



DIVISION OF
INVESTMENT MANAGEMENT

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

April 24, 1996

VIA FACSIMILE AND AIR MAIL

Mr. GE Anderson
Executive Officer
Financial Services Board
446 Rigal Avenue
South Erasmusrand 0181
P.O. Box 35655
Menlopark Pretoria RSA 0102
SOUTH AFRICA

ACT I CA - 40
SECTION _____
RULE 17f-5
PUBLIC _____
AVAILABILITY 4/24/96

Dear Mr. Anderson:

This letter is in response to your facsimile of April 16, 1996 and letter dated February 12, 1996. You request information on Rule 17f-5 under the Investment Company Act of 1940 ("1940 Act"), as well as other relevant provisions 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.

Based on the nature of the activities of the Central Depository Limited ("CD"), subparagraphs (c)(2)(iii) and (c)(2)(iv) of Rule 17f-5 seem most relevant to your inquiry.¹

¹ Your letter states that the Central Depository Limited ("CD") is the only central securities depository registered under South Africa's Safe Deposit of Securities Act, 1992. The CD currently holds only debt securities, but negotiations are under way to determine

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Rule 17f-5(c)(2)(iii) defines the term "eligible foreign custodian" to include a "securities depository or clearing agency, incorporated or organized under the laws of a country other than the United States, which operates the central system for handling of securities or equivalent book-entries in that country."² Rule 17f-5(c)(2)(iv) defines an eligible foreign custodian as a "securities depository or clearing agency, incorporated or organized under the laws of a country other than the United States which operates a transnational system for the central handling of securities or equivalent book-entries."

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. If the CD is the only central depository for handling securities or equivalent book-entries in South Africa, it falls within the definition of eligible foreign custodian and does not need the approval of the Commission to provide custodial services to U.S. funds.

Foreign custody arrangements with foreign securities depositories or clearing agencies that do not operate the central system for handling securities or equivalent book-entries in a

whether it will accept equity certificates for custodial purposes.

² Section 3(a)(23)(A) of the Securities Exchange Act of 1934 defines "clearing agency" generally as an intermediary that makes payments or deliveries in connection with transactions in securities. The term includes any entity, such as a securities depository, that (1) acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of an issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping without physical delivery of securities certificates, or (2) otherwise permits or facilitates the settlement of securities without physical delivery of securities certificates.

Rule 17f-4 defines a "securities depository" as a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of securities."

Rule 17f-5(c)(2)(iii) refers to both securities depositories and clearing agencies because a foreign securities depository may be known as a "clearing agency" in certain countries. See Investment Company Act Rel. No. 13724 at n. 31 (Jan. 17, 1984) (reproposing Rule 17f-5).

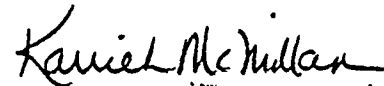
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given country are evaluated on a case-by-case basis.³ If the CD does not satisfy the "eligible foreign custodian" requirements under Rule 17f-5, we suggest that you consult an attorney familiar with the U.S. federal securities laws.

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 am sending via air mail a copy of the release proposing these amendments, a copy of Rule 17f-4 and Section 3(a)(23)(A) of the Securities Exchange Act of 1934, and two no-action letters, Jardine Fleming China Region Fund, Inc. and Camara de Liquidacao e Custodia S/A. Transmitted with this fax is a copy of Section 17(f) and the current Rule 17f-5 for your information.

I hope that you find this information helpful. If you have any further questions, please contact this office at (202) 942-0660 or [FAX] (202) 942-9659.

Sincerely,



Karrie L. McMillan
Special Counsel

Attachments

cc: Mr. Michael D. Mann
Director, Office of International Affairs

³ See, e.g., Malaysian Central Depository Sdn. Bhd. (pub. avail. May 19, 1993); Jardine Fleming China Region Fund, Inc. and Custody of B Shares Trading on the Shenzhen and Shanghai Securities Exchanges (both pub. avail. Apr. 26, 1993); Camara de Liquidacao e Custodia S/A and Bolsa de Valores de Sao Paulo (both pub. avail. Oct. 28, 1992).

John O'Hara

To Aan	Mr Peter Geraghty
Company Maatskappy	SECURITIES AND EXCHANGE COMMISSION, USA
From Van	Mr GE Anderson
Time Tyd	14h20
Date Datum	16 April 1996
Fax No.	091 - 202 - 942 9524
Pages Bladsye	One

FAX**FSB
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**FINANCIAL SERVICES BOARD
RAAD OP FINANSIËLE DIENSTE**
TEL (012) 347-0660 FAX (012) 347-0221

Dear Sir

The telephone conversation between yourself and Mr Gerry Anderson of this Office, with regard to a no action letter for a Central Securities Depository, refers.

It will be highly appreciated if you could urgently send us either by fax or email a copy of Rule 17f-5 as promulgated under the Investment Company Act, 1940, as well as copies of any other related Rules or Provisions which are referred to within the content of the said Rule 17f-5.

The fax number and e-mail address are as follows:

Int Fax : +27-12-347-0221

Email : fsb@solo.pipex.co.za

Your assistance in this regard is highly appreciated.

Yours faithfully


Mr GE Anderson

FINANCIAL SERVICES BOARD

446 Rigel Avenue South Erasmusrand 0181 P O Box 35655 Menlopark Pretoria RSA 0102
Tel (012) 347-0660 Int +27-12-3470660 Fax (012) 347-0221

Enquiries: GE Anderson
Our ref: 23/1/17/3/1
Date: 12 February 1996



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ATTENTION MR MICHAEL D. MANN

The Director
Office of International Affairs
United States Securities and Exchange Commission
Washington DC
UNITED STATES OF AMERICA

PER FACSIMILE 091 202 942 9524


Dear Mr Mann

NO ACTION LETTER FOR CENTRAL SECURITIES DEPOSITORY

The Central Depository Limited ("the CD") is the only central securities depository registered in terms of the Safe Deposit of Securities Act, 1992, which came into operation in 1993 and is regulated by this Office. Although currently only bonds (debt securities) are lodged with the CD, negotiations are under way for the lodging of equity certificates for custodial purposes. As part of the internationalisation drive it has become necessary that the CD be recognised, where applicable, by foreign regulators and in view of this it will be appreciated if you would forward the details of the procedure to be followed in order to obtain a "no action letter" issued by the Securities and Exchange Commission.

It is understood that similar "no action letters" have already been granted to both French and German depositories and in order to facilitate the CD's application in this regard a copy of such a document will also be appreciated. Any further advice that you may deem necessary in this regard to enable the application to be proceeded with speedily will be welcomed.

Yours faithfully


EXECUTIVE OFFICER

Board Members: Dr C J de Swart (Chairman) W J Haslam K Nilsson
P J Badenhorst (Executive Officer)