

MEMO# 5166

September 20, 1993

DRAFT LETTER TO SEC STAFF REGARDING RULE 17F-5'S DEFINITION OF ELIGIBLE FOREIGN CUSTODIAN

September 20, 1993 TO: INTERNATIONAL COMMITTEE NO. 17-93 SEC RULES COMMITTEE
NO. 79-93 AD HOC SUBCOMMITTEE ON RULE 17f-5 RE: DRAFT LETTER TO SEC STAFF
REGARDING RULE 17f-5'S DEFINITION OF ELIGIBLE FOREIGN CUSTODIAN

_____ As previously reported, in January the Institute submitted to the SEC staff proposed revisions to Rule 17f-5 that would implement recommendations in the Protecting Investors Report that the role of fund boards of directors under the rule be reduced to one of general oversight of business decisions made by the fund's adviser or primary custodian. On April 29 and July 29, we met with SEC staff to discuss the Institute's proposal. In our January submission and our meetings with the staff, we indicated that the Institute would submit suggestions regarding the rule's definition of "eligible foreign custodian." The ad hoc subcommittee on Rule 17f-5 has met twice to consider the definition of "eligible foreign custodian." Attached for your review is a draft letter to the SEC staff that recommends that the Commission consider amending the rule to a) codify existing exemptive orders that permit certain ineligible foreign entities to hold fund assets if a qualified custodian remains liable for certain losses of fund assets, and b) provide alternatives to the minimum shareholder equity requirements set forth in subparagraphs (c)(2)(i) and (ii). In order that we may submit our suggestions to the SEC staff as soon as possible, please submit any comments that you may have to me no later than C.O.B. on Monday, September 27. I may be reached at 202-955-8419 or by fax at 202-659-1519. Angela C. Goelzer Associate Counsel Attachment