

responsibly and with due care for confidentiality.

To date, plans have been approved for seven exchanges and one national securities association: the American Stock Exchange, the Boston Stock Exchange, the Chicago Stock Exchange, the New York Stock Exchange, the Pacific Exchange, the Philadelphia Stock Exchange, and the Chicago Board Options Exchange, and for the National Association of Securities Dealers (collectively the "SROs"). For the SROs that have already submitted their fingerprint plans to the Commission, there is no requirement for them with approved plans to submit subsequent filings to the Commission and, therefore, there is no continuing annual reporting or recordkeeping burden.

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 control number.

Written comments regarding the above information should be directed to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503; and (ii) Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549. Comments must be submitted to OMB within 30 days of this notice.

Dated: August 16, 1999.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-22115 Filed 8-25-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23956; 812-11112]

Core Trust (Delaware), et al.; Notice of Application

August 19, 1999.

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

ACTION: Notice of application for an order pursuant to section 17(d) of the Investment Company Act of 1940 ("Act") and rule 17d-1 under the Act.

SUMMARY OF THE APPLICATION:

Applicants request an order to permit certain registered investment companies to pay fees based on a share of the revenue generated from securities

lending transactions to an affiliated lending agent.

APPLICANTS: Core Trust (Delaware) ("Core Trust"), Norwest Advantage Funds ("Norwest Advantage"), and Norwest Select Funds ("Norwest Select") (collectively, "Norwest Trusts"); Norwest Bank Minnesota, N.A. ("Norwest Bank"); Norwest Investment Management, Inc. ("Norwest"); Stagecoach Funds, Inc. ("Stagecoach"); Life & Annuity Trust ("LAT"); Wells Fargo Bank, N.A. ("WF Bank"); and Wells Capital Management Incorporated ("WCM").

FILING DATES: The application was filed on April 20, 1998. Applicants have agreed to file an additional amendment, the substance of which is incorporated in this notice, during the notice period.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on September 13, 1999, and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

Applicants: Norwest Advantage and Norwest Select, Attn: Don L. Evans, Two Portland Square, Portland, ME 04101; Core Trust, Attn: David I. Goldstein, Two Portland Square, Portland, ME 04101; Norwest Bank and Norwest, Attn: Jeffrey P. Lund, Norwest Center, Sixth and Marquette, Minneapolis, MN 55479-1026; Stagecoach and LAT, 111 Center Street, Little Rock, AR 72201; WF Bank and WCM, Attn: C. David Messman, 525 Market Street, San Francisco, CA 94105.

FOR FURTHER INFORMATION CONTACT: Rachel H. Graham, Senior Counsel, at (202) 942-0583, or Christine Y. Greenlees, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the Commission's Public Reference Branch,

450 Fifth Street, NW, Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. Each Norwest Trust is an open-end management investment company registered under the Act and organized as a Delaware business trust. Norwest Advantage consists of thirty-nine series, Norwest Select consists of four series, and Core Trust consists of twenty-one series. Norwest serves as investment adviser to each series of the Norwest Trusts, with the exception of the International Portfolio of Core Trust (each such series a "Norwest Advised Fund"). Norwest is registered under the Investment Advisers Act of 1940 ("Advisers Act") and is a wholly-owned subsidiary of Norwest Bank, which in turn is a wholly-owned subsidiary of Wells Fargo & Company ("Wells Fargo"). Norwest Bank serves as custodian for each Norwest Advised Fund.

2. Stagecoach, a Maryland corporation, and LAT, a Delaware business trust, are open-end management investment companies registered under the Act. WF Bank serves as investment adviser and custodian for the thirty-four series of Stagecoach and the six series of LAT (each a "Wells Fargo Fund" and, together with the Norwest Advised Funds, the "Funds"). WF Bank is exempt from registration under the Advisers Act and is a wholly-owned subsidiary of Wells Fargo. WCM, an investment adviser registered under the Advisers Act and a wholly-owned subsidiary of WF Bank, is a subadviser for the Wells Fargo Funds.

3. Applicants request that any relief granted pursuant to the application also apply to (i) future series of the Norwest Trusts, Stagecoach, and LAT, and to all other registered open-end management investment companies for which Norwest or WF Bank (or a person controlling, controlled by, or under common control with Norwest or WF Bank) may now or in the future act as investment adviser (collectively, "Future Funds"); and (ii) any entity controlling, controlled by, or under common control with Norwest Bank that acts as custodian for any Fund or Future Fund (each a "Norwest Affiliate").¹

4. Each of the Norwest Advised Funds is permitted under its investment objectives, policies, and restrictions to lend its portfolio securities. Pursuant to

¹ Each Fund that currently intends to rely on the requested order is named as an applicant. Any Future Fund or Norwest Affiliate that relies on the requested relief will do so only in compliance with the terms and conditions of the application.

no-action relief obtained by Norwest Advantage, the Norwest Advised Funds currently participate in a securities lending program ("Program") with Norwest Bank acting as lending agent for each such Fund.² Under the Program, Norwest Bank may lend portfolio securities on behalf of each Norwest Advised Fund to pre-approved borrowers on terms pre-approved by Norwest. As collateral for the securities loaned, Norwest Bank may accept cash or other types of collateral, such as government securities. Cash collateral is invested by or under the direction of Norwest in instruments pre-approved by Norwest.

5. Norwest provides certain services in connection with the Program. Norwest determines which securities are available for loan and has the discretion and power to prevent any loan from being made or to terminate any loan. Norwest also monitors Norwest Bank to ensure that securities loans are effected in accordance with its instructions and within the procedures adopted by the board of trustees of each Norwest Trust (each a "Norwest Board" and, collectively, the "Norwest Boards"), including a majority of the trustees of each Norwest Board who are not "interested persons" within the meaning of the Act. The Norwest Advised Funds currently pay Norwest Bank a fee for its lending services that is based on the number and complexity of the actions that Norwest Bank performs in connection with the Program. Applicants contend that this compensation arrangement is administratively cumbersome and time-consuming. Applicants request relief to permit the Norwest Advised Funds to pay to Norwest Bank fees based on a share of the revenue generated from securities lending transactions. With respect to securities loans collateralized by cash, Norwest Bank would receive a pre-negotiated percentage of the return earned on investment of the cash collateral, after payment of any agreed-upon amount to the borrower. In the case of collateral other than cash, Norwest Bank would negotiate a lending fee to be paid by the borrower to the Norwest Advised Fund, of which Norwest Bank would receive a pre-negotiated percentage.

6. Each of the Wells Fargo Funds is permitted under its investment objectives, policies, and restrictions to lend its portfolio securities. The Wells Fargo Funds intend to establish a securities lending program and to retain Norwest Bank as custodian and lending

agent for each Wells Fargo Fund. The duties to be performed by Norwest Bank as lending agent would be consistent with, and not exceed, the parameters set forth in the Norwest Letter. Applicants request relief to permit the Wells Fargo Funds to compensate Norwest Bank for its services as lending agent by paying it a percentage of the lending fee received by a Wells Fargo Fund or of the return earned by such Fund on the investment of cash collateral.

Applicants' Legal Analysis

1. Section 17(d) of the Act and rule 17d-1 under the Act, in relevant part, prohibit an affiliated person of a registered investment company, or an affiliated person of such a person ("Second Tier Affiliate"), acting as principal, from participating in any joint enterprise or other joint arrangement or profit-sharing plan in which the investment company participates, unless the Commission has issued an order authorizing the arrangement. Section 2(a)(3) of the Act defines "affiliated person" to include: any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; any person directly or indirectly controlling, controlled by, or under common control with the other person; and, in the case of an investment company, its investment adviser.

2. Norwest Bank is an affiliated person of Norwest because it controls Norwest. As investment adviser to the Norwest Advised Funds, Norwest is an affiliated person of each Norwest Advised Fund. Norwest Bank, therefore, is a Second Tier Affiliate of each Norwest Advised Fund. Norwest Bank also may be deemed to be an affiliated person or Second Tier Affiliate of certain Norwest Advised Funds because it and its affiliates hold more than 5% of the outstanding voting shares of those Funds. With respect to the Wells Fargo Funds, WF Bank is the investment adviser to, and hence an affiliated person of, each Wells Fargo Fund. Norwest Bank and WF Bank are affiliated persons of one another because each is under the control of Wells Fargo. Norwest Bank, therefore, is a Second Tier Affiliate of each Wells Fargo Fund.

3. Applicants state that each Fund's proposed lending arrangements may be deemed a joint enterprise or profit-sharing plan within the meaning of section 17(d) and rule 17d-1 because Norwest Bank, as lending agent, would share in the revenue generated by each Fund's securities lending transactions. Applicants therefore request an order to

permit the Funds to engage in the proposed fee sharing arrangement with Norwest Bank.

4. In determining whether to grant an order under rule 17d-1, the Commission will consider (i) whether the proposed arrangement is consistent with the provisions, policies, and purposes of the Act, and (ii) the extent to which the investment company's participation is on a basis different from or less advantageous than that of the other participants. Applicants believe that their request for relief meets these standards.

5. Applicants state that each Norwest Trust, Stagecoach, and LAT will adopt the following procedures to ensure that the proposed fee arrangement and other terms governing the relationship between each Fund and Norwest Bank, as lending agent, will meet the standards of rule 17d-1:

(a) In connection with the approval of Norwest Bank as lending agent to a Fund and implementation of the proposed fee arrangement, each Norwest Board, the board of directors of Stagecoach, and the board of trustees of LAT (each a "Board"), including a majority of the trustees or directors of each Board who are not "interested persons" within the meaning of the Act ("Independent Trustees/Directors"), will determine that: (i) The contract with Norwest Bank is in the best interests of the Fund and its shareholders; (ii) the services to be performed by Norwest Bank are required by the Fund; (iii) the nature and quality of the services provided by Norwest Bank are at least equal to those provided by others offering the same or similar services for similar compensation; and (iv) the fees for Norwest Bank's services are fair and reasonable in light of the usual and customary charges imposed by others for services of the same nature and quality.

(b) Each contract of each Norwest Trust, Stagecoach, and LAT, on behalf of each of their respective Funds, with Norwest Bank for lending agent services will be reviewed annually and will be approved for continuation only if a majority of each Board, including a majority of the Independent Trustees/Directors, makes the findings referred to in paragraph (a) above.

(c) In connection with the approval of Norwest Bank as lending agent to a Fund and implementation of the proposed fee arrangement under the terms described in the application, each Board will obtain competing quotes with respect to lending agent fees from at least three independent lending agents to assist the Board in making the

² Norwest Bank Minnesota, N.A. (pub. avail. May 25, 1995) ("Norwest Letter").

findings referred to in paragraph (a) above.

(d) Each Board, including a majority of the Independent Trustees/Directors, will: (i) Determine at each quarterly meeting that the loan transactions during the prior quarter were effected in compliance with the conditions and procedures set forth in the application; and (ii) review no less frequently than annually such conditions and procedures for continuing appropriateness.

(e) On behalf of each Fund, each Norwest Trust, Stagecoach, and LAT will maintain and preserve: (i) Permanently, in an easily accessible place, a written copy of the procedures and conditions (and modifications thereto) described in the application or otherwise followed in connection with lending securities; and (ii) for a period of not less than six years from the end of the fiscal year in which any loan transaction occurred, the first two years in an easily accessible place, a written record of each loan transaction setting forth a description of the security loaned, the identity of the person on the other side of the loan transaction, the terms of the loan transaction, and the information or materials upon which the determination was made that the loan was made in accordance with the procedures set forth above and the conditions to the application.

Applicants' Conditions

Applicants agree that the order granting the requested relief will be subject to the following conditions:

1. Each Fund's securities lending program will comply with all present and future applicable Commission and staff positions regarding securities lending arrangements.

2. The approval of the Boards, including a majority of the Independent Trustees/Directors, will be required for the initial and subsequent approvals of Norwest Bank's service as lending agent for the Funds, for the institution of all procedures relating to the securities lending programs of the Funds, and for any periodic review of loan transactions for which Norwest Bank acts as lending agent.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41766; File No. SR-GSCC-98-04]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to the Establishment of a Cross-Margining Program

August 19, 1999.

On November 16, 1998, the Government Securities Clearing Corporation ("GSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-GSCC-98-02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("ACT").¹ Notice of the proposal was published in the **Federal Register** on February 10, 1999.² The Commission received five comment letters from four commenters.³ For the reasons discussed below, the Commission is approving the proposed rule change.⁴

I. Description

Under the rule change, GSCC will establish a cross-margining program with futures clearing organizations ("FCOs").⁵ GSCC will begin cross-margining with the New York Clearing Corporation ("NYCC")⁶ and intends to set up cross-margining arrangements with other FCOs.⁷

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 41019 (February 3, 1999), 64 FR 6727.

³ Letters from Dennis A. Dutterer, President and Chief Executive Officer, Board of Trade Clearing Corporation (March 3, 1999 and May 18, 1999); Sal Ricca, President, GSCC (April 19, 1999); George F. Haase, Jr., President, New York Clearing Corporation (April 23, 1999); and Scott C. Rankin, Vice President and Assistant General Counsel, The Bond Market Association (July 23, 1999).

⁴ The Commission also notes that the Commodity Futures Trading Commission ("CFTC") has approved New York Clearing Corporation's proposal to enter into a cross-margining arrangement with GSCC. Letter from David Van Wagner, Acting Associate Director, Division of Trading and Markets, CFTC to George F. Haase, Jr., President, New York Clearing Corporation.

⁵ Under the rule change, the term *FCO* is defined in GSCC's Rules as a clearing organization for a board of trade designated as a contract market under Section 5 of the Commodity Exchange Act that has entered into a cross-margining agreement with GSCC. This will include NYCC and any other futures clearing organization with which GSCC establishes a cross-margining arrangement.

⁶ Until January 15, 1999, NYCC was known as the Commodity Clearing Corporation.

⁷ Each FCO that participates in cross-margining with GSCC will have a separate cross-margining agreement with GSCC. According to GSCC, each of these agreements will have essentially similar terms, and no preference will be given by GSCC to one FCO or its members over another. GSCC will file proposed rule changes for all proposed cross-

A. General Description of the Cross-Margining Program

Under the rule change, cross-margining will be available to any GSCC member that is a member of or that has an affiliate⁸ that is a member of an FCO that has entered into a cross-margining agreement with GSCC. Any such member (or pair of affiliated members) may elect to have its margin requirements at both clearing organizations calculated based upon the net risk of its cash and forward positions at GSCC and its offsetting positions in related futures contracts carried at the FCO. Cross-margining is intended to lower the cross-margining participant's (or pair of affiliated members') overall margin requirement.

GSCC and each FCO will determine which of their members are eligible to participate in the cross-margining program. In order to be a GSCC cross-margining participant, a member must either (a) also be a member of an FCO or (b) have an affiliate that is a member of an FCO.⁹ In addition, the GSCC member (and its affiliate, if applicable) must sign an agreement under which it agrees to be bound by the cross-margining agreement and which allows GSCC or an FCO to apply the member's (or its affiliate's) margin collateral to satisfy any obligation of GSCC to an FCO (or vice versa) that results from the default of the member (or its affiliate).

Margining based on the net risk of correlated positions will be carried out through an arrangement under which GSCC and the FCO agree to share the proceeds from correlated positions and supporting collateral. Under this arrangement, each clearing organization will hold and manage its own collateral.

GSCC will offset each cross-margining participant's residual margin amount at GSCC against the offsetting residual margin amounts of the participant (or its

margin arrangements with other FCOs, setting forth any difference in a proposed new cross-margining arrangement from the cross-margining arrangements with NYCC and any other approved cross-margining arrangements.

⁸ The term *affiliate* will be defined in each cross-margining agreement between GSCC and an FCO. Under the form agreement between GSCC and NYCC that GSCC included with its filing, "affiliate" means a clearing member of one clearing organization that (1) directly or indirectly controls, (2) is directly or indirectly controlled by, or (3) is under common control with a clearing member of another clearing organization. Ownership of 10% or more of the common stock of an entity is deemed control of the entity under the definition.

⁹ The GSCC cross-margining arrangement will be applicable on the futures side only to positions in a proprietary account of a cross-margining participant (or its affiliate) at an FCO. The arrangement will not apply to positions in a customer account at an FCO that would be subject to segregation requirements under the Commodity Exchange Act.