7. No director, trustee or officer of the Trust or director or officer of the Adviser will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by the director, trustee or officer) any interest in a Subadviser except for ownership of (a) interest in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser; or (b) less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Subadviser or an entity that controls, is controlled by, or is under common control with a Subadviser.

8. Within 90 days of the hiring of any new Subadviser, the Adviser will furnish the shareholders of the applicable Fund all the information that would have been included in a proxy statement. Such information will include any changes in such information caused by the addition of a new Subadviser. To meet this obligation, the Adviser will provide the shareholders of the applicable Funds with an information statement meeting the requirements of Regulation 14C and Schedule 14C under the Securities Exchange Act of 1934, as well as the requirements of Item 22 of Schedule 14A under that Act.

For that 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. 34–44987; File No. SR–EMCC–2001–03]

Self-Regulatory Organizations; Emerging Markets Clearing Corporation; Order Granting Accelerated Approval of a Proposed Rule Change Relating to Arrangements To Integrate Emerging Markets Clearing Corporation and the Depository Trust & Clearing Corporation

October 25, 2001.

On August 22, 2001, the Emerging Markets Clearing Corporation (''EMCC'') filed with the Securities and Exchange Commission (''Commission'') pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] a proposed rule change (File No. EMCC–2001–03) and on October 24, 2001, amended the proposed rule change.[2] Notice of the proposal was published in the **Federal Register** on October 10, 2001.[3] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change will modify EMCC's organizational documents to facilitate its integration with the Depository Trust and Clearing Corporation (''DTCC'') (''Plan''). The primary purpose of the Plan, which was approved by EMCC's Board of Directors on July 25, 2001, is to ultimate harmonized the processing streams at EMCC, the Government Securities Clearing Corporation (''GSCC''), the MBS Clearing Corporation (''MBSCC''),[4] The Depository Trust Company, and the National Securities Clearing Corporation (''NSCC'') [5] (collectively, the ''Operating Subsidiaries'') for the clearance and settlement of institutional and broker transactions by integrating all of the Operating Subsidiaries with DTCC. Under the Plan, EMCC and DTCC will take the following initial actions:

(1) *Conduct an Exchange Offer.* DTCC will form a wholly owned subsidiary (''Acquisition Company'') that will make an exchange offer (''Exchange Offer'') for EMCC shares. Under the terms of the Exchange Offer, eligible Class A EMCC shareholders [6] will have the opportunity to exchange their EMCC shares for DTCC common stock.[7] Concurrent with and subject to the effectiveness of the Exchange Offer, EMCC will repurchase the Class A and Class B common sharer held by its trade association shareholders. Subject to the effectiveness of the Exchange Offer, EMCC's trade association shareholders will receive from EMCC in exchange for their Class A and Class B common shares cash in an amount equal to the lesser of (a) Their acquisition cost or (b) the adjusted book value of their shares. EMCC's Class B shareholders will retain their Class B shares (other than the trade association shareholders who will be paid out as provided above) with the same rights to have their shares repurchased for cash as currently provided in EMCC's Amended and Restated Shareholder Agreement (''EMCC Shareholder Agreement'').[8]

Following a successful Exchange Offer, Acquisition Company will be the majority shareholder of EMCC and the Class B and any non-eligible and/or non-tendering Class A EMCC shareholders will remain as minority shareholders in EMCC.

As a matter of DTCC policy, EMCC's retained earnings at the time of (or as of the end of the last full preceding calendar month) the integration of EMCC with DTCC will be dedicated to supporting EMCC's business. Acquisition Company and DTCC will not engage in clearing agency activities. Certain support functions, including human resources, finances, audit, general administration, and corporate communications will continue to be centralized in DTCC and be provided by DTCC to EMCC pursuant to service contracts.

(2) *Change EMCC's Shareholder Agreement.* EMCC's Shareholder Agreement will be amended in connection with the Exchange Offer in order to eliminate any restrictions on transferring EMCC shares to Acquisition Company. Following a successful Exchange Offer, the EMCC Shareholder Agreement will be terminated.

(3) *Select New EMCC's Directors.* DTCC, through its wholly-owned subsidiary, Acquisition Company, will

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

[2] The amendment merely clarified that Class B shareholders would be given post integration voting rights for the election of EMCC directors at a rate of one-quarter vote per share. This clarification was made only to ensure the tax-free nature of the integration transaction and the proposal that Class B shareholders would be given limited voting rights was discussed and comment requested on in the notice. Accordingly, republication of the notice of filing is not required.

[3] Securities Exchange Act Release No. 44896 (Oct. 2, 2001), 66 FR 51695.

[4] Pursuant to separate plans for the integration of GSCC and MBSCC and DTCC, it is contemplated that GSCC and MBCC will become operating subsidiaries of DTCC at the same time that EMCC becomes an operating subsidiary of DTCC. However, the integration of EMCC and DTCC is not contingent on the integration of GSCC and MBSCC with DTCC and vice versa. Securities Exchange Act Release Nos. 44895 (Oct. 2, 2001), 66 FR 51698 (Oct. 10, 2001); 44989 (Oct. 25, 2001) [File No. SR–GSCC–2001–11]; 44838 (Sept. 24, 2001), 66 FR 51701 (Oct. 10, 2001); 44988 (Oct. 25, 2001) [File No. SR–MBSCC–2001–01].

[5] DTC and NSCC are already wholly owned subsidiaries of DTCC.

[6] EMCC Class A shareholders eligible to participate in the Exchange Offer include EMCC Class A shareholders that are members or affiliates of members of EMCC, GSCC, MBSCC, DTC, or NSCC.

[7] The share exchange rate will be based on the adjusted book values of EMCC and DTCC. The adjusted book value of EMCC will equal book value less the retained earnings of EMCC at the time of (or as of the end of the last full preceding calendar month) the integration of EMCC with DTCC. The adjusted book value of DTCC will equal book value less the smaller of (i) the retained earnings of DTCC attributable to NSCC's retained earnings at the time of the integration of NSCC and DTC with DTCC in 1999 or (ii) the retained earnings of DTCC attributable to the retained earnings of NSCC at the time of (or as of the last full preceding calendar month) the integration of EMCC with DTCC.

[8] In addition and subject to the effectiveness of the Exchange Offer, holders of Class B shares will be provided with the limited right to vote for the election of EMCC Directors.

elect as directors of EMCC the persons elected by the shareholders of DTCC to be the directors of DTCC.[9] EMCC will continue to exist as a separate registered clearing agency and will operate essentially as it currently does by offering its own services to its own members pursuant to separate legal arrangements and separate risk management procedures.

As a part of the integration, a structure will be implemented that is designed to ensure that the Operating Subsidiaries satisfy the fair representation requirement of section 17A(b)(3)(C) of the Act.[10] Specifically, the DTCC shareholders, consisting of the current DTCC shareholders and EMCC's, MBSCC's, and GSCC's shareholders that become shareholders of DTCC as a result of the Plan, will elect the persons to serve on DTCC's Board of Directors. These individuals will, in turn, be selected by DTCC to serve as the directors of each of the Operating Subsidiaries. On a periodic basis to be determined by the DTCC Board, rights to purchase DTCC common stock will be reallocated to shareholders based upon their usage of one or more of the Operating Subsidiaries. Shareholders may, but will not be obligated to, purchase some or all of the DTCC common stock to which they are entitled. Holders of DTCC common stock will be entitled to cumulative voting in the election of directors.

(4) *Form New Committees.* DTCC's existing International Operations and Planning Committee will include representatives of EMCC members. The International Operations and Planning Committee will advise the DTCC Board and management on its policies and procedures with respect to the international products and/or services of the Operating Subsidiaries, including EMCC, and will have certain other responsibilities to be assigned to the Committee. In addition, EMCC will continue to have a Membership and Risk Committee that will include representatives of EMCC's members. The EMCC membership and Risk Committee will advise EMCC's Board of Directors and management with respect to membership, credit matters, and risk matters and will have certain other responsibilities assigned to it.

(5) *Change DTCC's and EMCC's Governing Documents.* DTCC's Certificate of Incorporation, By-Laws and Shareholders Agreement (''Basic Documents'') will be amended to extend to the shareholders of EMCC, MBSCC, and GSCC that become shareholders of DTCC as a result of the Exchange Offer the rights to the shareholders of DTCC currently have and, in particular, to satisfy the fair representation requirement of the Exchange Act. The Basic Documents will provide the following:

- The persons elected as directors to the DTCC Board will also serve as the directors of each of the Operating Subsidiaries, including EMCC.
- Other than, as is currently the case, one director appointed to the DTCC Board by the New York Stock Exchange, Inc., as the owner of DTCC preferred stock, and one director appointed to the DTCC Board by the National Association of Securities Sealers, Inc., as an owner of DTCC preferred stock, all directors will be elected annually by the owners of DTCC common stock.
- The rights to purchase DTCC common stock will be reallocated to the users of each of the Operating subsidiaries based upon their usage. Under the Basic Documents, these rights will be reallocated on a periodic basis to be determine by DTCC's Board and in accordance with the DTCC Shareholders Agreement. DTCC common stock.
- DTCC's directors.
- Each year DTCC Board will appoint a nominating committee that may include both members and non-members of the DTCC Board. After soliciting suggestions from all users of each of the Operating Subsidiaries of possible nominees to fill vacancies on the DTCC Board, the nominating committee will recommend a slate of nominees for the full DTCC Board. The DTCC Board may make changes in that slate before submitting nominations to the holders of DTCC common stock for election. The election ballot included in the proxy materials will provide an opportunity for stockholders to cast their votes for a person not listed as a nominee. Because the Basic Documents will provide for cumulative voting, certain large holders of DTCC common stock may have a sufficient number of shares to elect a person not on the slate nominated for election by the DTCC Board.

In addition, EMCC's Certificate of Incorporation and By-Laws will be revised to reflect the changes in EMCC's corporate governance structure and to include certain other changes so that these documents conform to the Certificates of Incorporation and By-Laws of GSCC and MBSCC, so as to promote efficiency in the governance of the Operating Subsidiaries upon completion of the Plan. EMCC's Certificate of Incorporation shall be amended as follows:

- Its operative provisions, which currently are contained in the original Certificate and several amendments, will be restated into a single composite Amended and Restated Certificate of Incorporation and reordered and renumbered as appropriate.
- In Article 3 (as renumbered), the provisions relating to the Class B common shares will be modified to provide such shares with limited voting rights. These shares will have the right to vote, with the Class A common shares voting together as a single Class, for the election of directors.
- A new Article 4 will be inserted to provide that, in accordance with New York Business Corporation Law, EMCC shareholders may take action by written consent without a meeting and without unanimity as long as such consent is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.
- The supermajority voting provisions currently contained in Article 6 will be deleted since they will be unnecessary because DTCC, through its wholly-owned subsidiary, Acquisition Company, will be the controlling shareholder of EMCC.
- A new Article 6 will be added to limit the liability of the directors to EMCC and its shareholders for any breach of duty provided such limitation is consistent with the provisions of the New York Business Corporation Law.

Since after the proposed integration, DTCC through its wholly-owned subsidiary, Acquisition Company, will be the majority shareholder of EMCC, the current By-Laws of EMCC will be replaced with a set of By-Laws that generally conform to NSCC's By-Laws.[11]

II. Discussion

The Commission finds that EMCC's proposed rule change is consistent with

[9] Given that EMCC's initial post-integration board would be elected upon the effectiveness of the integration plan, EMCC has determined to postpone its 2001 annual election of directors, which would normally occur near calendar year-end, with the current Board remaining in office until the Plan is effectuated. Should the Plan not become effective by March 31, 2002, EMCC will call an annual meeting for the election of directors pursuant to its current procedures.

[10] 15 U.S.C. 78–q(b)(3)(C).

[11] EMCC's By-Laws will differ from NSCC's By-Laws in that (i) all references will be gender-neutral, (ii) the requirement in Section 3.3 that the President shall be the Chief Executive Officer will be deleted, (iii) the number of directors shall be between fifteen and twenty-five as determined by the Board, and (iv) Sections 1.2 and Article VIII will provide that a majority of the outstanding shares may call a special shareholders meeting and may amend EMCC's By-Laws.

the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of section 17A(b)(3)(C) [12] of the Act. Section 17A(b)(3)(C) requires that a clearing agency's rules assure the fair representation of its shareholders (or members) and participants in the selection of its direction and administration of its affairs. The Commission finds that EMCC's proposal is consistent with this requirement because the integration plan should provide EMCC members with a reasonable opportunity to acquire common stock in DTCC based on their use of EMCC and should provide EMCC members through their holding of DTCC stock with adequate and fair representation in the selection of EMCC's directors and in the administration of EMCC's affairs. Furthermore, EMCC members will have an opportunity to advise DTCC through the International Operations and Planning Committee and Membership and Risk Committee that will include EMCC members.

EMCC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing because such approval will allow EMCC to begin its integration in accordance with the schedule for the integration of EMCC, MBSCC, and GSCC with DTCC. The Commission is approving the proposed rule change prior to the end of the comment period in order that EMCC may begin its integration in accordance with the schedule for the integration of EMCC, MBSCC, and GSCC with DTCC.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to section 19(b)(2) of the Act, that the proposed rule change (File No. SR–EMCC–2001–03) be, and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[13]

Margaret H. McFarland,

Deputy Secretary.

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[12] 15 U.S.C. 78q–1(b)(3)(C).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44989; File No. SR–GSCC–2001–11]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Granting Accelerated Approval of A Proposed Rule Change Relating to Arrangements to Integrate Government Securities Clearing Corporation and The Depository Trust & Clearing Corporation

October 25, 2001.

On August 22, 2001, the Government Securities Clearing Corporation (''GSCC'') filed with the Securities and Exchange Commission (''Commission'') pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] a proposed rule change (File No. GSCC–2001–11), Notice of the proposal was published in the **Federal Register** on October 10, 2001.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The proposed rule change will modify GSCC's organizational documents to facilitate its integration with the Depository Trust and Clearing Corporation (''DTCC'') (''Plan''). The primary purpose of the Plan, which was approved by GSCC's Board of Directors on July 24, 2001, is to ultimately harmonize the processing streams at GSCC, the MBS Clearing Corporation (''MBSCC''),[3] the Emerging Markets Clearing Corporation (''EMCC''),[4] The Depository Trust Company, and the National Securities Clearing Corporation (''NSCC'') [5] (collectively, the ''Operating Subsidiaries'') for the clearance and settlement of institutional and broker transactions by integrating all of the Operating Subsidiaries with DTCC. Under the Plan, GSCC and DTCC will take the following initial actions:

(1) *Conduct an Exchange Offer.* DTCC will form a wholly-owned subsidiary (''Acquisition Company'') that will make an exchange offer (''Exchange Offer'') for GSCC shares. Under the terms of the Exchange Offer, GSCC shareholders will have the opportunity to exchange their GSCC common stock for DTCC common stock.[6] Following a successful Exchange Offer, the GSCC Shareholder Agreement will be terminated. Acquisition Company will be the majority or sole (depending on whether all GSCC shareholders tender their shares) shareholder of GSCC, and any non-tendering GSCC shareholders will remain as minority shareholders of GSCC.

As a matter of DTCC policy, GSCC's retained earnings at the time of (or as of the end of the last preceding calendar month) the integration of GSCC with DTCC will be dedicated to supporting GSCC's business. Acquisition Company and DTCC will not engage in clearing agency activities. Certain support functions, including human resources, finances, audit, general administration, and corporate communications will continue to be centralized in DTCC and be provided by DTCC to GSCC pursuant to service contracts.

(2) *Change GSCC's Shareholder Agreement.* GSCC's Shareholder Agreement will be amended in connection with the Exchange Offer in order to eliminate any restrictions on transferring GSCC shares to Acquisition Company.

(3) *Select New GSCC's Directors.* DTCC, through its wholly-owned subsidiary, Acquisition Company, will elect as directors of GSCC the persons

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

[2] Securities Exchange Act Release No. 44895 (Oct. 2, 2001), 66 FR 51698.

[3] Because of the current functional integration of operations of GSCC and MBSCC, the integration of GSCC with DTCC is contingent upon the successful integration of MBSCC with DTCC and vice versa. Securities Exchange Act Release Nos. 44838 (Sept. 24, 2001), 66 FR 51695; 44988 (Oct. 25, 2001) [File No. SR–MBSCC–2001–01].

[4] Pursuant to a separate plan for the integration of EMCC with DTCC, it is contemplated that EMCC will become an operating subsidiary of DTCC at the same time that GSCC and MBSCC become operating subsidiaries of DTCC. However, the integration of GSCC and MBSCC with DTCC is not contingent on the integration of EMCC with DTCC and vice versa. Securities Exchange Act Release Nos. 44896 (Oct. 2, 2001), 66 FR 51695 (Oct. 10, 2001); 44987 (Oct. 25, 2001) [File No. SR–EMCC–2001–03].

[5] DTC and NSCC are already wholly owned subsidiaries of DTCC.

[6] The share exchange rate will be based on the adjusted book values of GSCC and DTCC. The adjusted book value of GSCC will equal book value less the retained earnings of GSCC at the time of (or as of the end of the last full preceding calendar month) the integration of GSCC with DTCC. The adjusted book value of DTCC will equal book value less the smaller of (i) the retained earnings of DTCC attributable to NSCC's retained earnings at the time of the integration of NSCC and DTC with DTCC in 1999 or (ii) the retained earnings of DTCC attributable to the retained earnings of NSCC at the time of (or as of the last full calendar month preceding) the integration of GSCC with DTCC.