

to 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: November 5, 1999.

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Request for Public Comment

Upon Written Request, Copies Available

From: Securities and Exchange Commission, Office of Filings and Information Services, Washington, D.C. 20549.

Extension:

Rule 2a-7, SEC File No. 270-258; OMB Control No. 3235-0268

Notice is hereby given that under the Paperwork Reduction Act of 1995 [44 U.S.C. 3501], the Securities and Exchange Commission (the "Commission") is soliciting public comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget.

Rule 2a-7 [17 CFR 270.2a-7] under the Investment Company Act of 1940 [15 U.S.C. 80a] (the "Act") governs money market funds. Money market funds are open-end management investment companies that differ from other open-end management investment companies in that they seek to maintain a stable price per share, usually \$1.00. The rule exempts money market funds from the valuation requirements of the Act, and, subject to certain risk-limiting conditions, permits money market funds to use the "amortized cost method" of asset valuation or the "penny-rounding method" of share pricing.

Rule 2a-7 imposes certain recordkeeping and reporting obligations on money market funds. The board of directors of a money market fund, in supervising the fund's operations, must establish written procedures designed to stabilize the fund's net asset value ("NAV"). The board also must adopt guidelines and procedures relating to certain responsibilities it delegates to the fund's investment adviser. These procedures typically address various aspects of the fund's operations. The

fund must maintain and preserve for six years a written copy of both these procedures and guidelines. The fund also must maintain and preserve for six years a written record of the board's considerations and actions taken in connection with the discharge of its responsibilities, to be included in the board's minutes. In addition, the fund must maintain and preserve for three years written records of certain credit risk analyses, evaluations with respect to securities subject to demand features or guarantees, and determinations with respect to adjustable rate securities and asset backed securities. If the board takes action with respect to defaulted securities, events of insolvency, or deviations in share price, the fund must file with the Commission an exhibit to Form N-SAR describing the nature and circumstances of the action. If any portfolio security fails to meet certain eligibility standards under the rule, the fund also must identify those securities in an exhibit to Form N-SAR. After certain events of default or insolvency relating to a portfolio security, the fund must notify the Commission of the event and the actions the fund intends to take in response to the situation.

The recordkeeping requirements in rule 2a-7 are designed to enable Commission staff in its examinations of money market funds to determine compliance with the rule, as well as to ensure that money market funds have established procedures for collecting the information necessary to make adequate credit reviews of securities in their portfolios. The reporting requirements of rule 2a-7 are intended to assist Commission staff in overseeing money market funds.

Commission staff estimates that approximately 949 money market funds are subject to the rule each year. The staff estimates that each of these funds spends an average of 336 hours each year to document credit risk analyses, and determinations regarding adjustable rate securities, asset backed securities, and securities subject to a demand feature or guarantee.¹ In addition, each year an estimated average of 10 money market funds each spends approximately 2.5 hours to record (in the board minutes) board determinations and actions in response to certain events of default or insolvency, and to notify the Commission of the event.² Finally, Commission staff estimates that in the

first year of operation, the board of directors of an average of 46 new money market fund each spends 7 hours to formulate and establish written procedures for stabilizing the fund's NAV and guidelines for delegating certain of the board's responsibilities to the fund's adviser. Based on these estimates, Commission staff estimates the total burden of the rule's paperwork requirements for money market funds to be 319,211 hours.³ This is an increase from the previous estimate of 196,371 hours. The increase is attributable to updated information from money market funds regarding hourly burdens, and to a more accurate calculation of the component parts of some information collection burdens.

These estimates of burden hours are made solely for the purposes of the Paperwork Reduction Act. The estimates are not derived from a comprehensive or even a representative survey or study of Commission rules.

In addition to the burden hours, Commission staff estimates that money market funds will incur costs to preserve records required under rule 2a-7. These costs will vary significantly for individual funds, depending on the amount of assets under fund management and whether the fund preserves its records in a storage facility in hard copy of has developed and maintains a computer system to create and preserve compliance records.⁴ Commission staff estimates that the amount an individual fund may spend ranges from \$100 per year to \$2 million. Based on an average cost of \$.0000052 per dollar of assets under management for small and medium-sized funds to \$.0000039 per dollar of assets under management for large funds,⁵ the staff estimates compliance with rule 2a-7 costs the fund industry approximately \$51.6 million per year.⁶ Based on

³ This estimate is based on the following calculation: $((949 \times 336) + (10 \times 2.5) + (46 \times 7)) = 319,211$.

⁴ The amount of assets under management in money market funds ranges from approximately \$100,000 to \$60.9 billion.

⁵ For purpose of this PRA submission, Commission staff used the following categories for fund sizes: (i) small—money market funds with \$50 million or less in assets under management, (ii) medium—money market funds with more than \$50 million up to and including \$1 billion in assets under management, and (iii) large—money market funds with more than \$1 billion in assets under management.

⁶ The staff estimated the annual cost of preserving the required books and records by identifying the annual costs incurred by several funds and then relating this total cost to the average net assets of these funds during the year. With a total of \$204 billion under management in small and medium funds, and \$1,292.6 billion under management in large funds, the total amount was estimated as

¹ This average is based on discussions with individuals at money market funds and their advisers. The amount of time may vary significantly for individual money market funds.

² This number may vary significantly from year to year.

responses from individuals in the money market fund industry, the staff estimates that some of the largest fund complexes have created computer programs for maintaining and preserving compliance records for rule 2a-7. Based on a cost of \$0.000068 per dollar of assets under management for large funds, the staff estimates that the total annualized capital/startup costs range from \$0 for small funds to \$88.4 million for all large funds. Commission staff further estimates, however, that even absent the requirements of rule 2a-7, money market funds would spend at least half of the amount for capital costs (\$44.2 million) and for record preservation (\$25.8 million) to establish and maintain these records and the systems for preserving them as a part of sound business practices to ensure diversification and minimal credit risk in a portfolio for a fund that seeks to maintain a stable price per share.

The collections of information required by rule 2a-7 are necessary to obtain the benefits described above. Notices to the Commission will not be kept confidential. 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 are requested on: (a) whether the collections of information are 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 burdens 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. Consideration will be given to 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: November 17, 1999.

Margaret H. McFarland,

Deputy Secretary.

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follows: $(\$0.0000052 \times \$204 \text{ billion}) + (\$0.000039 \times \$1,292.6 \text{ billion}) = \51.6 million.

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24143; 812-11152]

Corporate Income Fund, et al., Notice of Application.

November 18, 1999.

AGENCY: Securities and Exchange Commission ("Commission")

ACTION: Notice of an application under sections 6(c) and 17(b) of the Investment Company Act of 1940 ("Act") for an exemption from section 17(c) of the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit transactions in certain securities between series of certain registered unit investment trusts. The requested order would supersede a prior order.

APPLICANTS: Corporate Income Fund and Equity Investor Fund, (the "Funds"), together with their present and future series ("Series"), and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Salomon Smith Barney Inc., Paine Webber Incorporated and Dean Witter Reynolds Inc. (together, the "Sponsors").

FILING DATES: The application was filed on August 11, 1998 and amended on October 1, 1998, March 25, 1999, July 23, 1999, and November 12, 1999.

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 December 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 who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW, Washington, DC 20549-0609; Applicants, c/o Merrill Lynch, P.O. Box 9051, Princeton, New Jersey 08543-9051.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Senior Counsel, at (202) 942-0574, or George J. Zornada, Branch Chief, at (202) 942-0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the

application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (tel. no. 202-942-8090).

Applicant's Representations

1. Each Fund is registered under the Act as a unit investment trust ("UIT") and is comprised of multiple Series. Each Series is created by a trust indenture (an "Indenture") among the Sponsors, a banking institution satisfying the criteria of section 26(a) of the Act that is unaffiliated with any Sponsor ("Trustee") and, in certain cases, an independent evaluator that will be a "qualified evaluator" as defined in Rule 22-1(b)(2) under the Act ("Independent Evaluator"). Applicants also request relief for any future UIT sponsored by one or more of the Sponsors that becomes a party to an Indenture, and any future sponsor of one of more of the Series that becomes a party to an Indenture and for which Merrill Lynch acts as agent.¹

2. Series may hold equity securities, preferred stocks, corporate bonds, and/or U.S. Treasury securities ("Treasuries"). As UITs, the Series are not actively managed. A Series generally holds securities until the Series terminates or, in the case of a Series holding preferred stocks or bonds, until the securities mature. A Series may sell portfolio securities ("Selling Series") in connection with termination of the Series, to refund redemptions of its units, or under certain extraordinary circumstances specified in the Series' Indenture.² At the same time, another Series ("Purchasing Series") holding

¹ Pursuant to powers of attorney executed by each of the other Sponsors, Merrill Lynch acts as agent for the Sponsors. The Sponsors agree that any such future UIT and any future sponsor will rely on the requested order only in accordance with the terms and conditions of the application.

² The Sponsors expect Selling Series to sell securities principally in connection with the termination of the Series and redemptions of their units. The Sponsors maintain a secondary market for the units and applicants state that as a practical matter redemptions are initiated only by the Sponsors because, with the exception of redemptions in kind, the Indenture requires the Trustee to sell units tendered for redemption to the Sponsors as long as they maintain a secondary market for the units.

Securities also may be sold by a Series (a) to pay deferred sales charges, (b) to comply with subchapter M of the Internal Revenue Code or to avoid an excise tax on a Series that elected to be taxed as a regulated investment company, (c) if a security is not consistent with the Series' investment objective (e.g., if a security is received in exchange for a bond in a workout), and (d) if a right to redeem arises under the terms for the applicable credit support. The Indenture also authorizes sales under certain other circumstances but any sale made under those circumstances will not be made in reliance on the requested relief.