



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
INVESTMENT MANAGEMENT

May 22, 1996

Bancafe/Juan Vico
P.O. Box 526150
Miami, Fla. 33152

ACT ICA-40
SECTION _____
RULE 17f-5
PUBLIC _____
AVAILABILITY 5/22/96

Dear Mr. Juan Vico:

This letter is in response to your telephone conversation with Barry Mendelson of the Office of Chief Counsel. You request information on Rule 17f-5 under the Investment Company Act of 1940 ("1940 Act") concerning the requirements to become an eligible foreign custodian for U.S. investment companies.

Section 17(f) of the 1940 Act sets forth the custodial requirements for U.S.-registered management investment companies ("funds"). Rule 17f-5 thereunder permits funds to maintain their assets with certain categories of "eligible foreign custodians." These include foreign banks that have more than \$200 million shareholders equity; majority-owned subsidiaries of U.S. banks that have more than \$100 million shareholders' equity; transnational foreign securities depositories and clearing agencies; and certain centralized securities depositories and clearing agencies.

Rule 17f-5 is self-operative and does not require a foreign institution that satisfies the definition of "eligible foreign custodian" to obtain the approval of the U.S. Securities and Exchange Commission to serve as an eligible foreign custodian for U.S.-registered investment companies. However, custody arrangements with foreign institutions that do not meet the requirements of Rule 17f-5 are evaluated on a case-by-case basis. We suggest that you consult an attorney familiar with the U.S. federal securities laws.

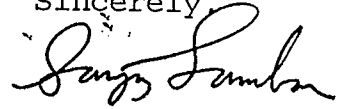
On July 27, 1995, the Commission proposed for public comment amendments to Rule 17f-5 that would, among other things, amend the definition of "eligible foreign custodian." I have enclosed with this letter a copy of the release proposing these amendments. Also enclosed is a copy of Section 17(f), the current Rule 17f-5, and three no-action letters for your information.¹

¹ See, Pictet & Cie (pub. avail. Sept. 9, 1993); Union Bank of Norway (pub. avail. Nov. 30, 1992); Canada Trustco Mortgage Company (pub. avail. Dec. 29, 1989)

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I hope that you find this information helpful. If you have any further questions, please contact this office at (202) 942-0659 or [FAX] (202) 942-9659.

Sincerely,



Sanjay Lamba
Law Clerk

Attachments

1-800-828-7243
1-800-828-7243
1-800-828-7243