Fund") of an underlying mutual fund. Each of the Contracts has at least 32 different Subaccounts that, together with their corresponding Funds (including the applicable Replaced Funds), are currently available for this purpose.

19. Each Contract permits its owner to transfer the Contract's accumulated value from one Subaccount to another Subaccount of the issuing Separate Account at any time, subject to certain potential restrictions and charges described below. No sales charge applies to such a transfer of accumulated value among Subaccounts.

20. The only other charges on such transfers are, under certain Contracts, flat dollar amounts that may be assessed to help defray the administrative costs of effecting the transfers. In some cases, the Contracts permit up to a specified number of free transfers in a Contract year, before any such transfer charge may be imposed. Also, under certain Contracts, no transfer is permitted if it would result in the Contract being invested in more than 18 investment options over the life of the Contract ("Lifetime Cap") or, after the annuity payment commencement date, in more than four investment options at any one time.

21. John Hancock or JHVLICO, as applicable, has reserved the right to make certain changes, including to substitute, for the shares held in any Subaccount, the shares of another Fund or the shares of another underlying mutual fund, as stated in each prospectus for the Contracts contained in its applicable registration statement under the 1933 Act.

The Funds

22. The Templeton Foreign Fund and the Templeton Developing Fund are separate Portfolios of the Franklin Templeton Variable Insurance Products Trust (the "Templeton Trust"). The Templeton Trust is registered as a management investment company under the Act (File No. 811-5583), and the shares in each of its portfolios (including the Templeton Foreign Fund and the Templeton Developing Fund) are also registered under the 1933 Act (File No. 33-23493).

23. Both the Templeton Foreign Fund and the Templeton Developing Fund issue more than one "class" of shares, which differ only as to charges they impose for sales and administrative services. In each case, the Contracts use only the "Class 2" shares, which impose an asset-based sales charge pursuant to rule 12b-1 under the Act ("Rule 12b-1 fee") equal to .25% per annum of the Fund's average daily net assets. Apart from the investment management fees and other Fund operating expenses, which also affect the net asset values of their shares, these Funds impose no other charges or deductions on their shares.

24. The AIM V.I. Growth Fund and the AIM V.I. Premier Equity Fund are separate portfolios of the AIM Variable Insurance Funds ("AIM V.I. Funds"). The AIM Variable Insurance Funds is registered as a management investment company under the Act (File Nos. 811-07452), and the shares in each of its Portfolios (including the AIM V.I. Growth Fund and AIM V.I. Premier Equity Fund) are also registered under the 1933 Act (File No. 33-57340).

25. Each of the AIM V.I. Growth Fund and the AIM Premier Equity Fund issues more than one "class" of shares, which differ only as to charges that they impose for sales and administrative services. In each case, the Contracts use only the "Series I" shares of the AIM V.I. Growth Fund and the AIM V.I. Premier Equity Fund, which do not impose any Rule 12b-1 fees or any other fees or charges, other than investment management fees and other operating expenses that affect the net asset value of their shares.

26. The Hancock International Fund and the Hancock International Opportunities Fund are portfolios of the John Hancock Variable Series Trust I (the "Hancock Trust"). The Hancock Trust is registered as a management investment company under the Act (File No. 811-04990), and the shares in each of its portfolios (including the Hancock International Fund and the Hancock International Opportunities Fund) are

also registered under the 1933 Act (File No. 33-2081).

27. Both the Hancock International Fund and the Hancock International Opportunities Fund offer only one class of shares, and that class does not impose any Rule 12b-1 fee or any other fees or charges, other than investment management fees and other operating expenses that affect the net asset value of their shares.

The Funds' Investment Program

28. The Templeton Foreign Fund is managed by Templeton Investment Counsel, LLC, which has no affiliation with John Hancock.

29. The investment objective of the Templeton Foreign Fund is long-term capital growth. The Fund is an international fund that seeks to achieve its objective by investing primarily in equity securities of large to medium size companies outside the U.S. The Fund's current policy is, under normal circumstances, to invest at least 80% of its assets in non-U.S. companies. The Fund's investment philosophy is "bottom-up," long-term, and value oriented.

30. The Hancock International Fund is managed by John Hancock and sub-advised by Independence Investment LLC, which is indirectly wholly-owned by John Hancock. The investment objective of the Hancock International Fund is to track the performance of a broad-based equity index of foreign companies in developed and emerging markets. This Portfolio follows a "passive" investment strategy of owning a representative number of stocks in the index it seeks to track. The Fund is normally fully invested at all times.

31. The index used by the Hancock International Fund is a composite that is weighted 90% to the Morgan Stanley Capital International ("MSCI") Europe, Australia and Far East ("EAFE") Gross Domestic Product ("GDP") Index. The MSCI EAFE GDP Index is an index of non-U.S. equities in developed countries, within which each country's representation is weighted in proportion to its gross-domestic product, while companies within each country are weighted by market capitalization. The remaining 10% of the composite consists of the MSCI Emerging Markets Free ("EMF") Index. The MSCI EMF Index is a market capitalization-weighted index of emerging market stocks.

32. The Templeton Developing Fund is managed by Templeton Asset Management Ltd., which has no affiliation with John Hancock. The investment objective of the Templeton Developing Fund is long-term capital

appreciation. The Fund seeks to attain this objective by investing primarily in stocks of "emerging markets" companies, and, under normal circumstances, it invests at least 80% of its assets in such companies. The Fund's investment philosophy is "bottom-up," value oriented, and long-term.

33. The Hancock International Opportunities Fund is managed by John Hancock and is sub-advised by T. Rowe Price International, Inc. The investment objective of this Fund is long-term capital appreciation. The Fund seeks to achieve this objective by investing primarily in the stocks of large established and medium sized companies located outside the U.S., primarily in developed countries and, to a lesser extent, in emerging markets. The Fund's investment philosophy entails fundamental research on individual companies, combined with stock selection of companies with certain growth characteristics. In addition, the Hancock International Opportunities Fund broadly diversifies, whereas the Templeton Developing Fund may, at times, have significant investments in one or more countries and or sectors.

34. The AIM V.I. Growth Fund is managed by AIM Advisors, Inc., which has no affiliation with John Hancock. The investment objective of the AIM V.I. Growth Fund is capital growth. The Fund seeks to meet its objective by

investing principally in seasoned and better capitalized companies considered to have strong earnings momentum. The portfolio managers focus on companies that have experienced above-average growth in earnings and have excellent prospects for future growth.

35. The AIM V.I. Premier Equity Fund also is managed by AIM Advisors, Inc. The investment objective of the AIM V.I. Premier Equity Fund is long-term capital growth. Income is a secondary investment objective. The Fund seeks to meet its objective by investing, normally, at least 80% of its net assets in equity securities, including convertible securities. The portfolio managers focus on undervalued equity securities.

Fund Financial Information

36. The net assets of each Fund as of December 31, 2003 were as follows:

Fund	Net assets
Templeton Foreign	\$697,780,000
Hancock International	98,917,000
Templeton Developing	306,406,000
Hancock International Opportunities	87,288,000
AIM V.I. Growth	363,992,000
AIM V.I. Premier Equity	1,530,359,000

37. Of the net assets shown above for each Replaced Fund, the following amounts were attributable to Contracts, and thus would have been transferred pursuant to the Substitutions described

herein: Templeton Foreign \$7,830,000; Templeton Developing, \$3,823,000; and AIM V.I., Growth \$27,559,000.

38. The total fees and expenses of the Funds for the twelve months ended December 31, 2003, expressed as an annual percentage of average daily net assets, were as follows:

Fund	Total expenses (including advisory fees and 12b-1 fees) (Percent)
Templeton Foreign	1.13
Hancock International	*.28
Templeton Developing	1.83
Hancock International Opportunities	*1.24
AIM V.I. Growth91
AIM Premier Equity85

* Includes expense reimbursement. This percentage would otherwise have been .46% for the Hancock International Fund and 1.25% for the Hancock International Opportunities Fund. No expenses or fees for the other funds were waived or reimbursed.

The expense reimbursement arrangements referred to above are provided for in each affected Fund's Investment Management Agreement.

39. The Fund's investment advisory and Rule 12b-1 fee rates (as an annual percentage of average daily net assets) are as follows:

Fund	Advisory fees rate	Rule 12b-1 fee rate
Templeton Foreign75% of first \$200 million, .675% of next \$1.1 billion, and .60% of additional amounts.	.25%.
Hancock International18% of the first \$100 million, 15% of the next \$100 million, and .11% of additional amounts.	None.
Templeton Developing	1.25%25%.
Hancock International Opportunities	1.30% of first \$20 million, 1.15% of next \$30 million, and 1.05% of additional amounts.	None.
AIM V.I. Growth and AIM V.I. Premier Equity65% of the first \$250 million and .60% of additional amounts ..	None.

40. Neither the Templeton Foreign Fund nor the Hancock International Fund has achieved performance that is clearly superior or inferior to that of the other.

41. The overall performance record of the Hancock International Opportunities Fund has been superior to that of the Templeton Developing Fund.

42. The overall performance record of the AIM V.I. Premier Equity Fund has been superior to that of the AIM V.I. Growth Fund.

Terms of Substitutions

43. Each Substitution will take place at the applicable Funds' relative per share net asset values determined on the

date of the Substitution in accordance with section 22 of the Act and rule 22c-1 thereunder. Each Substitution will be effected by having each Subaccount that invests in a Replaced Fund redeem its shares of the Replaced Fund at the net asset value calculated on the date of the Substitution and purchase shares of the appropriate Replacing Fund at the net asset value calculated on the same date.

44. John Hancock and JHVLICO will pay all expenses and transaction costs of the Substitutions, including all legal, accounting, and brokerage expenses relating to the Substitutions, the below-described disclosure documents, and this application. No costs will be borne

directly or indirectly by Contract owners.

45. Affected Contract owners will not incur any fees or charges as a result of the Substitutions, and the Substitutions will result in no change in their accumulated values under their Contracts. Nor will the rights or the obligations of John Hancock or JHVLICO under the Contracts, or the insurance benefits to Contract owners, be altered in any way. The Substitutions will not cause the fees and charges under the Contracts currently being paid by Contract owners to be greater after the Substitutions than before the Substitutions.

46. The Substitutions requested in this application will be described in supplements to the applicable prospectuses for the Contracts filed with the Commission or in other supplemental disclosure documents, (collectively, "Supplements") and mailed to all affected Contract owners. Each Supplement will give the relevant Contract owners notice of each Substitution that would affect their respective Contracts and will describe the reasons for engaging in that Substitution. The Supplements will also inform existing Contract owners with values allocated to a Subaccount investing in a Replaced Fund that no additional amounts may be allocated to the Subaccounts that invest in that Fund on or after the date of Substitution.

47. In addition, the affected Contract owners will have (and the Supplements will inform them that they have) an opportunity to reallocate their accumulated value:

- Prior to a Substitution, from the Subaccount investing in the Replaced Fund in that Substitution, or
- For 30 days after a Substitution, from a Subaccount investing in the Replacing Fund in that Substitution to one or more Subaccounts investing in other Funds available under the applicable Contract without the reallocation resulting in any transfer charge or limitation, counting toward the Lifetime Cap, or diminishing the number of free transfers that otherwise may be made in a given Contract year.

48. Each affected Contract owner will also be provided with a prospectus for each relevant Replacing Fund, which will accompany or precede the Supplement discussed above.

49. Within five days after a Substitution, John Hancock and JHVLICO each will send to its affected Contract owners written confirmation that the Substitutions have occurred. The confirmations will also identify the shares of the Replaced Portfolios that have been eliminated and the shares of the Replacing Portfolios that have been substituted. That confirmation will reiterate the free transfer rights disclosed in the Supplements that such owners will have previously received.

50. The Substitutions will in no way alter the tax treatment of owners in connection with their Contracts, and no tax liability will arise for Contract owners as a result of the Substitutions.

Applicants' Legal Analysis

1. According to Applicants, the legislative history makes it clear that the purpose of section 26(c) is to protect the expectation of investors in a unit investment trust that the unit

investment trust will accumulate shares of a particular issuer. Applicants state that section 26(c) does this by preventing unscrutinized substitutions, which might, in effect, force shareholders dissatisfied with the replacing security to redeem their shares, thereby possibly incurring either a loss of any sales load deducted from their original investment, an additional sales load upon reinvestment of the redemption proceeds, or both.

2. Applicants submit that all of the Substitutions will benefit Contract owners by moving them to Funds with lower overall expenses and equal or better performance record and prospects.

3. Applicants also contend that the investment characteristics of each Replacing Fund are very similar to those of the corresponding Replaced Fund. In this connection, Applicants point out that the Hancock International Opportunities Fund is somewhat more conservative than the Templeton Developing Fund, and that the AIM V.I. Premier Equity Fund is somewhat more conservative than the AIM V.I. Growth Fund. However, Applicants assert that the Hancock International Fund should not be considered to be either more or less conservative than the Templeton Foreign Fund.

4. Applicants assert that the Substitutions will be effected in a manner that has no adverse economic consequences for Contract owners. In this regard, Applicants will afford affected Contract owners protection against increased expenses and changes, under terms described in Applicants' Condition 1, below.

5. Applicants note that Contract owners who do not wish to participate in a Replacing Fund will have an opportunity to reallocate their accumulated value among other available Subaccounts without the imposition of any charge or limitation.

6. The Substitution from AIM V.I. Growth Fund is to the much larger AIM V.I. Premier Equity Fund, which, according to Applicants, has potential advantages to Contract owners in terms of economies of scale and diversification of portfolio investments. Applicants acknowledge that The Templeton Developing Fund is larger than the Hancock International Opportunities Fund and that the Templeton Foreign Fund is larger than the Hancock International Fund, which would replace it. Nevertheless, Applicants point out that, even without any reimbursement arrangement, the expense ratio of each Replaced Fund is higher than that of the corresponding Replacing Fund.

7. To summarize, Applicants submit (a) that the Substitutions will benefit the affected Contract owners and will not entail any of the abuses against which section 26(c) is addressed, and (b) that the approvals Applicants request under section 26(c) are consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Applicants' Conditions

As conditions to the approvals that Applicants seek,

1. For each fiscal period (not to exceed a fiscal quarter) during the 24 months following the date of Substitution into the Hancock International Fund and the Hancock International Opportunities Fund, each of John Hancock and JHVLICO will adjust the Contract values invested in either of such Funds as a result of the Substitutions, to the extent necessary to effectively reimburse the affected owners for their proportionate share of any amount by which the annual rate of the Replacing Fund's total operating expenses (after any expense waivers or reimbursements) for that fiscal period, as a percentage of the Fund's average daily net assets, plus the annual rate of any asset-based charges (excluding any such charges that are for premium taxes) deducted under the terms of the owner's Contract for that fiscal period, exceed the sum of:

- The annualized rate of the corresponding Replaced Fund's total operating expenses, as a percentage of such replaced Fund's average daily net assets, for the twelve months ended December 31, 2002; plus
- The annual rate of any asset-based charges (excluding any such charges that are for premium taxes) deducted under that Contract for such twelve months.

2. For a period of three years following the date of the Substitution of the AIM V.I. Premier Equity Fund for the AIM V.I. Growth Fund, neither John Hancock nor JHVLICO will receive any direct or indirect benefits from AIM V.I. Premier Equity Fund, any investment adviser or underwriter to that Fund, or any "affiliated person" (as that term is in section 2(a)(3) of the Act) of any of them, that exceed the rate of any benefits that such insurance company directly or indirectly has been receiving from AIM V.I. Growth Fund, any investment adviser or underwriter to that Fund, or any affiliated person of any of them. For this purpose, "benefits" shall be construed to include any investment advisory fees, payments pursuant to rule 12b-1 plans, shareholder or other service fees,

administrative fees, revenue sharing payments, or other similar payments in connection with assets subject to the Substitution (whether such benefits are with respect to the AIM V.I. Premier Equity Fund or part of an overall relationship with AIM V.I. Funds, any investment adviser or underwriter to any of such Fund, or any affiliated person of any of them). In this connection, Applicants also represent that neither such Substitution nor the selection of AIM V.I. Premier Equity Fund as a Replacing Fund have been motivated by the receipt or promised receipt by John Hancock, JHVLICO or any of their affiliated persons of any benefit or other thing of value from AIM V.I. Premier Equity Fund, any investment adviser or underwriter to such Fund, or any affiliated person of any of them.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 03-9261 Filed 4-14-03; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47650; File No. SR-MSRB-2003-02]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Proposed Rule Change Relating to Rule G-14, on Reports of Sales or Purchases

April 8, 2003.

Pursuant to section 19(b)(1) of the Securities and Exchange Act of 1934 (the "Exchange Act") and Rule 19b-4 thereunder,¹ notice is hereby given that on April 7, 2003, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-MSRB-2003-02) (the "proposed rule change") described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The MSRB has filed with the Commission a proposed rule change with regard to Rule G-14, on reports of

sales or purchases, to increase transparency in the municipal securities market. The proposed rule change would not change the wording of Rule G-14.

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 MSRB 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 IV below. The MSRB has prepared summaries, set forth in Section A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to increase price transparency for municipal securities by increasing the amount of price data available on the day after trade date.

Background Information

Since the implementation of the inter-dealer trade reporting system in 1995, the MSRB has been increasing price transparency in the municipal securities market in measured steps.² The first price transparency report was a T+1 report that summarized high, low and average inter-dealer prices for issues that met a trading threshold of four or more trades in the inter-dealer market. In 1998, the MSRB implemented the customer transaction reporting system and customer transaction data was added to the T+1 summary report. The trading threshold of four trades was retained, but since it applied regardless of whether the trades were inter-dealer or customer, many more issues met the trading threshold and were subject to price reporting. In January 2000, the MSRB further enhanced the T+1 report by publishing individual transaction data (rather than high, low and average prices) for each issue contained in the report.

In October 2000 the MSRB began offering a comprehensive transaction report, which lists all municipal securities transactions (regardless of

frequency of trading) and includes late-reported trades, inter-dealer trades compared after trade date, and transaction data corrected by dealers after trade date. The Comprehensive Report began with a minimum one-month delay in trade publication. That delay has gradually been reduced such that the report currently is disseminated on a daily basis, one week after trade date. To make more trade data available on a T+1 basis, in 2002, the MSRB began the process of lowering the trading threshold in the T+1 Daily Report. In May 2002, the MSRB changed the trading threshold to three trades.³ In November 2002, the trading threshold was lowered to two trades.⁴

The T+1 Daily Report and the Comprehensive Report have been well received by market professionals seeking information on market price levels and trading activity for individual securities.⁵ The reports have garnered greater and greater use over time, both with market professionals and through free, customer-oriented outlets such as "InvestingInBonds.com" operated by The Bond Market Association ("TBMA"). At this time, in preparation for the move to real-time price transparency in mid-2004, the MSRB believes that the trading threshold in the T+1 Daily Reports should be eliminated to further increase the price transparency that is available on T+1.

Proposed Changes in the T+1 Daily Report

The MSRB has noted since the outset of its transparency initiative that, as the market obtains experience with price transparency, price reports eventually would need to occur on a more contemporaneous and comprehensive basis, culminating with real-time transaction reporting.⁶ The proposal to change the T+1 Daily Report at this time is part of the MSRB's longstanding plan to introduce transparency in measured steps, allowing the market time to adjust to new situations presented by each new level of price transparency. As an example, when price reports were first introduced in 1995, the MSRB was concerned that an observer might be misled if he or she considered an isolated transaction or pair of transactions as providing the same

³ See Release No. 34-45861 (May 1, 2002), 67 FR 30989.

⁴ See Release No. 34-46819 (November 12, 2002), 67 FR 69779.

⁵ Currently, the MSRB has twenty-four subscribers to the T+1 Daily Report and fifty-one to Comprehensive Report.

⁶ See, e.g., "Board to Proceed with Pilot Program to Disseminate Inter-Dealer Transaction Information," *MSRB Reports*, Vol. 14, No. 1 (January 1994).

¹ 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4 thereunder.

² This plan has been discussed in many notices since 1994. See, e.g., "Board to Proceed with Pilot Program to Disseminate Inter-Dealer Transaction Information," *MSRB Reports*, Vol. 14, No. 1 (January 1994).