to require such meetings) or comply with Section 16(c) of the 1940 Act (although none of the Funds shall be one of the trusts described in Section 16(c) of the 1940 Act), as well as with Section 16(a) and, if applicable, Section 16(b) of the 1940 Act. Further, each Fund will act in accordance with the Commission's interpretation of the requirements of Section 16(a) with respect to periodic elections of directors (or trustees) and with whatever rules the Commission may promulgate with respect thereto.

10. If and to the extent Rule 6e–2 or Rule 6e–3(T) is amended, or Rule 6e–3 is adopted, to provide exemptive relief from any provision of the 1940 Act or the rules thereunder with respect to mixed and shared funding on terms and conditions materially different from any exemptions granted in the order requested, then the Funds and/or the Participants, as appropriate, shall take such steps as may be necessary to comply with Rule 6e–2 or Rule 6e–3(T), as amended, and Rule 6e–3, as adopted, to the extent such rules are applicable.

11. No less than annually, the Participants shall submit to each Board such reports, materials or data as each Board may reasonably request so that such Boards may fully carry out the obligations imposed upon them by the conditions stated in the application. Such reports, materials, and data shall be submitted more frequently if deemed appropriate by the Boards. The obligations of the Participants to provide these reports, materials, and data upon reasonable request of a Board shall be a contractual obligation of all Participants under their agreements governing their participation in the Funds.

12. If a Plan or Plan Participant should become an owner of 10% or more of the assets of a Fund, such Plan will execute a Fund participation agreement with the applicable Fund, including the conditions set forth herein to the extent applicable. A Plan or Plan Participant will execute an application containing an acknowledgment of this condition upon such Plan's initial purchase of the shares of any Fund.

Conclusion

For the reasons stated above, Applicants assert that the requested exemptions from Sections 9(a), 13(a), 15(a) and 15(b) of the 1940 Act and Rules 6e–2 and 6e–3(T) thereunder are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–3044 Filed 2–9–96; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21737; Int'l Series Release No. 929; 812–9234]

The Foreign Fund, Inc., et al.; Notice of Application

February 6, 1996.

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

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the ''Act'').

APPLICANTS: The Foreign Fund, Inc. (the ''Fund''), BZW Barclays Global Funds Advisors (the ''Adviser''), and Fund Distributor, Inc. (the ''Distributor'').

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act for an exemption from sections 2(a)(32), 5(a)(1), 22(d), and 22(e) of the Act and rule 22c–1 thereunder and under sections 6(c) and 17(b) of the Act for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order permitting the Fund to issue securities of limited redeemability that are intended to trade on the American Stock Exchange (the ''AMEX'') at negotiated prices. The order also would permit certain transactions between the Fund and affiliated persons and permit the Fund to make payment for redeemed securities more than seven days from the date such securities are tendered in certain circumstances.

FILING DATE: The application was filed on August 19, 1994 and amended on December 23, 1994, May 19, 1995, and January 17, 1996. Applicants have agreed to file an additional amendment, the substance of which is incorporated herein, during the notice period.

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 March 4, 1996, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 400 Bellevue Parkway, Wilmington, Delaware 19809.

FOR FURTHER INFORMATION CONTACT: James M. Curtis, Senior Counsel, at (202) 942–0563, or Robert A. Robertson, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

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

Applicants' Representations

1. The Fund is an open-end management investment company that initially will consist of seventeen series (the ''Index Series''). Each Index Series will invest in a portfolio of equity securities consisting of some or all of the component securities of a specified foreign securities index (the ''Portfolio Securities''). Applicants have selected the indices compiled by Morgan Stanley Capital International (the ''MSCI Indices'') as the indices for the seventeen Index Series. The seventeen Index Series will represent, respectively, the MSCI Indices for Australia, Austria, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, Malaysia, Mexico, the Netherlands, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

2. The Fund will be managed and advised by the Adviser. PFPC Inc. is expected to provide certain administrative services to each Index Series. The principal underwriter and distributor of the Fund's shares will be the Distributor.

3. The Fund may impose a sales commission on all cash sales orders received during the initial subscription period of an Index Series. Applicants expect that pursuant to a plan adopted by the board of directors of the Fund for each Index Series under rule 12b–1 under the Act, each Index Series will pay fees to the Distributor, calculated daily and payable monthly, on an annualized basis, of a specified percentage of the average daily net assets of the Index Series (subject to the maximum of .25% per annum thereof). Such monies may be used to cover the expenses of the Distributor primarily intended to result in the sale of shares of each Index Series. The Adviser and PFPC Inc. also will receive fees for their services.

4. Each Index Series will issue shares referred to as ''World Equity Benchmark Shares[SM]'' (the ''WEBS''). WEBS of an Index Series will be issued and sold by the Fund only in aggregations of a specified number of WEBS (the ''Creation Units'') that will be separable at the option of the holder into WEBS. Shareholders of an Index Series will have one vote per WEB with respect to matters regarding the Fund or the respective Index Series upon which a shareholder vote is required. The initial net asset value of the Creation Units is expected to range from approximately $450,000 to $10,000,000. Applicants intend to list the WEBS on the AMEX.

5. The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York (the ''Depository'') or its nominee will be the record or registered owner of all outstanding WEBS. Beneficial ownership of WEBS will be shown on the records of the Depository or its participating organizations (''DTC Participants''). Creation Units of WEBS may be purchased only by or through a DTC Participant that has entered into an Authorized Participant Agreement with the Fund and the Distributor (an ''Authorized Participant''). The Distributor will be responsible for distributing prospectuses to purchasers of Creation Units.

6. The Fund will offer, issue, and sell Creation Units through the Distributor on a continuous basis at the net asset value per share next determined after it receives an order in proper form. Creation Units generally will be issuable in exchange for the deposit of portfolio securities and a specified cash payment; redemptions of Creation Units generally will be for portfolio securities and a specified cash payment. The Fund will sell shares of each Index Series only on Business Days. A ''Business Day'' is defined with respect to each Index Series as any day that the New York Stock Exchange and the stock exchange(s) and Fund subcustodian(s) relevant to such Index Series are open for business.

7. Payment with respect to orders placed through the Distributor will be made by in-kind deposit or, when available in respect of a particular Index Series, by cash. An in-kind purchase will be made by the in-kind deposit with the Fund of a portfolio of securities that is of essentially the same composition and weighting as the component shares selected by the Adviser to correspond to the returns of the relevant index (the ''Deposit Securities''), together with a cash payment in an amount equal to the Dividend Equivalent Payment (as defined below), plus or minus a Balancing Amount (as defined below). The ''Dividend Equivalent Payment'' is an amount equal, on a per Creation Unit basis, to the dividends on all the Portfolio Securities with exdividend dates within the accumulation period for such distribution, net of expenses and liabilities for such period, as if all of the Portfolio Securities had been held by the Fund for the entire period. The ''Balancing Amount'' is an amount equal to the difference between the net asset value (per Creation Unit) of the Index Series and the sum of the Dividend Equivalent Payment and the market value (per Creation Unit) of the securities deposited with the Fund. The Dividend Equivalent Payment and the Balancing Amount are collectively referred to as the ''Cash Component,'' and the deposit of the Deposit Securities together with the appropriate Cash Component is referred to as a ''Portfolio Deposit.'' In addition, investors purchasing shares in-kind will bear the costs of transferring the securities to the Fund. All purchases will be subject to a transaction fee, with a higher fee charged for cash purchases.

8. The Adviser will make available through the Distributor and by other means on each Business Day, immediately prior to the opening of business on the AMEX, the names and required number of shares of each Deposit Security included in the current Portfolio Deposit for each Index Series. Such Portfolio Deposit will be applicable, subject to any adjustments, for purchases of Creation Unit aggregations of shares of a given Index Series until such time as the next-announced Portfolio Deposit composition is made available. The adjustments will reflect changes, known to the Adviser on the date of announcement to be in effect by the time of delivery of the Portfolio Deposit, in the composition of the subject index being tracked by the Relevant Index Series, or resulting from stock splits and other corporate actions.

9. Broker-dealers and other persons will be cautioned in the prospectus and/or the Fund's statement of additional information (''SAI'') that some activities on their part may, depending on the circumstances, result in their being deemed statutory underwriters and subject them to the prospectus delivery and liability provisions of the Securities Act of 1933. For example, a broker-dealer firm may be deemed a statutory underwriter if it purchases Creation Units from the Fund, breaks them down into the constituent WEBS, and sells the WEBS directly to its customers; or if it chooses to couple the creation of a supply of new WEBS with an active selling effort involving solicitation of a secondary market demand for WEBS. The prospectus and/or the SAI will state that whether a person is an underwriter depends upon all the facts and circumstances pertaining to that person's and his client's activities. The prospectus and/or the SAI will explain that dealers who are not statutory underwriters, but are participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with WEBS that are part of an ''unsold allotment'' within the meaning of section 4(3) of the Securities Act of 1933, would be unable to take advantage of the prospectus-delivery exemption provided by section 4(3) of the Securities Act of 1933.

10. Creation Units will be redeemable for a portfolio of securities generally consisting of Deposit Securities as announced by the Distributor on the Business Day that the request for redemption is received in proper form, together with a cash redemption payment, which on any given Business Day will be an amount identical to the amount of the Cash Component. A redeeming beneficial owner, or Authorized Participant acting on behalf of such beneficial owner, must maintain appropriate securities broker-dealer, bank, or other custody arrangements in each jurisdiction in which any of the Portfolio Securities are customarily traded, to which account such Portfolio Securities will be delivered. If neither the redeeming beneficial owner nor the Authorized Participant has appropriate arrangements to take delivery of the Portfolio Securities in the applicable foreign jurisdiction, and it is not possible to make other such arrangements, or if it is not possible to effect deliveries of the Portfolio Securities in such jurisdiction, the Fund may in its discretion redeem such shares for cash. In such circumstances, or if the Fund concludes that operating on an exclusively in-kind basis presents marketing or operational problems for a specific series, the Fund reserves the right to offer a cash option for sales and to make redemptions in cash in respect of any Index Series. A transaction fee to cover brokerage and other transaction costs will be deducted from the redemption proceeds, with a higher fee charged for cash redemptions. In addition, investors redeeming shares in-kind will bear the costs of transferring the securities from the Fund.

11. Owners of Creation Units may hold the units or sell some or all of them into the secondary market as WEBS. Applicants intend to list the WEBS on

the AMEX so that they may trade in the secondary market in the same manner as other equity securities. However, the WEBS may not be redeemed from the Fund unless reconstituted into Creation Units. The price of WEBS on the AMEX will be based on a current bid/offer market. Transactions involving the sale of WEBS will be subject to customary brokerage commissions and charges. The Distributor will act as coordinator in connection with the distribution of prospectuses to broker-dealers. In addition, the Fund will provide copies of its annual and semi-annual shareholder reports to the DTC Participants for distribution to the beneficial holders of WEBS.

12. In order to avoid confusion in the public's mind between the Fund and a conventional ''open-end investment company'' or ''mutual fund,'' the Fund will limit the designation of the Fund in all marketing materials, including the Fund's prospectus and SAI, to the term ''investment company,'' without reference to ''open-end fund'' or ''mutual fund.'' The term ''mutual fund'' will not be used at any time. The term ''open-end investment company'' will be used in the prospectus only to the extent required by item 4 of Form N–1A.[1] The cover page of the prospectus and the summary will include a distinct paragraph stating that the WEBS will not be individually redeemable. The description of the Creation Units and the method of their purchase and redemption will follow such paragraph on the WEBS. The SAI will include an explanation of the issuance and redemption procedures for Creation Units. All marketing materials that describe the method of obtaining, buying, or selling WEBS, will state that the WEBS are non-redeemable.

13. Applicants believe that there are two large categories of investors who are likely to be interested in purchasing Creation Units. One is the institutional investor who desires a foreign index-based fund with the liquidity provided by exchange traded shares. The other likely institutional investor is the arbitrageur, who will purchase or redeem Creation Units in pursuit of arbitrage profit. Applicants believe that arbitrage activity will enhance the liquidity of the WEBS in the secondary market and also help ensure that WEBS will not trade at a material discount or premium in relation to the Fund's net asset value.

[1] Item 4 of Form N1A requires an investment company to state in its prospectus its classification and subclassification under sections 4 and 5 of the Act.

14. Applicants expect WEBS to be purchased and traded by ''retail'' investors that primarily seek to invest in WEBS in smaller quantities exclusively through purchases and sales executed on the AMEX and institutional investors that may purchase and redeem Creation Unit aggregations of WEBS directly with the Fund in addition to trading such shares on the AMEX.

15. Because applicants expect that ''retail'' investors will purchase WEBS on the AMEX and not Creation Units, the prospectus of an Index Series would include only a minimal description of the creation and redemption mechanics pertaining to Creation Units. The SAI will contain a detailed description of the mechanics for purchasing and redeeming Creation Units. Applicants contemplate that in all cases the SAI would be delivered along with the prospectus to any investors in connection with purchases of Creation Units.

Applicants' Legal Analysis

Section 6(c)

1. Applicants request relief under section 6(c) of the Act from sections 2(a)(32), 5(a)(1), 17(a)(1), 17(a)(2), 22(d), and 22(e) and rule 22c–1 and under sections 6(c) and 17(b) from sections 17(a)(1) and 17(a)(2). Section 6(c) permits the SEC to exempt any person or transaction from any provision of the Act, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy of the Act. Section 17(b) authorizes the SEC to exempt a transaction from section 17(a) if 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, the proposed transaction is consistent with the policy of each registered investment company concerned, and the proposed transaction is consistent with the general policy of the Act. Section 17(b) could be interpreted to exempt only a single transaction. However, the SEC, under section 6(c), may exempt a series of transactions that otherwise would be prohibited by section 17(a).

Sections 2(a)(32) and 5(a)(1)

1. Section 5(a)(1) of the Act defines an ''open-end company'' as a ''management company which is offering for sale or has outstanding any redeemable security of which it is the issuer.'' The term ''redeemable security'' is defined in section 2(a)(32) as a security which entitles the holder to receive, upon presentation of the security to the issuer, approximately his or her proportionate share of the issuer's current net assets.

2. Because the Creation Units are separable into WEBS that are not individually redeemable, a question arises as to whether the definition of a ''redeemable security'' or an ''open-end company'' under the Act would be met if such shares are viewed as non-redeemable securities. In light of this question, the Fund requests an order to permit it to maintain its registration as an open-end investment company and to issue shares that are redeemable only in Creation Units.

3. Applicants note that owners of WEBS wishing to redeem may purchase additional WEBS and tender the resulting Creation Unit for redemption. Moreover, AMEX listing will afford shareholders the benefit of liquidity. Applicants believe that because Creation Units may always be purchased and redeemed at net asset value, arbitrage opportunities will ensure that the price of WEBS on the secondary market will not vary substantially from the net asset value of Creation Units. Also, the investor has the ability to purchase or redeem Creation Unit aggregations of shares rather than trade in the secondary market.

Section 22(d) and Rule 22c–1

1. Section 22(d), among other things, prohibits a dealer from selling a redeemable security that is being currently offered to the public by or through an underwriter except at the current public offering price described in the prospectus. Rule 22c–1 generally requires that a dealer selling, redeeming, or repurchasing a redeemable security do so only at a price based on its net asset value. Secondary market transactions in WEBS will take place at negotiated prices and not at a current offering price described in the prospectus or on the basis of net asset value. Thus, purchases and sales of WEBS by dealers in the secondary market may not comply with section 22(d) and rule 22c–1.

2. While there is little legislative history regarding section 22(d), its provisions, as well as those of rule 22c–1, appear to have been enacted (a) to prevent dilution caused by certain risk-free trading schemes by principal underwriters and contract dealers, (b) to prevent unjust discrimination or preferential treatment among buyers resulting from sales at different prices, and (c) to assure an orderly distribution of investment company shares by eliminating price competition from

dealers offering shares at less than the published sales price and repurchasing shares at more than the published redemption price. Applicants believe that the concerns sought to be addressed by section 22(d) and rule 22c–1 with respect to pricing are equally satisfied by the proposed method of pricing WEBS. First, secondary market trading in WEBS, because it does not involve the Fund as a party, cannot result in dilution of a beneficial owner's investment. Second, to the extent different prices exist during a given trading day, or from day to day, such variances occur as a result of third-party market forces, such as supply and demand and interest rates, not as a result of unjust or discriminatory manipulation. Therefore, secondary market trading in WEBS will not lead to discrimination or preferential treatment among purchasers. Finally, applicants contend that the proposed distribution system will be orderly because arbitrage activity will ensure that the difference between the market price of WEBS and their net asset value remains narrow.

Section 22(e)

1. Section 22(e) provides that an investment company may not postpone the date of payment or satisfaction upon the redemption of any redeemable security for more than seven calendar days following tender of such security for redemption. To the extent that Creation Units may be deemed to be redeemable securities, applicants request an exemption to permit the Spain Index Series to redeem Creation Units within eight days, the Belgium and Netherlands Index Series within nine days, the Austria, Germany, Hong Kong, Italy, Mexico, Singapore, Sweden, and Switzerland Index Series within ten days, the Malaysia Index Series within eleven days, and the Japan Index Series within thirteen days at certain times during the calendar year. The custodian has advised the Fund that local holiday schedules combined with local delivery cycles will require more than seven calendar days for delivery of redemption proceeds several times during the calendar year for these Index Series. Applicants expect, however, that these Index Series will be able to deliver redemption proceeds within seven days at all other times. Applicants do not request an exemption from section 22(e) with respect to the other four Index Series.[2]

2. The principal reason for the requested exemption is that settlement of redemptions in respect of the Fund's Index Series is contingent not only on the settlement cycle of the United States market but also on the delivery cycles possible in the local markets for the underlying foreign securities of each Index Series. Applicants believe that the Fund will be able to comply with the delivery requirement of section 22(e) except where the holiday schedule applicable to the specific foreign market will not permit delivery of redemption proceeds within seven calendar days.

3. Applicants intend to utilize in-kind redemptions to the maximum extent possible to assure the fullest investment of Fund assets in portfolio securities. Applicants believe that the requested exemption will make issuance and redemption of Fund shares less costly to administer, enhance the appeal of the product to professional participants, and thereby promote the liquidity of WEBS in the secondary market which would benefit all shareholders.

4. The Fund believes that Congress adopted section 22(e) to prevent unforeseen delays in the actual payment of redemption proceeds. The prospectus, SAI, and all relevant sales literature for the affected Index Series will disclose that redemption requests for those series will be honored within the specified number of days following the date on which a request for redemption is made. Applicants contend that the redemption mechanism described above will not lead to unreasonable, undisclosed, or unforeseen delays in the redemption process.

5. Applicants believe that allowing redemption payments for Creation Units of an Index Series to be made within the number of days indicated above would not be inconsistent with the spirit and intent of section 22(e), and that a redemption payment occurring within such number of calendar days following redemption request would adequately afford investor protection.

Section 17(a)

1. Applicants request an exemption under sections 6(c) and 17(b) from section 17(a) of the Act to permit affiliated persons of the Fund to purchase and redeem creation Units. Section 17(a) generally prohibits an affiliated person of a registered investment company from purchasing from or selling to such company any security or other property. Because purchases and redemptions will be in-kind rather than cash transactions, section 17(a) may prohibit affiliated persons of the Fund from purchasing or redeeming Creation Units. Moreover, because the definition of affiliated person includes anyone owning 5% or more of an issuer's outstanding voting stock, at least one purchaser of a Creation Unit will be affiliated with the Fund so long as there are twenty or fewer holders of Creation Units.

2. Applicants contend that no useful purpose would be served by prohibiting affiliated persons from making in-kind purchases or redemptions of Creation Unites. Both the deposit procedures for in-kind purchases of shares and the redemption procedures for in-kind redemptions will be effected in exactly the same manner for all creations and redemptions, regardless of size or number. The securities to be used for the in-kind purchase or redemption will be determined by the Portfolio Deposit, which is based on the MSCI Indices. The MSCI Indices are widely publicized and not subject to manipulation by the Fund or its affiliates. Portfolio securities will be valued in the same manner as those portfolio securities currently held by the Fund and the valuation of portfolio securities will be made in an identical manner regardless of the identity of the person purchasing or redeeming. Thus, applicants believe that there will be no opportunity for affiliated persons to effect a transaction detrimental to the other shareholders. Applicants believe that in-kind purchases and redemptions will not result in abusive self-dealing or overreaching by affiliated persons of the Fund. Accordingly, applicants believe that the requested relief meets the section 6(c) and section 17(b) standards for relief.

Applicants' Arguments

1. Applicants assert that WEBS will allow investors to have a beneficial interest in a standardized portfolio of foreign equity securities in a size comparable to a share of common stock. Applicants believe that the ability to take deposits and make redemptions in-kind will help the Index series that offer this feature to track closely the relevant foreign securities index and therefore aid in achieving the Index Series' objectives.

2. Applicants state that they will take such steps as may be necessary to avoid confusion in the public's mind between the Fund and a conventional ''open-end investment company'' or ''mutual fund,.'' In addition, applicants state that brokers will deliver a prospectus to each investor in connection with the secondary market purchases by

[2] Applicants acknowledge that no relief obtained from the requirements of section 22(e) will affect any obligations applicants may otherwise have under rule 15c6–1 under the Securities Exchange Act of 1934. Rule 15c6–1 requires that most securities transactions be settled within three business days of the trade date.

investors of WEBS on the AMEX. For the above reasons, applicants believe that the requested relief meets the section 6(c) standards for relief.

Applicants' Conditions

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

1. The Fund will not be advertised or marketed as an open-end investment company, *i.e.*, as a mutual fund offering redeemable securities. The Fund's or any Index Series' prospectus will prominently disclose that WEBS are not redeemable shares and will disclose that the owners of WEBS may acquire and tender those shares for redemption to the Fund in Creation Unit aggregations only. Any advertising material where features of obtaining, buying or selling Creation Units are described or where there is reference to redeemability will prominently disclose that WEBS are not redeemable and that owners of WEBS may acquire and tender those shares for redemption to the Fund in Creation Unit aggregations only.

2. The Fund will provide copies of its annual and semi-annual shareholder reports to DTC Participants for distribution to beneficial holders of WEBS.

3. Applicants will not seek to have the Fund's registration statement declared effective until the SEC has approved such proposed rule change pursuant to rule 19b–4 under the Securities Exchange Act of 1934 as may be necessary to enable a national securities exchange to list the WEBS.

4. In addition, as long as the Fund operates in reliance on the requested order, the WEBS will be listed on a national securities exchange.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–3045 Filed 2–9–96; 8:45 am]

BILLING CODE 8010–01–M

[Rel. No. IC–21735; 812–9900]

J.P. Morgan Index Funding Company, LLC; Notice of Application

February 6, 1996.

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

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the ''Act'').

APPLICANT: J.P. Morgan Index Funding Company, LLC.

RELEVANT ACT SECTIONS: Order requested under section 6(c) of the Act that would exempt applicant from all provisions of the Act.

SUMMARY OF APPLICATION: Applicant requests an order that would permit it to sell certain preferred equity securities and use the proceeds to finance the business activities of its parent company, J.P. Morgan & Co. Incorporated (''J.P. Morgan''), and certain companies controlled by J.P. Morgan.

FILING DATE: The application was filed on December 15, 1995.

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 March 4, 1996, 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, NW., Washington, DC 20549. Applicant, 60 Wall Street, New York, New York 10260–0060.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Staff Attorney, at (202) 942–0572, or Alison E. Baur, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

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

Applicant's Representations

1. Applicant is a Delaware limited liability company formed in November, 1995. Applicant's outstanding voting securities are owned by J.P. Morgan and J.P. Morgan Ventures Corporation.[1] J.P. Morgan is a holding company for a group of global subsidiaries that provide a variety of financial services to corporations and other entities. Morgan Guaranty Trust Company of New York (''Morgan Guaranty'') is a New York State chartered banking institution, a member of the Federal Reserve System and the Federal Deposit Insurance Corporation, and is a subsidiary of J.P. Morgan.

2. Applicant was organized to engage in financing activities that will provide funds for use in the operations of J.P. Morgan, Morgan Guaranty, and certain of their subsidiaries (the ''Morgan Entities''). Applicant proposes to obtain funds through the offer and sale of its preferred equity securities in the United States and in overseas markets, and to lend the proceeds to the Morgan Entities.

3. Due to the nature of the capital markets, applicant may, from time to time, issue securities in amounts exceeding the amounts required by the Morgan Entities at any given time. However, at least 85% of the cash or cash equivalents raised by applicant through the sale of preferred securities will be loaned to the Morgan Entities as soon as practicable, but in no event later than six months after applicant's receipt of such cash or cash equivalents. Amounts that are not loaned to the Morgan Entities will be invested in government securities, securities of J.P. Morgan, Morgan Guaranty, or a company controlled by J.P. Morgan or Morgan Guaranty (or, in the case of a partnership or joint venture, the securities of the partners or participants in the joint venture), or securities which are exempted from the provisions of the Securities Act of 1933 by section 3(a)(3) of that Act.

4. Before applicant issues any securities, J.P. Morgan will enter into a master guarantee agreement (the ''Guarantee Agreement'') with applicant under which J.P. Morgan will guarantee the payment of principal and dividends on the securities issued by applicant, in accordance with rule 3a–5(a)(2) as interpreted by the staff.[2] The Guarantee Agreement will give each holder of applicant's securities a direct right of action against J.P. Morgan's obligations under the Guarantee Agreement without first proceeding against applicant.

Applicant's Legal Analysis

1. Applicant requests an exemption from all provisions of the Act. The Commission has stated that it is appropriate to exempt a finance subsidiary from all provisions of the Act where the primary purpose of the finance subsidiary is to finance the business operations of its parent or other subsidiaries of its parent and where any purchaser of the finance subsidiary's securities ultimately looks

[1] Applicant's counsel has stated that J.P. Morgan Ventures Corporation is a wholly-owned subsidiary of J.P. Morgan.

[2] See Chieftain International Funding Corp., (pub. avail. Nov. 3, 1992) and Cleary, Gottlieb, Steen & Hamilton, (pub. avail. Dec. 23, 1985).