

collection. The Office of Personnel Management is requesting OMB to authorize procession of collection of information associated with the Presidential Management Intern Program Application. Processing and approval of the 1999 Presidential Management Intern Program Application is necessary to facilitate the timely nomination, selection and placement of Presidential Management Intern Finalists in Federal agencies.

We estimate 2000 applications will be received and processed in 1999. Each application takes approximately 2 hours to complete (one hour for applicants (nominees) and one hour for nominating school officials). The annual estimated burden is 4000 hours. For copies of this proposal, contact Mary Beth Smith-Toomey at (202) 606-8358, or E-MAIL to mbtoomey@opm.gov.

DATES: Comments on this proposal should be received on or before July 21, 1999.

ADDRESSES:

Kathleen A. Keeney, Presidential Management Intern Program, U.S. Office of Personnel Management, William J. Green, Jr., Federal Building, 600 Arch Street, Philadelphia, PA 19106
and

Joseph Lackey, OPM Desk Officer, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, NW, Room 10235, Washington, DC 20503.

FOR FURTHER INFORMATION CONTACT:
Kathleen A. Keeney, (215) 861-3027.
Office of Personnel Management.

Janice R. Lachance,

Director.

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SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23871; 812-9416]

PaineWebber Group Inc., et al.; Notice of Application

June 15, 1999.

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

ACTION: Notice of application for an exemption under sections 6(c) and 17(b) of the Investment Company Act of 1940 (the "Act") from section 17(a) of the Act, under section 6(c) of the Act from section 12(d)(3) of the Act, and for an order under section 17(d) of the Act and

rule 17d-1 under the Act to permit certain joint transactions.

SUMMARY OF THE APPLICATION:

Applicants request an order to permit: (a) GE Issuers (as defined below) to sell commercial paper issued by the GE Issuers to certain registered investment companies and the GE Issuers to repurchase (i.e., prepay) the commercial paper; (b) certain registered investment companies to purchase municipal obligations insured by the Financial Guaranty Insurance Company ("FGIC") and/or insurance policies issued by FGIC on municipal obligations; and (c) certain registered investment companies to purchase in the secondary market common stock and other securities issued by General Electric Company and its subsidiaries.

Applicants: PaineWebber Group Inc. ("PWG"), PaineWebber Incorporated ("PWI"), Mitchell Hutchins Asset Management Inc. ("MHAM"), (collectively, the "PaineWebber Companies"), General Electric Company ("GE"), General Electric Capital Services, Inc. ("GECS"), General Electric Capital Corporation ("GECC"), GE Financial Assurance Holdings, Inc. ("GEFA") (collectively, the "GE Issuers"), FGIC, PaineWebber America Fund, PaineWebber Cashfund, Inc., PaineWebber Investment Series, PaineWebber Managed Assets Trust, PaineWebber Managed Investments Trust, PaineWebber Managed Municipal Trust, PaineWebber Master Series, Inc., PaineWebber Municipal Series, PaineWebber Mutual Fund Trust, PaineWebber Olympus Fund, PaineWebber Financial Services Growth Fund Inc., PaineWebber RMA Money Fund, Inc., PaineWebber RMA Tax-Free Fund, Inc., PaineWebber Securities Trust, Mitchell Hutchins Series Trust, Strategic Global Income Fund, Inc., 2002 Target Term Trust Inc., All-American Term Trust Inc., Global High Income Dollar Fund Inc., Investment Grade Municipal Income Fund Inc., Insured Municipal Income Fund Inc., Managed High Yield Fund Inc., PaineWebber Municipal Money Market Series, PaineWebber Investment Trust, PaineWebber Investment Trust II, Liquid Institutional Reserves, PaineWebber PACE Select Advisors Trust, Mitchell Hutchins Portfolios, PaineWebber Index Trust, Mitchell Hutchins Institutional Series, Managed High Yield Plus Fund Inc. ("PaineWebber Funds"), and The Infinity Mutual Funds, Inc. (the "Outside Fund," and together with PaineWebber Funds and any other registered investment companies for which PWG or any of its subsidiaries

may serve as investment adviser or principal underwriter in the future ("Future Funds"), the "Funds").

Filing Dates: The application was filed on January 3, 1995, and amended on August 16, 1996, and June 1, 1999.

Hearing or Notification of Hearing: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on July 6, 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 SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549-0609. PaineWebber Group Inc., 1285 Avenue of the Americas, New York 10019. The Infinity Mutual Funds, Inc., 3235 Stelzer Road, Columbus, Ohio 4319-3035. General Electric Company, 3135 Easton Turnpike, Fairfield, Connecticut 06431. General Electric Capital Services, Inc., and General Electric Capital Corporation, 260 Long Ridge Road, Stamford, Connecticut 06927. GE Financial Assurance Holdings, Inc., 6604 West Broad Street, Richmond, Virginia 23230. Financial Guaranty Insurance Company, 115 Broadway, New York, New York 10006.

FOR FURTHER INFORMATION CONTACT: J. Amanda Machen, Senior Counsel, at (202) 942-7120, or Mary Kay Frech, 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 SEC's Public Reference Branch, 450 Fifth St., N.W., Washington, D.C. 20549-0102 (tel. 202-942-8090).

Applicants' Representations

1. PWG is a publicly held financial services holding company. GE owns approximately 21.6% of PWG's common stock acquired in a 1994 transaction ("1994 Transaction"). Pursuant to a 1995 SEC order, GE does not control PWG within the meaning of section 2(a)(9) of the Act and will not control PWG for a 15 year period ending on December 16, 2009 ("Effective

Period").¹ PWI, a wholly-owned subsidiary of PWG, is a broker-dealer registered under the Securities Exchange Act of 1934 ("Exchange Act") and an investment adviser registered under the Investment Advisers Act of 1940 ("Advisers Act"). MHAM, a wholly-owned subsidiary of PWI, a broker-dealer registered under the Exchange Act and an investment adviser registered under the Advisers Act.

2. Each of the Paine Webber Funds is organized as a Massachusetts or Delaware business trust or Maryland corporation and is registered under the Act as an open-end or closed-end investment company. Each of the Paine Webber Funds has entered into an investment advisory agreement with PWI or MHAM. PWI or MHAM serves as principal underwriter to all of the open-end Paine Webber Funds. GE Investment Management Incorporated ("GEIM"), a wholly-owned subsidiary of GE, serves as investment subadviser to Global Small Cap Fund Inc. Series of Funds for which GEIM serves, or may in the future serve, as investment adviser or subadviser are referred to as "GEIM-Advised Series."² The Infinity Mutual Funds, Inc. is organized as a Maryland corporation and MHAM serves as investment adviser to two of its series.

3. GE and its consolidated affiliates (the "GE Company") comprise one of the largest and most diversified industrial corporations in the world. Through GECS, a wholly-owned subsidiary of GE, and GECS' two principal subsidiaries, GECC and GE Global Insurance Holding Corporation, the GE Company engages in a broad spectrum of financial services. FGIC, which provides financial guaranty insurance, principally on municipal obligations and structured finance issues, is a subsidiary of FGIC Holdings, Inc., a Delaware holding company that is, in turn, a wholly-owned subsidiary of GECC.

4. Applicants request relief to permit (i) the GE Issuers to sell to the Funds short-term obligations issued by the GE Issuers, commonly known as commercial paper ("GE commercial paper"), (ii) the Funds to purchase, to the extent otherwise permitted by their investment objectives, policies, and restrictions, from the GE Issuers, GE

commercial paper, and (iii) the GE Issuers to repurchase (i.e., prepay), and the Funds to request repurchase by the GE Issuers of, GE commercial paper held by the Funds (collectively, "GE Debt Transactions"). While the PaineWebber Funds and the Outside Fund have differing investment objectives, policies and restrictions, virtually all are able to invest some portion of their assets, either as part of their regular investment program or for temporary defensive purposes, in commercial paper.

5. Applicants also request relief to permit (i) the Funds to purchase, to the extent otherwise permitted by their investment objectives, policies, and restrictions, municipal obligations insured as to timely payment of principal and interest by FGIC and/or insurance policies issued by FGIC on municipal obligations, and (ii) FGIC to sell such insurance policies to the Funds (collectively, the "FGIC Transactions"). In addition, with respect to municipal obligations insured by FGIC, applicants request relief to permit the Funds (i) to accept certain payments that might arise from claims made upon such insurance and (ii) in connection with the Funds' acceptance of any such payments, to assign to FGIC the Funds' rights of recovery (i.e., to permit subrogation of FGIC, to the extent of such payments, to the Funds' rights of recovery against other parties) (collectively, "Claim Settlement Transactions").

6. A number of the Funds are permitted to invest at least some portion of their assets, and one has a policy requiring it under normal circumstances to invest at least 80% of its assets, in municipal obligations that are insured as to timely payment of principal and interest ("Insured Municipal Obligations") under an insurance policy (a) obtained by the issuer or underwriter of the municipal obligation ("Primary Market Insurance"), or (b) purchased by a Fund or by a previous owner of the municipal obligation ("Secondary Market Insurance"). The purchase of Secondary Market Insurance by the Funds themselves, however, would be unusual, and the Funds would only purchase Secondary Market Insurance directly from FGIC if the prices offered by FGIC were at least as favorable as those obtainable from non-affiliated insurers of similar stature and creditworthiness.

7. Applicants also request relief to permit the Funds to purchase in the secondary market (on an exchange or over the counter), to the extent otherwise permitted by their investment objectives, policies, and restrictions,

common stock and other securities issued by GE and its subsidiaries.

8. Applicants state that as of May 6, 1999, GE had approximately \$4.2 billion, GECS had approximately \$5.6 billion, GECC had approximately \$77.6 billion, and GEFA had approximately \$1.0 billion in commercial paper outstanding. Collectively, the GE Issuers are the largest issuer of commercial paper in the United States, with a collective market share of approximately 7.7% as of December 31, 1998. Applicants state that large institutional investors have consistently viewed GE commercial paper as an attractive short-term investment. Commercial paper issued by each of GE, GECS, GECC and GEFA is rated in the highest possible rating category for commercial paper by Standard & Poor's Rating Group, a division of the McGraw Hill Companies, Inc. ("S&P") and Moody's Investors Service, Inc. ("Moody's"). GE commercial paper is also highly liquid, in that the GE Issuers are prepared generally to prepay their paper upon request from a holder, subject to prevailing market conditions and the GE commercial paper's liquidity. Moreover, GE Issuers, like a number of other large corporations, permit institutional purchasers to purchase commercial paper directly, thereby saving the purchaser a dealer's markup.

9. Applicants further state that for at least the last eight years prior to the 1994 Transaction, GE commercial paper represented significant investment opportunities for the PaineWebber Funds. Historically, when considering investments in commercial paper, MHAM has considered investment in commercial paper of various other issuers comparable to the GE Issuers. Of these, the GE Issuers have the largest market presence in the United States (collectively), and, in the judgment of MHAM, offer the highest quality commercial paper at a favorable price. In addition, commercial paper issued by GE itself, representing investments in the electric, appliance, finance, broadcasting, and other industries, offers greater diversification than commercial paper issued by most other issuers, whose commercial paper represents investment in a narrower band of industries.

10. Applicants represent that, with respect to each GE Debt Transaction, a determination will be required, based upon the information reasonably available to the purchasing Fund and its investment adviser, that the commercial paper available for purchase from the GE Issuer in question is of an overall quality and value equal to or better than

¹ See *In the Matter of Paine Webber Group Inc.*, Investment Company Release Nos. 21177 (June 30, 1995) (notice) and 21261 (July 27, 1995) (order).

² Series of Funds for which GEIM in the past served, but no longer serves, as investment adviser or subadviser will not be considered GEIM-Advised Series. To the extent that a series of a Fund for which GEIM serves as investment adviser or subadviser ceases to be advised by GEIM, such series will be deemed a Future Fund for purposes of the application.

commercial paper then available in the same quantities from other issuers, taking into consideration such factors as yield, maturity, rating by a NRSRO, quality of issuer, flexibility, transaction costs or any other factor deemed relevant by the Fund and adviser in evaluating the desirability of an investment in commercial paper. In particular, applicants represent that before purchasing any commercial paper from a GE Issuer, applicants will obtain yield information on commercial paper offered by at least two comparable issuers, *i.e.*, issuers with similar credit rating and program size, and in a similar market segment or segments, as the GE Issuer.

11. With respect to FGIC Transactions, applicants state that FGIC is among a small number of leading insurers in the market for issuing insurance policies which guarantee the timely payment of principal of, and interest on, particular municipal obligations or on a portfolio of municipal obligations. As of December 31, 1998, FGIC's 21.7% market share of insured new issues ranked FGIC as third in the market. FGIC has received insurance claims-paying ability ratings of AAA/Aaa/AAA by S&P, Moody's, and Fitch IBCA, Inc. FGIC-insured municipal bonds have represented significant investment opportunities for certain of the Funds.

12. Applicants acknowledge and agree that the requested order will be effective only during the Effective Period and will not be applicable with respect to any GEIM-Advised Series. Applicants further acknowledge and agree that the applicability of the requested order to any Fund is conditioned upon approval of the conditions set forth in the application by the Fund's disinterested directors/trustees.

Applicants' Legal Analysis

Sections 17(a) and (d)

1. Section 17(a) of the Act provides, in relevant part, that it is unlawful for any affiliated person of a registered investment company, or any affiliated person of such an affiliated person, acting as principal, knowingly: (i) to sell any security or other property to such registered company; (ii) to purchase any security or other property from such registered company; or (iii) to borrow money or other property from such registered company. To the extent that GE and each of the GE entities would be deemed to be an affiliated person of an affiliated person of each of the Funds, section 17(a) could be deemed applicable to GE Debt Transactions,

FGIC Transactions, and Claim Settlement Transactions.

2. Section 17(d) of the Act and rule 17d-1 under the Act prohibit an affiliated person of a registered investment company, or an affiliated person of such affiliated person, acting as principal, from engaging in a joint enterprise or other joint arrangement with such registered investment company, unless an application regarding such enterprise or arrangement has been filed with the SEC and an order has been granted. To the extent that GE and each of the GE entities would be deemed to be affiliated persons of an affiliated person of each of the Funds, section 17(d) and rule 17d-1 could be deemed applicable to FGIC Transactions and Claim Settlement Transactions.

3. Section 17(d) provides that on application, the SEC shall grant an order exempting a proposed transaction from section 17(a) if evidence establishes that: (1) the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (2) the proposed transaction is consistent with the policy of each registered investment company concerned; and (3) the proposed transaction is consistent with the general purposes of the Act. Rule 17d-1(b) provides that in passing upon applications, the SEC will consider whether each party's participation in the proposed joint transaction "is consistent with the provisions, policies and purposes of the Act" as well as the "extent to which such participation is on a basis different or less advantageous than that of other participants."

4. Section 6(c) of the Act provides, in pertinent part, that the SEC may, by order upon application, conditionally or unconditionally exempt any class of transactions from any provisions of the Act "if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of this title."

5. Applicants seek an order: (1) Under sections 6(c) and 17(b) of the Act, granting an exemption from the provisions of section 17(a) of the Act to permit the GE Debt Transactions, FGIC Transactions, and Claim Settlement Transactions; and (2) under section 17(d) of the Act and rule 17d-1 under the Act to permit FGIC Transactions and Claim Settlement Transactions.

6. Applicants state that while the requested order would enable the Funds to engage in the enumerated

transactions, it would neither require nor encourage the Funds to do so. Such transactions would be matters left solely within the discretion of the Funds' investment advisers and boards of directors, consistent with each of the Funds' investment objectives, policies and restrictions.

7. With respect to GE Debt Transactions, applicants state that the ability of any Fund to continue to invest in GE commercial paper is important to the management of the Funds and their opportunity to achieve their overall investment objectives to the benefit of their shareholders. Applicants contend that in light of the significant market share of GE commercial paper in the commercial paper market, it is undesirable for the Funds to be precluded from these potentially favorable investment opportunities. Since purchases in the significantly smaller secondary market in GE commercial paper are often at a less favorable price than direct purchases from GE Issuers, applicants argue that in the absence of the requested relief, the Funds may not have a reasonable and cost-effective opportunity to purchase GE commercial paper. Given many of the Funds' diversification requirements, applicants contend that the inability of the Funds to purchase GE commercial paper (or to "sell" such paper back to the GE Issuers through requesting prepayment on such paper) could cause the Funds to turn to smaller, possibly less attractive issuers of commercial paper.

8. With respect to the FGIC Transactions, applicants state that the ability of those Funds which are permitted to invest in municipal obligations to continue to be engaged in FGIC Transactions is important to the management of the Funds and their opportunity to achieve their overall investment objectives to the benefit of their shareholders. Applicants contend that given the significant position of FGIC in the market of insurers of municipal bonds, as well as the fact that insured municipal bonds make up an increasingly large percentage of the market, it is undesirable for the Funds to be precluded from these potentially favorable investment opportunities. Applicants argue that precluding any municipal Funds, whether or not diversified, from purchasing FGIC-insured municipal obligations would significantly reduce the pool of potential investments for these Funds, thereby potentially adversely affecting the Funds' ability to achieve the most favorable investment results, and could increase the Funds' exposure in the event that one of the other insurers

experiences problems meeting its insurance obligations.

9. Applicants state that the proposed conditions will help to ensure that GE Debt Transactions and FGIC Transactions will be reasonable and fair to the shareholders of the Funds will not involve overreaching on the part of any person concerned, and will accord with the relevant policies of the Act by ensuring that the Funds' portfolios securities will not be selected in the interest of affiliated persons or FGIC rather than in the interest of the Funds' shareholders. In addition, with respect to Claim Settlement Transactions, applicants assert that the terms of any Claim Settlement Transactions will be reasonable and fair and will not involve overreaching on the part of any person concerned.

Section 12(d)(3)

10. Section 12(d)(3) of the Act generally prohibits a registered investment company from acquiring any security issued by a securities related business—i.e. the business of any person who is a broker, a dealer, an underwriter, or an investment adviser. Although rule 12d3-1 exempts from section 12(d)(3) purchases by an investment company of certain such securities, rule 12d3-1(c) provides that the exemption does not extend to the acquisition of any security issued by the acquiring company's investment adviser, promoter, or principal underwriter, or any affiliated person of such investment adviser, promoter, or principal underwriter.

11. To the extent that GE and its subsidiaries may be deemed to be affiliated persons of PWI and MHAM, or to be engaged in a securities-related business, applicants seek an order from the SEC pursuant to section 6(c) of the Act exempting them from section 12(d)(3) to the extent necessary to permit the GE Debt Transactions, as well as secondary market submit that the concerns at which section 12(d)(3) is directed are not implicated, and the criteria of section 6(c) are met, with respect to the proposed transactions. Applicants note that the GE Company itself derived less than 1% of its gross revenues from "securities related activities" (excluding its interest in PWG) of its fiscal year ended December 31, 1989.

Applicants' Conditions

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

1. GE Debt Transactions will be limited to commercial paper issued by

the GE Issuer that is a party to the transaction.

2. Before any GE Debt Transaction is consummated, the Fund or its investment adviser will obtain such information as it deems necessary to satisfy itself that the price available to the Fund is at least as favorable to the Fund as the price available to other institutional purchasers or sellers, buying or selling, respectively, in approximately the same quantities at approximately the same time.

3. All GE commercial paper purchased by the Funds from GE Issuers under the order will, at the time of purchase, be an "eligible security" and a "rated security" as those terms are defined in rule 2a-7 under the Act.

4. Each GE Debt Transaction will be in accordance with the participating Fund's investment objectives, policies and restrictions, and neither MHAM, PWI nor any other investment adviser of any of the Funds will take any action to encourage a change in such investment objectives, policies or restrictions with the intent of facilitating GE Debt Transactions.

5. The Funds will not purchase commercial paper of a GE Issuer if, after such purchase, the Funds' holdings in the aggregate of such GE Issuer's commercial paper would exceed: (a) 10% (measured at the time of purchase) of the value of the outstanding commercial paper of such GE Issuer if such GE Issuer is GE or GECS (or 15%, measured at the time of purchase), if the Funds are investing for temporary defensive purposes or for other purposes of liquidity) or (b) 5% (measured at the time of purchase) of the value of the outstanding commercial paper of such GE Issuer if such GE Issuer is GECC (or 10%, measured at the time of purchase, if the Funds are investing for temporary defensive purposes or for other purposes of liquidity). The Funds will calculate the amount of limitations applicable under this paragraph on the bases of the amount of each GE Issuer's outstanding commercial paper as shown in, and as of the end of the period covered by, the GE Issuer's most recent quarterly report, or, if more recent, the GE Issuers' annual report.

6. No fund or series of any Fund will invest more than 1% (measured to the time of purchase) of the value of its total assets, or, if lower, the maximum percentage permitted by its investment policies and restrictions, in the commercial paper of GE Issuers, measured in the aggregate, except that each Money Market Fund or series of any Money Market Fund may invest up to 5% (measured at the time of

purchase) of the value of its total assets in the commercial paper of GE Issuers, measured in the aggregate, subject to any limitations in rule 2a-7 under the Act.

7. The Funds and their investment advisers will maintain such records with respect to GE Debt Transactions conducted pursuant to the requested order ("Order") as may be necessary to confirm compliance with the conditions of the Order.

a. Each Fund shall maintain an itemized daily record of all purchases and sales of securities pursuant to the Order, showing for each transaction: the name and quality of securities; the unit purchase or sale price; the time and date of the transaction; and the rating of the securities. Such records also shall document for each commercial paper transaction at least two quotations on securities of comparable issuers, including: the source of the quotations (Teleread or another generally accepted electronic means); the prices quoted; the time and dates the quotations were received; and the ratings of these securities of comparable issuers.

b. Each Fund shall maintain a ledger or other record showing, on a daily basis, the percentage of that Fund's total assets invested in GE commercial paper.

c. Each Fund and/or its investment adviser shall maintain records sufficient to verify compliance with the limitations in condition 5 above.

The records required by this condition 7 will be maintained and preserved in the same manner as records required under rule 31a-1(b)(1) under the Act.

8. Each FGIC Transaction will be in accordance with the participating Fund's investment objectives, policies and restrictions, and neither MHAM, PWI nor any other investment adviser of any of the Funds will take any action to encourage a change to such investment objectives, policies or restrictions with the intent of facilitating FGIC Transactions.

9. The Funds and their investment advisers will maintain such records with respect to FGIC Transactions conducted pursuant to the Order as may be necessary to confirm compliance with the conditions of the Order. The records will show for each transaction conducted pursuant to the Order, among other things, the time and date of the FGIC Transaction, the price of the insured purchased pursuant to the Order, the type of insurance covering the security, and, in the case of Secondary Market Insurance purchased directly from FGIC, the procedures taken to make the determination set forth on condition 10. The records will

be maintained and preserved in the same manner as records required under rule 31a-1(b)(1) under the Act.

10. The Funds will not purchase Secondary Market Insurance from FGIC unless the Funds or their investment advisers determine that: (a) the rates and terms of such insurance are at least as favorable to the Funds as the rates and terms FGIC offers non-affiliated investment companies; and (b) the rates and terms of such insurance are at least as favorable to the Funds as those obtainable from non-affiliated insurers of similar stature and creditworthiness.

11. The Funds will not purchase: (a) in any initial public offering of municipal securities insured wholly through FGIC Primary Market Insurance, more than 10% of the offering; and (b) in any initial public offering of municipal securities insured partly through FGIC Primary Market Insurance, more than 10% of that portion of the offering insured by FGIC.

12. A Fund that purchases insurance with an option to continue in effect after the resale of a municipal obligation will only exercise such option when the insured value of the security, less the cost of the premium for the insurance, exceeds the value of the security without the insurance.

13. In the event there is a payment default on a municipal obligation held by a Fund that is insured by FGIC, the Fund will not accept from FGIC in settlement of any claim less than an amount sufficient to pay any principal or interest then due on such municipal obligation in accordance with the insurance policy to which such obligation is subject without obtaining a further exemptive order or other relief from the SEC except as follows: If holders of such obligation, otherwise unaffiliated with FGIC or any GE entity and holding in the aggregate a larger principal amount than the Fund, accept a settlement by a majority (in principal amount) of such unaffiliated holders, then the Fund may accept a settlement on terms as least as favorable as those accepted by such majority without obtaining an order from the Commission, provided the Fund's board of directors/trustees ("Board"), including a majority of the non-interested directors/trustees ("Disinterested Directors"), approve the settlement as in the best interests of the Fund.

14. The Board of each Fund, including a majority of the Disinterested Directors, will adopt guidelines for the Funds and their investment advisers to ensure compliance with the conditions set forth in the application. Each Fund shall maintain and preserve

permanently in an easily accessible place a copy of the guidelines. The Board shall review, no less frequently than annually, compliance with such guidelines in order to determine that: (a) transactions conducted pursuant to the Order comply with the conditions set forth herein; (b) the above procedures are followed in all respects; and (c) participation by the Fund in such transactions is, and continues to be, in the best interests of the Fund and its shareholders. The minutes of the meeting of the Board of each Fund at which this determination is made will reflect in detail the reasons for the Board's determination.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 99-15598 Filed 6-18-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41525; File No. SR-DTC-99-14]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Relating to the Establishment of an Automated Foreign Tax Reclaim Service

June 14, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on May 27, 1999, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-99-14) as described in Items I, II, and III below, which items have been prepared primarily by DTC. The Commission is publishing this notice to solicit comments from interested persons.

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

Under the proposed rule change, DTC will establish an automated foreign tax reclaim service called "TaxReclaim."

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the

proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

DTC currently offers two foreign tax withholding services. Under DTC's Elective Dividend Service, participants can certify securities positions that are entitled to reduced withholdings under international tax treaties or source country law in order to obtain tax relief at source or by accelerated tax refunds. DTC also provides a foreign tax information database called "TAXI" which provides withholding tax information on foreign securities.

Under the proposed rule change, DTC will expand its international tax services with the addition of TaxReclaim. TaxReclaim will be an interactive tax reclaim preparation facility that will assist participants in preparing foreign jurisdictions' tax reclaim forms that are required to reclaim tax withheld on income payments on foreign securities. Participants will access TaxReclaim through DTC's participant terminal system. Participants will input data particular to the beneficial owner, foreign security, and payment details as required by the country of issuance. DTC will process the information in a software application that includes the reclaim form and tax information template and will transmit back to the participant using file transfer protocol a print file containing the completed tax reclaim form, reclaim calculation, and information on additional filing requirements and filing instructions. In a subsequent phase, TaxReclaim may be further automated and made accessible to participants over DTC's computer to computer facility.

DTC will initiate the TaxReclaim service as a pilot program with a small group of participant users. It is anticipated that the initial pilot program will begin in July 1999 with approximately 6 to 15 participants. No fees will be charged during the pilot phase. DTC anticipates concluding the pilot program phase and introducing TaxReclaim as a regular DTC service in August 1999. When TaxReclaim becomes a regular DTC service, the fee

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by DTC.