

MEMO# 9447

November 24, 1997

INSTITUTE NO-ACTION LETTER REGARDING COMPULSORY SECURITIES DEPOSITORIES UNDER RULE 17F-5

* See Memorandum to Accounting/Treasurers Members No. 18-97; Closed-End Investment Company Members No. 14-97; International Members No. 7-97; SEC Rules Members No. 36-97; and Unit Investment Trust Members No. 14- 97, dated May 15, 1997. [9447]
November 24, 1997 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 50-97 SEC RULES COMMITTEE No. 116-97 RE: INSTITUTE NO-ACTION LETTER REGARDING COMPULSORY SECURITIES DEPOSITORIES UNDER RULE 17f-5

As we previously informed you, the Securities and Exchange Commission adopted amendments to Rule 17f-5, the rule that governs the custody of investment company assets outside of the United States.* The rule amendments permit investment company directors to delegate their duties to select foreign custodians and to monitor foreign custody arrangements to the funds investment adviser, officers, or U.S. banks or qualified foreign banks ("custodian banks"). Attached is a letter to the Securities and Exchange Commissions staff asking them to confirm that amended Rule 17f-5 permits the board of directors of any investment company to delegate to custodian banks the responsibilities set forth in Rule 17f-5(c) with respect to any compulsory securities depository. The letter points out that Rule 17f-5 permits a custodian bank to select eligible foreign custodians that will provide reasonable care for fund assets. The Commission defined eligible foreign custodian to include securities depositories and did not distinguish compulsory securities depository from any other securities depository, thereby permitting fund directors to delegate to a custodian bank these responsibilities with respect to fund assets maintained in compulsory securities depositories. In addition, the letter states that permitting this delegation to custodian banks is supported by common sense because custodian banks have the greatest ability to obtain, and the expertise to evaluate, information regarding a compulsory securities depository. Dorothy M. Donohue Associate Counsel Attachment (in .pdf format)