Budget, Room 10230, New Executive Office Building, Washington, DC 20503.

Chuck Mierzwa,

Clearance Officer.

[FR Doc. 99–31627 Filed 12–6–99; 8:45 am]

BILLING CODE 7905–01–M

SECURITIES AND EXCHANGE COMMISSION

Existing Collection; Comment Request

Upon written request, copies available from: Securities and Exchange Commission, Office of Filings and Information Services, 450 5th Street, NW., Washington, DC 20549.

Extension: Rule 18f–3; SEC File No. 270–385; OMB Control No. 3235–0441

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520), the Securities and Exchange Commission (the ''Commission'') is soliciting 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 (''OMB'') for extension and approval.

Section 18(f)(1)[1] of the Investment Company Act of 1940[2] (the ''Investment Company Act'') prohibits registered open-end management investment companies (''funds'') from issuing any senior security. Rule 18f–3 under the Act[3] exempts from section 18(f)(1) a fund that issues multiple classes of shares representing interests in the same portfolio of securities (a ''multiple class fund'') if the fund satisfies the conditions of the rule. In general, each class must differ in its arrangement for shareholder services or distribution or both, and must pay the related expenses of the different arrangement.

The rule includes one requirement for the collection of information. A multiple class fund must prepare and fund directors must approve a written plan setting forth the separate arrangement and expense allocation of each class, and any related conversion features or exchange privileges (''rule 18f–3 plan'').[4] Approval of the plan must occur before the fund issues any shares of multiple classes, and whenever the fund materially amends the plan. In approving the plan, the fund board, including a majority of the independent directors, must determine that the plan is in the best interests of each class and the fund as a whole.

The requirement that the fund prepare and directors approve a written rule 18f–3 plan is intended to ensure that the fund compiles information relevant to the fairness of the separate arrangement and expense allocation for each class, and that directors review and approve the information. Without a blueprint that highlights material differences among classes, directors might not perceive potential conflicts of interests when they determine whether the plan is in the best interests of each class and the fund. In addition, the plan may be useful to Commission staff in reviewing the fund's compliance with the rule.

There are approximately 550 multiple class funds.[5] Based on a review of typical rule 18f–3 plans, the Commission's staff estimates that the 550 funds together make an average of 275 responses each year to prepare and approve a written rule 18f–3 plan, requiring approximately 5.5 hours per response, and a total of 1512.5 burden hours per year in the aggregate.[6] The estimated annual burden of 1512.5 hours represents an increase of 912.5 hours over the prior estimate of 600 hours. The increase in burden hours is attributable to more accurate estimates of the burden hours that reflect additional time spent by professionals and time spent by directors. The estimated number of multiple class funds has decreased, however, from 600 to 550.

The estimate of average burden hours is make solely for the purposes of the Paperwork Reduction Act. The estimate is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules. Complying with this collection of information requirement is necessary to obtain the benefit of relying on rule 18f–3. Responses 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 invited 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 collections of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burdens of the collections 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 30, 1999.

Jonathan G. Katz,

Secretary.

[FR Doc. 99–31638 Filed 12–6–99; 8:45 am]

BILLING CODE 8010–01–M

[1] 15 U.S.C. 80a–18(f)(1).

[2] 15 U.S.C. 80a.

[3] 17 CFR 270.18f–3.

[4] Rule 18f–3(d).

[5] This estimate is based on data from Form N–SAR, the semi-annual report that funds file with the Commission.

[6] The estimate reflects the assumption that each multiple class fund prepares and approves a rule 18f–3 plan every two years when issuing a new class or amending a plan (or that 275 of all 550 funds prepare and approve a plan each year). The estimate assumes that the time required to prepare a plan is 3 hours per plan (or 825 hours for 275 funds annually), and the time required to approve a plan is an additional 2.5 hours per plan (or 687.5 hours for 275 funds annually.)

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24181; 812–11534]

Salomon Brothers Asset Management Inc., et al.; Notice of Application

December 1, 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 (the ''Act'') for an exemption from section 17(a) of the Act, and under section 17(d) of the Act and rule 17d–1 under the Act to permit certain joint transactions.

APPLICANTS: Salomon Brothers Assets Management Inc. (''SBAM''), Salomon Brothers High Income Fund II Inc. (''Fund''), Citicorp, and Citicorp North America, Inc. (''CNAI'').

SUMMARY OF APPLICATION: Applicants request an order to permit the Fund and any other registered closed-end management investment company for which SBAM or any entity controlling, controlled by, or under common control with SBAM serves as investment adviser (collectively with the Fund, the ''Funds'') to enter into secured loan transactions with a facility administered by CNAI.[1]

[1] All registered investment companies that currently intend to rely on the requested order are named as an applicant. Any Fund that relies on the

Continued

FILING DATES: The application was filed on March 11, 1999. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief 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 27, 1999, and should be accompanied by proof of service on applicants, in the form of an affidavit or, by 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 of a hearing by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 5th Street, NW, Washington, DC 20549–0609. SBAM and the Fund, Seven World Trade Center, New York, NY 10048; Citicorp and CNAI, 399 Park Avenue, New York, NY 10043.

FOR FURTHER INFORMATION CONTACT: Anu Dubey, Senior Counsel, at (202) 942–0687, or Nadya Roytblat, Assistant Director, 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 at the Commission's Public Reference Branch, 450 5th Street, NW, Washington, DC 20549–0102 (tel. 202–942–8090).

Applicants' Representations

1. The Fund is a Maryland corporation and a diversified closed-end management investment company registered under the Act. SBAM, registered as an investment adviser under the Investment Advisers Act of 1940, serves as the investment adviser to the Fund. SBAM is an indirect, wholly-owned subsidiary of Citigroup, Inc. (''Citigroup''), a global financial services organization. Citigroup is a banking holding company and is wholly–owned by Citigroup. CNAI is a wholly-owned subsidiary of Citicorp. Among other activities, CNAI is an administrator of asset-backed commercial paper programs.

2. The Fund's principal investment objective is to maximize current income by investing primarily in a diversified portfolio of high yield debt securities rated at the time of investment in medium or lower rating categories. Applicants state that the Fund has a policy of using leveraging techniques to seek higher returns for its shareholders. To this end, the Fund seeks to borrow money at the most desirable rate available, and use the proceeds of the borrowings to make investments with the expectation of higher yield. The Fund anticipates that interest payments on any borrowing of money or issuance of debt securities will reflect lower, short-term rates and that its investments, purchased with borrowed money, will have yields higher than the cost of the Fund's borrowings. The Fund currently is using collateralized bank financing for leverage.

3. Applicants request relief to permit the Funds to obtain loans from a commercial paper conduit issuer (''Conduit'') for which CNAI acts as administrative agent. A loan from the Conduit to a Fund will be at an interest rate equal to the Conduit's cost of funds (*i.e.,* the weighted average commercial paper rate plus commercial paper dealer commissions). The loan will be secured by Fund assets (''Pledged Assets''), pledged for the benefit of the Conduit, CNAI and Citicorp, that meet certain eligibility criteria based on a Fund's investment objectives and policies. The loan facility will require that the value of Pledged Assets exceed the outstanding principal amount of the loans made under the loan facility, plus unpaid accrued interest, by at least 200 percent. The Pledged Assets will be available solely to secure repayments of the loans made under the loan facility to a Fund.

4. Applicants state that the proposed loan facility would allow the Funds to borrow money at an advantageous interest rate because the Conduit's cost of funds is lower than that of other lenders, and this advantage will be passed on to the borrowers from the Conduit, including the Funds. No more than 10% of a Conduit's loans will be made to the Funds. The other borrowers will be unaffiliated entities, including unaffiliated closed-end funds. Applicants estimate that approximately 5% of the Conduit's loans currently are made to unaffiliated closed-end investment companies (''closed-end funds''). A Fund will have the right to terminate its participation in the loan facility at any time.

5. Applicants state that financial institutions (''Liquidity Providers'') provide liquidity to a Conduit on a transaction-by-transaction basis under agreements between the Liquidity Providers and the Conduit. Applicants state that the liquidity support is additional assurance that the Conduit's commercial paper will be paid at maturity notwithstanding any credit factors or other issues that may affect a borrower from the Conduit. In connection with the proposed loan facility for the Funds, CNAI will serve as the Liquidity Provider to the Conduit. Citicorp will guarantee CNAI's obligations under the loan facility.

6. The Conduit at any time and for any reason may (i) sell an outstanding loan to CNAI as Liquidity Provider, or (ii) require CNAI as Liquidity Provider to provide financing to a Fund instead of the Conduit. Applicants state that this arrangement is necessary in order for the Conduit's commercial paper issuances to have high ratings. Applicants state that at least 90% of a Conduit's commercial paper will be rated A–1+/P–1. The rate at which CNAI as Liquidity Provider would make a loan to a Fund would not be as favorable as that of the Conduit, but would be comparable to the rates on secured lines of credit from banks. Applicants state that, absent extenuating circumstances, it is anticipated that a Conduit, rather than CNAI or another Liquidity Provider, will be the lender to the Funds under the loan facility.

7. A Fund will pay certain fees to CNAI in connection with the loan facility. These include (i) a fixed amount up-front for structuring the loan facility, (ii) a fee for administering the loan facility, set as a percentage of a Fund's outstanding loans from the Conduit, and (iii) a fee for CNAI's commitment as Liquidity Provider, based on a percentage of the unused portion of CNAI's commitment.

Applicants' Legal Analysis

1. Section 17(a)(2) of the Act prohibits an affiliated person of a registered investment company, or an affiliated person of that person, acting as principal, from purchasing a security or other property from the company. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include 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. Under section 2(a)(9) of the Act, a person that owns beneficially more than 25% of the voting securities of a company is presumed to control the company.

2. Applicants state that, as the Funds' investment adviser, SBAM is an affiliated person of the Funds. Applicants also state that Citicorp and CNAI are affiliated persons of SBAM because they are under the common

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order in the future will comply with the terms and conditions of the application.

control of Citigroup. Applicants state that, as a result, Citicorp and CNAI are affiliated persons of an affiliated person of the Funds. Applicants state that the pledge of Pledged Assets by a Fund in connection with the loan facility may constitute a purchase by an affiliated person of an affiliated person of a Fund prohibited by section 17(a)(2) of the Act.

3. Section 17(d) of the Act and rule 17d–1 under the Act prohibit any affiliated person of a registered investment company or any affiliated person of that person, acting as principal, from effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates, unless an application regarding the joint arrangement has been filed with the Commission and granted by order. Applicants state that the loan facility may constitute a joint arrangement between a Fund and CNAI.

4. Section 17(b) of the Act authorizes the Commission to exempt a transaction from section 17(a) if the terms of the proposed transaction are reasonable and fair and do not involve overreaching on the part of any person concerned, and if the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction from any provision of the Act if the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Under rule 17d–1, in passing on applications for orders under section 17(d), the Commission must consider whether the investment company's participation in the joint enterprise or joint arrangement is consistent with the provisions, policies, and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants.

5. Applicants request an order under sections 6(c) and 17(b) of the Act and under section 17(d) of the Act and rule 17d–1 under the Act to permit the Funds to participate in the loan facility. Applicants state that borrowing from the facility is designed to provide benefits to the Funds. Applicants assert that there is no express or implied understanding between SBAM and CNAI or Citicorp that SBAM will give preference to the loan facility in selecting lenders for the Funds. Applicants also state that the borrowings by a Fund will be on an arms-length basis and on terms and conditions similar to those of any other borrower from a Conduit. For these reasons, applicants believe that the requested relief meets the standards of sections 6(c) and 17(b) of the Act and rule 17d–1 under the Act.

6. Under the proposed conditions, a Fund's participation in the facility will be overseen and monitored by a Fund's board of directors (''Board''), including a majority of the directors who are not interested persons of the Fund (''Disinterested Directors''). Among other things, the Board, including a majority of the Disinterested Directors, would be required to determine that the interest rate a Fund would pay to a Conduit (i) would be lower than that available from typical financing sources considered by the Fund, and (ii) would not exceed the rate on comparable loans by the Conduit to unaffiliated closed-end funds. Before a Fund may borrow from the Conduit, the Board also would have to consider, and compare to market rates, the interest rate that the Fund may be required to pay should the Conduit at a later time transfer the loan to CNAI as the Liquidity Provider.

7. In addition, the proposed conditions would require that the fees a Fund would pay to CNAI in connection with the loan facility be no higher than similar fees paid by unaffiliated closed-end funds. The Board, including a majority of the Disinterested Directors, also would conduct quarterly reviews of a Fund's transactions with the loan facility, including the terms of each transaction, and would be required to make an annual re-evaluation of a Fund's continued participation in the loan facility. Should CNAI become the lender, the Board will have the option to terminate the Fund's participation in the loan facility.

Applicants' Conditions

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

1. Loans by a Conduit to the Funds in the aggregate will not exceed 10% of the principal amount of the Conduit's outstanding loans and other assets.

2. At least 90% of a Conduit's commercial paper will be rated in the category A–1+ or P–1.

3. A loan by a Conduit to the Funds will be at an interest rate equal to the Conduit's cost of funds (i.e., the weighted average commercial paper rate plus commercial paper dealer commissions).

4. Before a Fund may participate in the loan facility, the Fund's Board, including a majority of the Disinterested Directors, will determine that:

(a) participation in the loan facility is consistent with the Fund's investment objectives and policies, and is in the best interests of the Funds and its shareholders; and

(b) the terms of the Fund's participation are reasonable and fair, do not involve overreaching, and are no less advantageous than those of other participants.

5. Before a Fund may participate in the loan facility, the Board, including a majority of the Disinterested Directors, will adopt procedures governing the Fund's participation in the loan facility (''Procedures''). In addition to any other provisions the Board may find necessary or appropriate to be included in the Procedures, the Procedures will require that, before a Fund may enter into a loan transaction with a Conduit, the Board, including a majority of the Disinterested Directors, will determine that:

(a) the borrowing is in the best interests of the Fund and its shareholders;

(b) the borrowing and pledge of assets are consistent with the Fund's investment objectives and policies;

(c) the interest rate on the loan is expected to be lower than that available from typical financing sources considered by the Fund as consistent with its investment objectives and policies and in the best interests of its shareholders;

(d) the interest rate does not exceed the rate on comparable loans by the Conduit to closed-end funds unaffiliated with Citigroup in similar transactions;

(e) the Fund asset eligibility criteria are consistent with the Fund's investment objectives and policies and the Fund's investments consistent with the eligibility criteria will be in the best interests of the Fund and its shareholders;

(f) any fee that the Fund will be required to pay to CNAI for structuring and administering the loan facility will be in the aggregate no higher than the percentage amount of similar fees paid by other closed-end funds with similar investment objectives and policies that are unaffiliated with Citigroup in similar transactions (taking into account the interest rate paid on the loans by these funds) with a Conduit;

(g) any fee that the Fund will be required to pay CNAI as a percentage of CNAI's unused loan commitment as Liquidity Provider will be no higher than the percentage amounts paid by unaffiliated closed-end funds with similar investment objectives and policies to a Liquidity Provider for the six month period before a loan transaction with a Conduit or to an

unaffiliated Liquidity Provider that participates in the loan facility; and

(h) the interest rate that may be paid to CNAI as Liquidity Provider is expected to be no higher than that available for secured lines of credit from typical financial sources for similar transactions considered by the Fund as consistent with its objectives and policies and in the best interests of shareholders.

6. If a Conduit determines (i) to require CNAI as Liquidity Provider to acquire from the Conduit outstanding loans made to a Fund, or (ii) not to extend additional loans to a Fund but require CNAI as the Liquidity Provider to do so, the Board, including a majority of the Disinterested Directors, will be notified promptly. As soon as practicable, the Board, including a majority of the Disinterested Directors, must determine whether it is in the best interests of a Fund and its shareholders to continue to participate in the loan facility or to terminate its participation in the loan facility in accordance with its terms and, if applicable, refinance the loans with proceeds from alternative sources. In determining that it is in the best interests of a Fund and its shareholders to participate in the loan facility, the Board shall find that the interest rate paid to CNAI as Liquidity Provider (i) is no higher than that available for secured lines of credit from typical financial sources for similar transactions that are considered by the Fund as consistent with it objectives and policies and in the best interests of shareholders and (ii) does not exceed the interest rate on comparable loans made by CNAI to closed-end funds unaffiliated with Citigroup in similar transactions.

7. In making the determinations referred to in conditions 5(c), 5(h) and 6 above, the Board will consider interest rate quotes from at least three loan facilities or other alternative financing sources unaffiliated with Citigroup.

8. At each regular quarterly meeting, the Board, including a majority of the Disinterested Directors, will (a) review a Fund's loan transactions with the loan facility during the preceding quarter, including the terms of each transaction; and (b) determine whether the transactions were effected in compliance with the Procedures and the terms and conditions of this order. At least annually, the Board, including a majority of the Disinterested Directors, will (a) make the determinations concerning a Fund's continued participation in the loan facility required in condition 4 above; and (b) approve such changes to the procedures as it deems necessary or appropriate.

9. The Funds will maintain and preserve permanently in an easily accessible place a written copy of the Procedures and any modifications to the Procedures. The Funds will maintain and preserve for a period of not less than six years from the end of the fiscal year in which any transaction with the loan facility occurred, the first two years in an easily accessible place, (a) a written record of each transaction setting forth a description of the terms of the transaction, including the amount, the maturity, and the rate of interest on the loan, and (b) all information upon which the determinations required by these conditions were made.

By the Commission.

Jonathan G. Katz,

Secretary.

[FR Doc. 99–31637 Filed 12–6–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–42185; File No. SR–NASD–99–54]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Creating a Voluntary Single Arbitrator Pilot Program

November 30, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 5, 1999, the National Association of Securities Dealers, Inc. (''NASD'' or ''Association''), through its wholly owned subsidiary NASD Regulation, Inc. (''NASD Regulation''), filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASD Regulation. On November 26, 1999, NASD Regulation submitted Amendment No. 1 to the proposed rule change.[3] The Commission is publishing this notice of the rule change, as amended, to solicit comments on the proposed rule change from interested persons.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* letter from Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, to Katherine A. England, Assistant Director, Division of Market Regulation (''Division''), Commission, dated November 24, 1999. In Amendment No. 1, NASD Regulation made changes to clarify certain aspects of the proposal (''Amendment No. 1'').

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

NASD Regulation proposes to amend the Code of Arbitration Procedure of the NASD to implement a voluntary single arbitrator pilot program. Below is the text of the proposed rule change. Proposed Rule 10337 contains all new language.

* * * * *

Rules of the Association

1000. Code of Arbitration Procedure

* * * * *

10337. Single Arbitrator Pilot Program

This Rule allows parties with claims of $50,000.01 to $200,000 to select a single arbitrator to hear their cases, rather than the panel of three arbitrators they would otherwise select. This Pilot Program is voluntary, and includes provisions that allow the parties to communicate directly with the arbitrators under certain conditions. The Pilot Program should result in lower arbitration fees and quicker resolution of arbitration claims for participants.

(a) Claims Eligible for Single Arbitrator Pilot Program

(1) Claims arising between a customer and an associated person or a member for amounts from $50,000.01 to $200,000, including damages, interest, costs, and attorneys' fees, will be eligible to be heard by a single arbitrator pursuant to this Rule (''Pilot Program''), except as provided in paragraph (a)(2) or (b)(3) below.

(2) Claims that include a request for punitive damages will not be eligible for the Pilot Program unless all parties agree.

(b) Arbitrator Selection Procedure

(1) After parties receive notice that a panel of three arbitrators has been selected for their case, as provided in Rule 10308, the parties may agree to have one of the arbitrators serve as the single arbitrator who will hear their case.

(2) The parties shall have 15 days from the date the Director sends notice of the names of the arbitrators to agree on a single arbitrator. This 15-day period will run concurrently with the time period to select a chairperson under Rule 10308(c)(5).

(3) If the parties do not agree to have one of the arbitrators serve as the single arbitrator, then the claim will not be eligible for the Pilot Program and will proceed instead under the usual procedures of Rule 10308.