

SECURITIES AND EXCHANGE COMMISSION

Existing Collection; Comment Request

[Extension: Rule 17f-5, SEC File No. 270-259, OMB Control No. 3235-0269; Rule 17f-7, SEC File No. 270-470, OMB Control No. 3235-0529; Form N-17D-1, SEC File No. 270-231, OMB Control No. 3235-0229; Rule 18f-1 and Form N-18F-1, SEC File No. 270-187, OMB Control No. 3235-0211; Rule 19b-1, SEC File No. 270-312, OMB Control No. 3235-0354]

Upon written request, copies available from: Securities and Exchange Commission, Office of Filings and Information Services, 450 Fifth Street, NW, Washington, DC 20549.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 USC 3501-3520), the Securities and Exchange Commission ("Commission") is soliciting comments on the collections of information summarized below. The Commission plans to submit these existing collections of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 17f-5 under the Investment Company Act of 1940 [15 USC 80a] ("Investment Company Act" or "Act") governs the custody of the assets of registered management investment companies ("funds") with custodians outside the United States. Under Rule 17f-5, the fund's board of directors must find that it is reasonable to rely on each delegate it selects to act as the fund's foreign custody manager. The delegate must agree to provide written reports that notify the board when the fund's assets are placed with a foreign custodian and when any material change occurs in the fund's custody arrangements. The delegate must agree to exercise reasonable care, prudence, and diligence, or to adhere to a higher standard of care. When the foreign custody manager selects an eligible foreign custodian, it must determine that the fund's assets will be subject to reasonable care if maintained with that custodian, and that the written contract that governs each custody arrangement will provide reasonable care for fund assets. The contract must contain certain specified provisions or others that provide at least equivalent care. The foreign custody manager must establish a system to monitor the contract and the appropriateness of continuing to maintain assets with the eligible foreign custodian.

The collection of information requirements in rule 17f-5 are intended to provide protection for fund assets maintained with a foreign bank custodian whose use is not authorized

by statutory provisions that govern fund custody arrangements,¹ and is not subject to regulation and examination by U.S. regulators. The requirement that the fund board determine that it is reasonable to rely on each delegate is intended to ensure that the board carefully considers each delegate's qualifications to perform its responsibilities. The requirement that the delegate provide written reports to the board is intended to ensure that the delegate notifies the board of important developments concerning custody arrangements so that the board may exercise effective oversight. The requirement that the delegate agree to exercise reasonable care is intended to provide assurances to the fund that the delegate will properly perform its duties.

The requirements that the foreign custody manager determine that fund assets will be subject to reasonable care with the eligible foreign custodian and under the custody contract, and that each contract contain specified provisions or equivalent provisions, are intended to ensure that the delegate has evaluated the level of care provided by the custodian, that it weighs the adequacy of contractual provisions, and that fund assets are protected by minimal contractual safeguards. The requirement that the foreign custody manager establish a monitoring system is intended to ensure that the manager periodically reviews each custody arrangement and takes appropriate action if developing custody risks may threaten fund assets.

The Commission's staff estimates that each year, approximately 160 registrants² could be required to make an average of one response per registrant under rule 17f-5, requiring approximately 2 hours of director time per response, to make the necessary findings concerning foreign custody managers. The total annual burden associated with these requirements of the rule would be up to approximately 320 hours (160 registrants × 2 hours per registrant). The staff further estimates that during each year, approximately 15 global custodians³ would be required to

make an average of 4 responses per custodian concerning the use of foreign custodians other than depositories, requiring approximately 800 total hours annually per custodian.⁴ The total annual burden associated with these requirements of the rule would be approximately 12,000 hours (15 global custodians × 800 hours per global custodian). Therefore, the total annual burden of all collection of information requirements of rule 17f-5 is estimated to be up to 12,320 hours (320 + 12,000). The total annual cost of burden hours is estimated to be \$6,760,000 (12,320 hours × \$500/hour for director time, plus 12,000 hours × \$50/hour of professional time).

Rule 17f-7 permits funds to maintain their assets in foreign securities with depositories under certain conditions. The rule contains some "collection of information" requirements. An eligible securities depository has to meet minimum standards for a depository. The fund or its investment adviser generally determines whether the depository complies with those requirements based on information provided by the fund's primary custodian (a bank that acts as global custodian). The depository custody arrangement has to meet certain risk limiting requirements. The fund can obtain indemnification or insurance arrangements that adequately protect the fund against custody risks. The fund or its investment adviser generally determines whether indemnification or insurance provisions are adequate. If the fund does not rely on indemnification or insurance, the fund's contract with its primary custodian is required to state that the custodian will provide to the fund or its investment adviser a custody risk analysis of each depository, monitor risks on a continuous basis, and promptly notify the fund or its adviser of material changes in risks. The primary custodian and other custodians also are required to agree to exercise reasonable care.

The collection of information requirements in rule 17f-7 are intended to provide workable standards that protect funds from the risks of using securities depositories while assigning appropriate responsibilities to the fund's primary custodian and investment adviser based on their capabilities. The requirement that the depository meet specified minimum standards is intended to ensure that the depository is subject to basic safeguards deemed appropriate for all depositories. The requirement that the custody

¹ See section 17(f) of the Investment Company Act [15 USC 80a-17(f)].

² This figure is an estimate of the number of new funds each year, based on data reported by funds in 2001 on Form N-1A and Form N-2 [17 CFR 274.101]. In practice, not all funds will use foreign custody managers, and the actual figure may be smaller.

³ This estimate is the same used in connection with the adoption of the amendments to rule 17f-5 and of rule 17f-7 in 1999, based on staff review of custody contracts and other research. The number of global custodians has not changed significantly since 1999.

⁴ These estimates are based on a survey of global custodians.

contract state that the fund's primary custodian will provide an analysis of the custody risks of depository arrangements, monitor the risks, and report on material changes is intended to provide essential information about custody risks to the fund's investment adviser as necessary for it to approve the continued use of the depository. The requirement that the primary custodian agree to exercise reasonable care is intended to provide assurances that its services and the information it provides will meet an appropriate standard of care. The alternative requirement that the fund obtain adequate indemnification or insurance against the custody risks of depository arrangements is intended to provide another, potentially less burdensome means to protect assets held in depository arrangements.

The staff estimates that approximately 900 investment advisers⁵ would make an average of 4 responses annually per adviser under the proposed rule, requiring a total of approximately 20 hours for each adviser, to address depository compliance with minimum requirements, any indemnification or insurance arrangements, and reviews of risk analyses or notifications. The total annual burden associated with these requirements of the rule would be approximately 18,000 hours (900 advisers $\times$ 20 hours per adviser). The staff further estimates that during each year, approximately 15 global custodians would make an average of 4 responses per custodian under the rule, requiring approximately 800 hours annually per custodian.⁶ The total annual burden associated with these requirements of the new rule would be approximately 12,000 hours (15 custodians $\times$ 800 hours). Therefore, the staff estimates that the total annual burden associated with all collection of information requirements of the rule would be 30,000 hours (18,000 + 12,000). The total annual cost of burden hours is estimated to be \$1,500,000 (30,000 hours $\times$ \$50/hour of professional time).

Section 17(d) [15 U.S.C. 80a-17(d)] of the Investment Company Act authorizes the Commission to adopt rules that protect investment companies and their security holders from overreaching by affiliated persons when the fund and the affiliated person participate in any joint enterprise or other joint arrangement or profit-sharing plan. Rule 17d-1 under

the Act [17 CFR 270.17d-1] prohibits funds and their affiliated persons from participating in a joint enterprise, unless an application regarding the transaction has been filed with and approved by the Commission. Subparagraph (d)(3) of the rule provides an exemption from this requirement for any loan or advance of credit to, or acquisition of securities or other property of, a small business concern, or any agreement to do any of the foregoing ("investments") made by a small business investment company ("SBIC") and an affiliated bank, provided that reports about the investments are made on forms the Commission may prescribe. Rule 17d-2 [17 CFR 270.17d-2] designates Form N-17D-1 as the form for reports required by rule 17d-1(3).

SBICs and their affiliated banks use Form N-17D-1 to report any contemporaneous investments in a small business concern. The form provides shareholders and persons seeking to make an informed decision about investing in an SBIC an opportunity to learn about transactions of the SBIC that have the potential for self dealing and other forms of overreaching by affiliated persons of the SBIC at the shareholders' expense.

Form N-17D-1 requires SBIC's and their affiliated banks to report identifying information about the small business concern and the affiliated bank. The report includes, among other things, the SBIC's and affiliated bank's outstanding investments in the small business concern, the use of the proceeds of the investments made during the reporting period, any changes in the nature and amount of the affiliated bank's investment, the name of any affiliated person of the SBIC or the affiliated bank (or any affiliated person of an affiliated person of the SBIC or affiliated bank) who has any interest in the transactions, the basis of the affiliation, the nature of the interest, and the consideration the affiliated person has received or will receive.

Up to seven SBICs may file the form in any year.⁷ The Commission estimates the burden of filling out the form is approximately one hour per response and would likely be completed by an accountant or other professional. Based on past filings, the Commission estimates that no more than one SBIC is likely to use the form each year. The total annual burden of filling out the form is one hour and the total annual cost is approximately \$38.⁸

Rule 18f-1 [17 CFR 270.18f-1] enables a registered open-end management investment company that may redeem its securities in-kind, by making a one-time election, to commit to make cash redemptions pursuant to certain requirements without violating section 18(f) of the Investment Company Act [15 U.S.C. 80a-18(f)]. A fund relying on the rule must file Form N-18F-1 [17 CFR 274.51] to notify the Commission of this election. The Commission staff estimates that approximately 70 funds file Form N-18F-1 annually, and that each response takes approximately one hour. Based on these estimates, the total annual burden hours associated with the rule is estimated to be 70 hours.

Rule 19b-1 is entitled "Frequency of Distribution of Capital Gains." The rule prohibits registered investment companies from distributing long-term capital gains more than once every twelve months unless certain conditions are met. Rule 19b-1(c) permits unit investment trusts ("UITs") engaged exclusively in the business of investing in certain eligible fixed-income securities to distribute long-term capital gains more than once every twelve months, if (i) the capital gains distribution falls within one of several categories specified in the rule [rule 19b-1(c)(1)] and (ii) the distribution is accompanied by a report to the unit holder that clearly describes the distribution as a capital gains distribution [rule 19b-1(c)(2)] (the "notice requirement"). The purpose of this notice requirement is to ensure that unit holders understand that the source of the distribution is long-term capital gains.

Rule 19b-1(e) permits a fund to apply for permission to distribute long-term capital gains more than once a year if the fund did not foresee the circumstances that created the need for the distribution. The application must set forth the pertinent facts and explain the circumstances that justify the distribution. An application that meets those requirements is deemed to be granted unless the Commission denies the request within 15 days after the Commission receives the application. The Commission uses the information required by rule 19b-1(e) to facilitate the processing of requests from funds for authorization to make a distribution that would not otherwise be permitted by the rule.

professionals with an average hourly wage rate of \$37.50 per hour. See Securities Industry Association, *Report on Management and Professional Earnings in the Securities Industry—2000* (2000) (reporting median salary paid to senior accountants outside New York).

⁵ This figure is based on an estimate by the staff that there are approximately 3,650 registered funds within approximately 900 fund complexes. A fund complex is a group of funds with the same adviser.

⁶ These estimates are based on a survey of global custodians.

⁷ As of December 31, 2001, seven SBICs were registered with the Commission.

⁸ Commission staff estimates that the annual burden would be incurred by accounting

The Commission staff estimates that the time required to prepare an application under rule 19b-1(e) is approximately four hours. The staff estimates that on average one fund files one application per year under this rule. Based on these estimates, the total paperwork burden is 4 hours for paragraph (e) of rule 19b-1. The Commission staff estimates that there is no hour burden associated with rule 19b-1(c).

There is, however, a cost burden associated with rule 19b-1(c). The staff estimates that there are approximately 8,800 fixed-income UITs, which may rely on rule 19b-1(c) to make capital gains distributions. We estimate that on average each of these UITs relies on rule 19b-1(c) once a year to make a capital gains distribution.⁹ We estimate that a UIT incurs a cost of \$50, which is encompassed within the fee the UIT pays its trustee, to prepare a notice for a capital gains distribution under rule 19b-1(c)(2). Because the notices are mailed with the capital gains distribution, there is no separate mailing cost. Thus, the staff estimates that the notice requirement imposes an annual cost on UITs of approximately \$440,000.

Based on these calculations, the total number of respondents for rule 19b-1 is estimated to be 8,801 (8,800 UIT portfolios + 1 fund filing an application under rule 19b-1(e)), the total hour burden is estimated to be 4 hours, and the total cost burden is estimated to be \$440,000.

The collections of information required by 19b-1(c) and 19b-1(e) are necessary to obtain the benefits described above.

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Written comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the Commission, including whether the information has practical utility; (b) the accuracy of the Commission's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d)

ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. The Commission will consider comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 5th Street, NW, Washington, DC 20549.

Dated: May 3, 2002.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[File No. 1-7256]

Issuer Delistings; Notice of Application to Withdraw From Listing and Registration on the Pacific Exchange, Inc. (International Aluminum Corporation, Common Stock, \$1.00 Par Value)

May 9, 2002.

International Aluminum Corporation, a California corporation, ("Issuer"), has filed an application with the Securities and Exchange Commission ("Commission"), pursuant to section 12(d) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 12d2-2(d) thereunder,² to withdraw its Common Stock, \$1.00 par value ("Security"), from listing and registration on the Pacific Exchange, Inc. ("PCX" or "Exchange").

The Board of Directors ("Board") of the Issuer approved a resolution on March 15, 2002 to withdraw its Security from listing on the Exchange. The Board cited low trading volume and negligible benefit derived from the Issuer's listing as reasons for delisting its Security on the PCX. The Issuer will continue to list its Security on the New York Stock Exchange, Inc. ("NYSE").

The Issuer stated in its application that it has complied with the rules of the PCX that govern the removal of securities from listing and registration on the Exchange. The Issuer's application relates solely to the withdrawal of the Securities from listing on the PCX and shall have no effect upon the Security's continued listing on

the NYSE and registration under Section 12(b) of the Act.³

Any interested person may, on or before May 30, 2002, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609, facts bearing upon whether the application has been made in accordance with the rules of the PCX and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Jonathan G. Katz,

Secretary.

[FR Doc. 02-12112 Filed 5-14-02; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 25573; 812-12738]

The Wachovia Funds, et al.; Notice of Application

May 9, 2002.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of application under section 17(b) of the Investment Company Act of 1940 ("Act") for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain series of registered open-end management investment companies to acquire all of the assets and certain identified liabilities of certain other series of the investment companies. Because of certain affiliations, applicants may not rely on rule 17a-8 under the Act.

APPLICANTS: The Wachovia Funds, The Wachovia Municipal Funds, The Wachovia Variable Insurance Funds (collectively, the "Wachovia Trusts"); Evergreen Equity Trust, Evergreen Select Equity Trust, Evergreen Fixed Income Trust, Evergreen Select Fixed Income Trust, Evergreen International Trust, Evergreen Select Money Market Trust, Evergreen Municipal Trust, and Evergreen Variable Annuity Trust (collectively, the "Evergreen Trusts"); and Wachovia Bank National Association ("Wachovia Bank").

⁹ The number of times UITs rely on the rule to make capital gains distributions depends on a wide range of factors and, thus, can vary greatly across years.

¹ 15 U.S.C. 78l(d).

² 17 CFR 240.12d2-2(d).

³ 15 U.S.C. 78l(b).

⁴ 17 CFR 200.30-3(a)(1).