

**MEMO# 5267**

October 27, 1993

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

October 27, 1993 TO: INTERNATIONAL COMMITTEE NO. 23-93 SEC RULES COMMITTEE NO. 95-93 AD HOC SUBCOMMITTEE ON RULE 17F-5 RE: LETTER TO SEC STAFF REGARDING RULE 17f-5'S DEFINITION OF ELIGIBLE FOREIGN CUSTODIAN

On October 13, the Institute submitted a letter to the SEC staff that recommends that the Commission consider amending Rule 17f-5's definition of "eligible foreign custodian" 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). As you know, 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." Attached is a copy of the Institute's letter. Angela C. Goelzer Associate Counsel Attachment

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