

**MEMO# 11067**

June 23, 1999

## **DRAFT COMMENT LETTER ON PROPOSED RULE 17F-7 RELATING TO FOREIGN SECURITIES DEPOSITORIES**

1 SEC Release No. IC-23815 (April 29, 1999). See Memorandum to International Committee No. 19-99, SEC Rules Committee No. 32-99, Securities Operations Committee/Custodians Advisory Group and Rule 17f-5 Working Group dated April 30, 1999. [11067] June 23, 1999  
TO: INTERNATIONAL COMMITTEE No. 26-99 SEC RULES COMMITTEE No. 47-99 SECURITIES OPERATIONS COMMITTEE/CUSTODIANS ADVISORY GROUP RULE 17f-5 WORKING GROUP RE: DRAFT COMMENT LETTER ON PROPOSED RULE 17f-7 RELATING TO FOREIGN SECURITIES DEPOSITORIES

As reported to you earlier, the Securities and Exchange Commission has proposed amendments to rule 17f-5 under the Investment Company Act of 1940 and a new rule 17f-7 under the Act to address the custody of investment company assets outside the US.<sup>1</sup> The proposals would establish standards governing the maintenance of an investment company's assets with a foreign securities depository. We have prepared a draft comment letter, a copy of which is attached. The draft comment letter expresses the belief that the proposal jointly submitted by the Institute and the Association of Global Custodians is preferable to proposed rule 17f-7. The draft letter nevertheless supports significant aspects of the Commission's proposal, such as the use of objective criteria to determine the eligibility of a depository and the elimination of the reasonable care standard with respect to securities depositories. It expresses serious concerns, however, about "risk-limiting conditions" included in proposed Rule 17f-7 and recommends that certain modifications and clarifications be made if the Commission determines to include these types of conditions in the rule. All comments must be submitted to the Commission no later than Thursday, July 15, 1999. Accordingly, please submit comments on this draft of the Institute's comment letter to me at (202) 371-5430, by fax at (202) 326-5841 or by e-mail at [rcg@ici.org](mailto:rcg@ici.org) no later than Tuesday, July 6. Robert C. Grohowski Assistant Counsel Attachment