

modified, altered, or repaired in the area subject to the requirements of this AD. For airplanes that have been modified, altered, or repaired so that the performance of the requirements of this AD is affected, the owner/operator must request approval for an alternative method of compliance in accordance with paragraph (b) of this AD. The request should include an assessment of the effect of the modification, alteration, or repair on the unsafe condition addressed by this AD; and, if the unsafe condition has not been eliminated, the request should include specific proposed actions to address it.

Compliance: Required as indicated, unless accomplished previously.

To prevent wear of the attach points of the uplock system of the nose landing gear (NLG), which could result in damage to the adjacent emergency hydraulic system, or jamming of the uplock system, and consequent inability to extend and retract the NLG, accomplish the following:

(a) Prior to the accumulation of 9,000 total landings, or within 1,000 landings after the effective date of this AD, whichever occurs later, modify the attach points of the uplock system of the NLG, in accordance with Jetstream Alert Service Bulletin J41-53-041, dated July 25, 1997.

(b) An alternative method of compliance or adjustment of the compliance time that provides an acceptable level of safety may be used if approved by the Manager, International Branch, ANM-116, FAA, Transport Airplane Directorate. Operators shall submit their requests through an appropriate FAA Principal Maintenance Inspector, who may add comments and then send it to the Manager, International Branch, ANM-116.

Note 2: Information concerning the existence of approved alternative methods of compliance with this AD, if any, may be obtained from the International Branch, ANM-116.

(c) Special flight permits may be issued in accordance with sections 21.197 and 21.199 of the Federal Aviation Regulations (14 CFR 21.197 and 21.199) to operate the airplane to a location where the requirements of this AD can be accomplished.

Note 3: The subject of this AD is addressed in British airworthiness directive 009-07-97.

Issued in Renton, Washington, on June 30, 1998.

Vi L. Lipski,

Acting Manager, Transport Airplane Directorate, Aircraft Certification Service.
[FR Doc. 98-17950 Filed 7-6-98; 8:45 am]

BILLING CODE 4910-13-U

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 275 and 279

[Release No. IA-1728; IC-23293; File No. S7-20-98]

RIN 3235-AH45

Investment Adviser Year 2000 Reports

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: The Securities and Exchange Commission ("Commission") is publishing for comment a proposed new rule and form under the Investment Advisers Act of 1940 that would require most registered investment advisers to file with the Commission a report regarding preparations for the Year 2000 computer problem. The reports would inform the Commission about the steps that investment advisers have taken, and will take, to prepare for the challenges posed by the Year 2000 problem.

DATES: Comments must be received on or before August 10, 1998.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Stop 6-9, Washington, D.C. 20549. Comments also may be submitted electronically to the following E-mail address: rule-comments@sec.gov. All comment letters should refer to File No. S7-20-98; this file number should be included on the subject line if E-mail is used. Comment letters will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Electronically submitted comment letters also will be posted on the Commission's Internet web site (<http://www.sec.gov>).

FOR FURTHER INFORMATION CONTACT:

Arthur B. Laby, Special Counsel, at (202) 942-0716, Task Force on Investment Adviser Regulation, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 5-6, Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION: The Commission today is requesting public comment on proposed rule 204-5 [17 CFR 275.204-5] and Form ADV-Y2K [17 CFR 279.9] under the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. 80b].

I. Background

The Commission is undertaking a review of U.S. public companies and the

U.S. securities industry to examine whether they will be prepared for the computer challenges associated with the Year 2000.¹ As part of this initiative, in March 1998, the Commission requested comment on proposed rule changes that would require certain broker-dealers² and transfer agents³ to file with the Commission a report on Year 2000 readiness. The Commission today is requesting comment on a new rule and form that would require most investment advisers registered with the Commission under the Advisers Act to file a report on Year 2000 readiness.

Investment advisers ("advisers") manage approximately \$13 trillion of savings of American families. These assets are managed on behalf of investors directly, as well as indirectly through financial institutions such as employee benefit plans, trusts, hedge funds and mutual funds. Mutual funds alone control over \$5 trillion of assets,⁴ 35 percent of which are estimated to be retirement plan assets.⁵ Thus, investment advisers play a key role in the economic life of America today.

Advisers manage these assets using computer systems that connect them with the markets, service providers and clients. In addition, advisers depend upon internal computer systems for various management, compliance and recordkeeping functions.⁶ The development and growth of the Internet has made advisory clients more dependent upon their advisers' computer systems to provide them with information about their adviser and their portfolios. The failure of the advisers' or third parties' computer

¹ On January 1, 2000, certain computer systems may function erroneously if necessary modifications have not been made because, among other things, the systems may read incorrectly the date 01/01/00 as being the year 1900 or another incorrect date. Problems may arise earlier than January 1, 2000, because dates after December 31, 1999, already are being entered into computer programs and may be misread.

² Reports to be Made by Certain Brokers and Dealers, Exchange Act Release No. 39724 (Mar. 5, 1998) [63 FR 12056 (Mar. 12, 1998)].

³ Reports to be Made by Transfer Agents, Exchange Act Release No. 39726 (Mar. 5, 1998) [63 FR 12062 (Mar. 12, 1998)].

⁴ The Investment Company Institute, Current Statistical Releases, Trends in Mutual Fund Investing, April 1998, available at <http://www.ici.org/facts_figures/trends_0498.html>.

⁵ The Investment Company Institute, Retirement Statistics, Retirement Plans Hold 35 Percent of Mutual Fund Assets (Oct. 14, 1997), available at <http://www.ici.org/retirement/retirement_statistics96.html>.

⁶ Under the federal securities laws, advisers and investment companies are obligated to make, and keep current, certain books and records relating to their business. See rule 204-2 under the Advisers Act [17 CFR 275.204-2]; rule 31a-1 under the Investment Company Act of 1940 [17 CFR 270.31a-1].

systems to function properly as a result of the Year 2000 problem could threaten the ability of advisers to manage properly client assets, communicate information to their clients and comply with the federal securities laws.

Investment companies ("funds") also are highly dependent on sophisticated computer systems to communicate with their advisers and other third parties such as underwriters, brokers, transfer agents, custodians and sub-advisers. To manage their portfolios, calculate net asset values, keep accurate records, process shareholder purchases and redemptions, and timely deliver disclosure documents and account statements, funds and their advisers continuously must exchange information with each other and with their service providers. A breakdown in this exchange of information could interfere with the day-to-day management of fund portfolios, delay shareholder transactions and compromise recordkeeping and other compliance systems.

The Commission has identified six steps of preparation that advisers and funds can take to prepare for the Year 2000 computer problem. These steps are: (i) Awareness of potential Year 2000 problems; (ii) assessment of steps advisers and funds must take to avoid Year 2000 problems; (iii) implementation of the steps to avoid Year 2000 problems; (iv) internal testing of software designed to avoid Year 2000 problems; (v) point-to-point testing of software designed to avoid Year 2000 problems (*i.e.*, testing with service providers such as broker-dealers, custodians, transfer agents and distributors); and (vi) implementation of tested software that will avoid Year 2000 problems. By taking these steps now, advisers and funds more likely can solve potential Year 2000 problems well in advance of December 31, 1999.

The Commission has for some time recognized the challenges that the Year 2000 poses for advisers and funds. Since 1996, Commission examiners have raised Year 2000 concerns during adviser and fund examinations to increase awareness of, and encourage aggressive and timely action to address, Year 2000 problems. In 1997, Chairman Levitt sent a letter to all registered investment advisers warning of the consequences of not being Year 2000 compliant and urging them to make preparations for the Year 2000 their highest priority. In 1997, the staff provided guidance on the disclosure

obligations of advisers and funds.⁷ Commissioners and members of the staff have met with industry and professional groups to express these concerns.

Today, the Commission is proposing to require most advisers registered with the Commission to complete and submit a report to the Commission on their preparedness for the Year 2000 problem. The reports will help the Commission evaluate the readiness of advisers for the Year 2000 problem, identify those advisers and funds that pose a significant risk to their clients and shareholders, and evaluate the adequacy of disclosure made by these firms regarding the Year 2000 problem. Finally, the proposed rule will permit the Commission to make the reports about Year 2000 preparations of advisers and funds available to the public and to fulfill Congressional requests for information regarding the securities industry's readiness for the Year 2000 problem.

II. Discussion

The Commission is proposing new rule 204-5, which would require most investment advisers registered with the Commission to file with the Commission new Form ADV-Y2K.⁸ Form ADV-Y2K would be filed by each investment adviser that (i) is registered with the Commission, and (ii) has at least \$25 million of assets under management⁹ or is an adviser to an investment company registered under the Investment Company Act of 1940.¹⁰ The form would have to be filed no later

than 30 days after the rule becomes effective, and an updated form would have to be filed no later than eight months from the date of the first filing. The second filing would reflect progress made in preparing for the Year 2000 problem up to that time.

Proposed Form ADV-Y2K has two parts. Part I would be completed by all respondents and would contain 11 questions about the adviser's preparation for the Year 2000 problem with respect to all of the adviser's clients. The questions all would be in multiple choice or fill-in-the-blank format, and advisers would be required to respond to each question. Part II would consist of questions similar to those in Part I and would be completed by advisers to a registered fund or a group of registered funds.

Investment companies are frequently organized into groups, called "complexes" or "families," that realize efficiencies by sharing administrative functions. The instructions to Part II of the proposed form specify that each adviser (or sub-adviser) to a fund must complete Part II with respect to an entire complex if the adviser advises a single fund (or a series) in the complex. An adviser, however, need not complete Part II for the complex or a fund (or a series) with respect to which another adviser is completing Part II.¹¹ The effect of the proposed approach would permit multiple advisers to funds in a single fund complex to decide among themselves which adviser will be responsible for completing Part II with respect to the complex, but would assure that the Commission receives Year 2000 information with respect to most funds. Comment is requested on this proposed approach.

The instructions are designed so that the reporting adviser for a fund complex would likely be the adviser that has administrative responsibilities for the complex and thus is in the best position to report on the Year 2000 readiness of the complex—even if that adviser does not provide advice for all funds in the complex.¹² An adviser responding to

⁷ Staff Legal Bulletin No. 5 (CF/IM) (revised), Jan. 12, 1998, available at <<http://www.sec.gov/rules/other/slbcl5.htm>>.

⁸ Under section 204 of the Advisers Act, the Commission has the authority to require every registered investment adviser to make and keep such reports that the Commission, by rule, may prescribe. 15 U.S.C. 80b-4. Form ADV-Y2K, like all forms filed with the Commission by investment advisers, would be publicly available. See section 210(a) of the Advisers Act [15 U.S.C. 80b-10(a)].

⁹ The amount of assets under management for purposes of Form ADV-Y2K would be the amount reported on Schedule I of the adviser's most recently filed Form ADV, or the most recent amendment to Form ADV.

¹⁰ 15 U.S.C. 80a. As a result of the National Securities Markets Improvement Act of 1996, Pub. L. No. 104-290, 110 Stat. 3416 (1996) (codified in scattered sections of the United States Code), which amended the Advisers Act, generally only advisers that have at least \$25 million of assets under management or that advise a registered investment company can register with the Commission. Advisers in the four states that do not regulate investment advisers, advisers with principal places of business in foreign countries, and other advisers exempt from the \$25 million assets under management limitation may still register with the Commission. See rule 203A-2 under the Advisers Act [17 CFR 275.203A-2]. The \$25 million assets under management reporting threshold, however, would exclude most of those advisers from the proposed Form ADV-Y2K filing requirement.

¹¹ The Commission intentionally has not proposed to define the term complex or family to give advisers flexibility to report for groups they administer.

¹² In some cases, a third party administrator that is not a registered investment adviser may be in the best position to report on the Year 2000 readiness of the complex. In such cases, the third party administrator could complete the form on behalf of one of the advisers to a fund in the complex, although the adviser would have the obligation to file the report. The Commission is requiring advisers, as opposed to other firms, such as administrators, to file the form because, under section 204 of the Advisers Act, the Commission

Part II on behalf of multiple complexes would complete multiple versions of Part II, one for each complex.¹³

The form would require each responding investment adviser to provide the Commission with information relating to the following areas: (1) The scope and status of the adviser's Year 2000 compliance plan; (2) the commitment by the adviser of resources and personnel (including consultants) to address Year 2000 issues; (3) the systems that may be affected by the Year 2000 problem; (4) progress on each of the six steps of preparation identified above;¹⁴ (5) contingency plans in the event that the adviser experiences Year 2000 difficulties after December 31, 1999;¹⁵ and (6) the readiness of third parties upon whom the adviser relies for critical systems. The report would be required to be signed by an authorized person that participates in managing or directing the adviser's affairs, but would not be required to be attested to by an independent public accountant. Comment is requested on whether an attestation by an independent public accountant should be required.

The Commission understands that an adviser or fund may rely on multiple systems that are at different stages of preparation for the Year 2000 problem. An adviser or fund, for example, may use separate systems for portfolio management, financial planning and client services. In those cases, the Commission is asking the reporting adviser to take a qualitative average and present the most accurate picture practicable of the preparedness of the systems of the adviser or the fund. In requiring a qualitative average, the Commission intends to be flexible and take a common sense approach. If an

has the statutory authority to require only advisers to file such reports.

¹³ See proposed Instructions for Part II of Form ADV-Y2K.

¹⁴ One of the six steps is testing. The form contains questions about the progress of both point-to-point testing, also known as bilateral testing, and about industry-wide testing, also known as street-wide testing, to date. Much of the industry-wide testing to take place has been arranged by the Securities Industry Association (SIA). The SIA has arranged to test all aspects of its members' businesses for Year 2000 compliance and has included transactions with funds as one of the tests for its members.

¹⁵ Contingency planning should provide for adequate protections for critical systems if computer interfaces fail or unexpected problems are experienced with operating systems and infrastructure software. In addition, contingency plans should provide for the failure of external systems. The plans should anticipate the failure of a vendor, for example, that services critical applications and should provide for the possibility that an investor may experience Year 2000 problems.

adviser, for example, uses two computer systems that are at different stages of preparedness, but one of those systems is more critical than the other, the adviser should base its responses primarily on the more critical system. Comment is requested on this approach, and on whether alternative ways to request information for multiple systems is desirable. Would it be preferable, for instance, to require advisers and funds to respond to questions about their preparedness for the Year 2000 problem on a system-by-system basis? Comment also is requested on what information advisers to funds underlying variable insurance contracts should be required to provide regarding systems supporting the contracts and the separate accounts and insurance companies issuing the contracts?

Advisers would be required to file Form ADV-Y2K by fax; a paper filing would not be accepted. Instructions in the form would direct advisers to use specified fax numbers. The Commission believes that all advisers have access to a fax machine and that, as a result, this filing method will reduce filing burdens. Comment is requested on the Commission's assumption that all advisers will be able easily to file the form by fax.

III. General Request for Comment

Any interested persons wishing to submit written comments on the proposed rule and form that are the subject of this release, suggest additional changes, or submit comments on other matters that might have an effect on the proposal contained in this release, are requested to do so.

IV. Cost/Benefit Analysis

The Commission is sensitive to the costs and benefits imposed by its rules, and understands that completing Form ADV-Y2K may impose costs on advisers and funds.¹⁶ As discussed below, the Commission believes that the costs imposed by requiring advisers to complete Form ADV-Y2K are necessary and justified in light of the need to make information on the Year 2000 problem available to investors, Congress and the Commission.

The Commission believes that requiring advisers to report on their readiness for the Year 2000 problem would yield several important benefits, both direct and indirect. As discussed above, the Year 2000 reports required by the rule would yield direct benefits

because they would help the Commission evaluate the preparedness of advisers and funds for the Year 2000 computer problem. The reports also would identify advisers and funds that may not be preparing for the Year 2000 problem and may pose a risk to their clients and shareholders. The reports also would identify disclosure by advisers and funds regarding risks associated with the Year 2000 problem that may be inadequate. Finally, the reports would permit the Commission to make information available to the public and to fulfill requests by members of Congress for information regarding the securities industry's readiness for the Year 2000 problem.

The Year 2000 reports also would yield important indirect benefits. By requiring the Year 2000 reports now, some advisers and funds, whose Year 2000 preparedness efforts to date have been inadequate, may be persuaded to accelerate their efforts, which would save them significant costs in the future if they failed to meet the Year 2000 challenge.¹⁷ This indirect benefit is difficult to quantify because it is hard to estimate the costs that could be incurred if computer systems of advisers and funds fail to function properly after December 31, 1999.¹⁸ Moreover, if the systems of advisers and funds were to fail after December 31, 1999, it could have negative effects not only for the advisers and funds themselves, but also for investors and third parties, such as underwriters, brokers, transfer agents, custodians, sub-advisers and other service providers.

Avoiding the harm to third parties may be one of most important benefits to proper preparation for the Year 2000 problem. Most firms' computer systems today depend on the systems of many other firms and individuals. If even one of these systems were to fail, this could have negative repercussions on the systems of other firms with which its computers interface. The failure to address this interdependence may be one of the greatest harms stemming from the Year 2000 problem.¹⁹ The benefit of avoiding this harm from occurring,

¹⁷ It has been estimated that without corrective measures, ninety percent of all computer applications worldwide may fail, or fail to function properly, because of the inability properly to recognize the date change. Maggie Parent, Morgan Stanley Year 2000 Issue Paper (May 1997), available at <<http://www.ms.com/odyssey.html>>.

¹⁸ The Securities Industry Association has stated that the transition to the Year 2000 is the largest business and technology effort that the world has ever experienced. See SIA, Year 2000, available at <http://www.sia.com/year_2000/index.html>.

¹⁹ C. Lawrence Meador and Leland G. Freeman, Year 2000: The Domino Effect, Datamation (Jan. 1997), available at <<http://www.datamation.com/PlugIn/issues/1997/jan/01depend.html>>.

¹⁶ See *infra* section VI of this release for the Commission's estimate of the costs that the proposed rule will impose on affected advisers and funds.

although difficult to quantify, may be extremely significant to investors, firms and the economy in general.

The proposed rule would impose some additional costs on advisers and funds. Advisers may need to spend resources obtaining answers to questions in the form, completing the form and submitting it to the Commission. These costs may vary from adviser to adviser. Small advisers, for example, may spend comparatively little time completing the form because small advisers likely have fewer systems and one person may be responsible for all of the systems. This person is likely to have all of the information necessary to complete the form and can do so in a few minutes. Larger advisers may require more time. Larger advisers are more likely to have more computer systems and it is possible that the adviser would have to draw on the knowledge of several individuals to complete the form.

The Commission estimates that there are approximately 7,500 investment advisers registered with the Commission, approximately 6,500 of which would be required to file Form ADV-Y2K. Although the time needed to comply with the rule could vary from adviser to adviser, the Commission estimates that a respondent will devote approximately two employee hours of time to completing Part I of the form. In addition, approximately 891 registered investment advisers have registered investment companies as clients. Therefore, those 891 advisers may be required to spend an additional two hours completing Part II of the form on behalf of a fund or fund complex. These estimates are based on field-testing of the form by the Commission's Office of Compliance, Inspections and Examinations. The total annual burden will be 14,782 hours ((6,500 advisers \times 2 hours) + (891 advisers \times 2 hours)). The form will likely be completed by information technology professionals. The Commission estimates the hourly wage rate for these professionals to be \$100 per hour. Therefore, the Commission estimates that the total annual cost of completing the forms is \$1,478,200. The Commission believes that the proposed rule would not impose significant additional costs on investment advisers.

The Commission believes that the costs imposed by the rule are insignificant compared to the benefits. If advisers and funds are not prepared for the Year 2000 problem, the effect on advisers and funds, and their clients and third party service providers, could be very substantial. The chance of ameliorating the Year 2000 problem

with respect to advisers and funds justifies the minimal costs involved.

The Commission requests comment on the effect of the proposed rule on individual investment advisers and on the profession as a whole. Commenters should provide data and analyses relating to the costs and benefits associated with the proposed rule. Comment is requested on the costs of filing Form ADV-Y2K by fax with the Commission. This information would assist the Commission in its evaluation of the costs and benefits that may result if the proposed rule is adopted.

For purposes of the Small Business Regulatory Enforcement Fairness Act of 1996, the Commission is also requesting information regarding the potential effect of the proposed rule on the economy on an annual basis. Commenters should provide empirical data to support their views.

Comment is requested on this cost/benefit analysis. Commenters are requested to provide views and empirical data relating to any costs and benefits associated with the proposed rule.

V. Summary of Regulatory Flexibility Analysis

The Commission has prepared an Initial Regulatory Flexibility Analysis ("IRFA"), in accordance with the provisions of the Regulatory Flexibility Act,²⁰ regarding the proposed rule. As discussed more fully in the IRFA, few or none of the advisers that the proposed rule would affect are small entities, as defined by new Commission rules.²¹ The IRFA states that the purpose of the proposed rule is for the Commission to ascertain what steps advisers and funds are taking to avoid Year 2000 problems.

The IRFA sets forth the statutory authority for the proposed rule. The IRFA also discusses the effect of the proposed rule on advisers that are small entities. An adviser generally is a small entity (i) if it manages assets of \$25 million or less reported on Form ADV-T [17 CFR 279.3] or its most recent Schedule I to Form ADV [17 CFR 279.1], (ii) if it does not have total assets of \$5

million or more on the last day of the most recent fiscal year, and (iii) if it is not in a control relationship with another investment adviser that is not a small entity. The Commission estimates that there are approximately 7,500 registered advisers, approximately 1000 of which are small entities. The Commission estimates that few or none of the small entities would be required to complete Form ADV-Y2K.

Under the terms of the rule, only an adviser that is (i) registered with the Commission, and (ii) has assets under management of not less than \$25 million or is an investment adviser to an investment company registered under the Investment Company Act must file Form ADV-Y2K. Since the new definition of small entity establishes a threshold of \$25 million under management, most or all small entities would be exempted from the rule by its terms. In addition, the Commission believes that few or no investment advisers that have less than \$25 million under management have more than \$5 million in assets or are in a control relationship with an entity that is not considered a small entity. Finally, the only small entities that still would be subject to the rule are those small entities that advise a registered investment company. The Commission is not aware of any small entity that advises a registered investment company. Comment is requested on the number of small entities that would not be subject to the rule.²²

The IRFA states that the proposed rule would impose new reporting requirements because most investment advisers would have to file with the Commission a new form regarding their readiness for the Year 2000 problem. The Commission estimates that, on average, a respondent would devote approximately two employee hours of preparation time to completing Part I of the form in 1998 and again in 1999. If the adviser is required to complete Part II, it would devote approximately an additional two hours to completing the form in 1998 and in 1999. The IRFA states that the Commission estimates that few or no small entities would be required to complete Form ADV-Y2K. The IRFA states that the proposed rule would not impose any other reporting, recordkeeping, or compliance requirements, and that the Commission believes that there are no rules that duplicate, overlap, or conflict with the proposed rule.

²⁰ 5 U.S.C. 603.

²¹ The Commission recently adopted revised definitions of "small entity." See Definitions of "Small Business" or "Small Organization" Under the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Securities Exchange Act of 1934, and the Securities Act of 1933, Investment Adviser Act Release No. 1727 (June 24, 1998). The revised definition of small investment adviser for Regulatory Flexibility Act purposes reflects the National Securities Markets Improvement Act. If the Commission adopts the proposed rule, the new definitions of small entities would be effective before the final rule would be adopted.

²² If the Commission were to adopt a final rule, it may prepare a Regulatory Flexibility Act Certification stating that the rule will not have a substantial impact on small entities.

The analysis discusses the various alternatives considered by the Commission in connection with the proposed rule that might minimize the effect on small entities, including: (a) The establishment of differing compliance or reporting requirements or timetables that take into account the resources of small entities; (b) the clarification, consolidation, or simplification of compliance and reporting requirements under the proposed rule for small entities; (c) the use of performance rather than design standards; and (d) an exemption from coverage of the rule or any part of it, for small entities. The Commission has determined that it is not feasible to further clarify, consolidate, or simplify the proposed rule for small entities.

As discussed in the analysis, most or all small entities are exempted from the rule. The Commission believes that it would be inconsistent with the purpose of the rule proposal to further exempt small entities from the proposed rule or to use performance standards to specify different requirements for small entities. As discussed in the IRFA, investment advisers registered with the Commission would be required to file Form ADV-Y2K because they likely have substantial financial exposure to the market and investors.

In the IRFA, the Commission encourages the submission of written comments with respect to all aspects of the IRFA. In particular, the Commission is interested in comments that specify costs of compliance with the proposed rule, and suggest alternatives that would accomplish the objective of the proposed rule. A copy of the IRFA may be obtained by contacting Arthur B. Laby, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 5-6, Washington, D.C. 20549.

VI. Paperwork Reduction Act

The proposed rule contains collection of information requirements within the meaning of the Paperwork Reduction Act of 1995,²³ and the Commission has submitted them to the Office of Management and Budget for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The title for the collection of information is: "Proposed Rule 204-5" and "Form ADV-Y2K."

Collection of information by the Commission is contemplated by the proposed rule because registered advisers would have to file new Form ADV-Y2K with the Commission. Advisers would be required to file Form ADV-Y2K twice, first no later than 30

days after the rule is effective and again eight months from the date that the first filing must be made. The form is necessary for the Commission to assess the steps advisers are taking to manage and avoid Year 2000 problems.

The Commission estimates that there are approximately 7,500 investment advisers registered with the Commission, approximately 6,500 of which would be required to file Form ADV-Y2K. Although the amount of time needed to comply with the rule could vary from adviser to adviser, the Commission estimates that, on average, a respondent would devote approximately two employee hours of preparation time to completing Part I of the form, and an additional two employee hours to completing Part II of the form, if the adviser is required to complete Part II. This estimate is based on field-testing of Form ADV-Y2K by the Commission's Office of Compliance, Inspections and Examinations. The total annual burden will be 14,782 hours ((6,500 advisers × 2 hours) + (891 advisers × 2 hours)). It is important to note that this burden would be incurred only twice, once in 1998 and once in 1999. The rule would not impose an ongoing reporting requirement.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. Filing of this form is mandatory. The principal purpose of this collection of information is to enable the Commission to address the Year 2000 problem faced by advisers and funds. The Commission would use the information, among other things, to assess the readiness of advisers and funds for the Year 2000 problem and make the information available to the public, to assist the Commission in its inspection and examination program and to report to Congress on the readiness of advisers and funds for the Year 2000 problem. Any member of the public may direct to the Commission any comments concerning the accuracy of the burden estimate of this form, and any suggestions for reducing this burden.

Pursuant to 44 U.S.C. 3506(c)(2)(B), the Commission solicits commenters to:

(i) evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;

(ii) evaluate the accuracy of the Commission's estimate of the burden of the proposed collection of information;

(iii) enhance the quality, utility and clarity of the information to be collected; and

(iv) minimize the burden of collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology.

Persons desiring to submit comments on the collection of information requirements should direct them to the following persons: Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 3208, New Executive Office Building, Washington, D.C. 20503; and Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, and refer to File No. S7-20-98. OMB is required to make a decision concerning the collection of information between 30 and 60 days after publication of this release in the **Federal Register**, so a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of this publication.

VII. Statutory Authority

The Commission is proposing new Rule 204-5 and new Form ADV-Y2K pursuant to the authority set forth in sections 204 and 211(a) of the Investment Advisers Act of 1940 [15 U.S.C. 80b-4 and 80b-11(a)].

List of Subjects in 17 CFR Parts 275 and 279

Reporting and recordkeeping requirements, Securities.

Text of Proposed Rules and Form

For the reasons set out in the preamble, Title 17, Chapter II of the Code of Federal Regulations is proposed to be amended as follows:

PART 275—RULES AND REGULATIONS, INVESTMENT ADVISERS ACT OF 1940

1. The authority citation for Part 275 continues to read in part as follows:

Authority: 15 U.S.C. 80b-2(a)(17), 80b-3, 80b-4, 80b-6(4), 80b-6a, 80b-11, unless otherwise noted.

* * * * *

2. Section 275.204-4 is added and reserved and § 275.204-5 is added to read as follows:

§ 275.204-4 Reserved.

§ 275.204-5 Year 2000 reports.

Every investment adviser registered with the Commission that has assets under management of not less than \$25 million or is an investment adviser to an

²³ 44 U.S.C. 3501.

investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) must file with the Commission by fax in accordance with the instructions in the form:

(a) A completed Form ADV-Y2K (17 CFR 279.9) no later than [30 days after the rule becomes effective]; and

(b) An additional Form ADV-Y2K, no later than [eight months from the date that the first filing must be made], reflecting information as of the date of the filing.

**PART 279—FORMS PRESCRIBED
UNDER THE INVESTMENT ADVISERS
ACT OF 1940**

3. The authority citation for Part 279 continues to read as follows:

Authority: The Investment Advisers Act of 1940, 15 U.S.C. 80b-1, *et seq.*

4. Section 279.9 and Form ADV-Y2K are added to read as follows:

§ 279.9 Form ADV-Y2K.

This form must be filed pursuant to § 275.204-5 of this chapter by certain investment advisers.

By the Commission.

Dated: June 30, 1998.

Margaret H. McFarland,
Deputy Secretary.

Note: The text of the following Form ADV-Y2K will not appear in the Code of Federal Regulations.

BILLING CODE 8010-01-P

Form ADV-Y2K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0nnn
Expires:	
Estimated average burden hours per response:	

Form for Reporting on Preparations for the Year 2000

[PLEASE TYPE ALL RESPONSES]

Name of Adviser:		
SEC File Number: 801-		
Address of Principal Place of Business (Do Not Use Post Office Box):		
(city)	(state)	(zip code)
Contact Person Responsible for Completing This Form:		
Name:		
Title:		
Phone: _____		
Business Address:		
(city)	(state)	(zip code)
E-mail: _____		

EXECUTION

The undersigned represents that he or she is executing this Form on behalf of, and with the authority of, the registrant. (The person executing the form does not necessarily have to be the contact person above.)

The undersigned and registrant represent that the information contained in this form is current, true and complete to the best of his or her knowledge.

Date:	Name of Registrant:	By (Signature):
Typed Name:		Title:

Attention: Registrants are reminded that it is a violation of section 207 of the Advisers Act to make any untrue statements of a material fact in any report filed with the Commission, or willfully to omit to state in any such report any material fact that is required to be stated in the form.
--

Form ADV-Y2K

GENERAL INSTRUCTIONS

Throughout these instructions and the form, we will refer to the investment advisory firm on behalf of which the form is being completed as "you."

Who Must File

You must complete this report and file it with the SEC if you were registered with the SEC on [the effective date of the form] and either:

- you have assets under management of \$25 million or more as reported on your current Form ADV, or
- you advise an investment company registered under the Investment Company Act of 1940.

When Must You File

You must file this form twice. Initially, on [30 days after the effective date of the form], and then on [a date approximately eight months later]. The second report will serve to update the first report. The information in both reports must be current as of the date the reports are signed.

How the Form is Filed

The SEC is using a new filing method that we hope you will find more convenient. You must fax your reports to the Commission at one of the following fax numbers:

[Fax numbers]

The faxes must arrive at the SEC by the deadlines given above.

If necessary to explain your responses, you may attach additional information, however, do not write explanatory notes next to the questions.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

The information contained in the reports submitted on this Form will assist the Commission in evaluating whether investment advisers will be prepared for the computer challenges associated with the Year 2000, identify advisers and funds that may not be prepared for the Year 2000 problem, and permit the Commission to fulfill Congressional requests for information regarding the securities industry's readiness for the Year 2000. Responses to the questions in this Form are mandatory. The completed Forms will be publicly available.

Form ADV-Y2K

PART I Information on Preparations by Investment Advisers for the Year 2000 Problem**Instructions for Part I**

1. If you are required to file Form ADV-Y2K, you must complete Part I. Complete Part I even if you also will be completing Part II because you are an adviser to an investment company.
2. Include in your answers to Part I your investment adviser affiliates that are *not* required to file this report.
3. Answer Part I with respect to all of your computer systems, including systems that service only investment company clients.
4. If you have computer systems for which you have made different amounts of progress in preparing for the Year 2000 problem, base your responses on a qualitative average of your systems. Give greater weight to mission-critical systems, and systems used for a large number of clients, than to other systems.
5. If more than one answer to a question is applicable, mark all answers that apply.

PART I.

1. Year 2000 compliance plan
 - (a) Do you have a plan for Year 2000 compliance to address whether your computer systems will operate correctly after December 31, 1999?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

Consider as a plan, or as part of a plan, efforts to contact vendors of software systems you use.
 - (b) If *no*, are you:

MM/DD/YYYY

☐ Developing a written plan — it is scheduled to be completed by:

☐ Not developing a plan because you do not plan to be conducting business after January 1, 2000 — plan to be out of business by: MM/DD/YYYY

☐ Other (please specify on a separate attachment)

If you have no plan, go on to question 2
 - (c) If the answer to question 1(a) is *yes*, does the plan address external interfaces with third party computer systems that communicate with your systems?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
 - (d) Is your Year 2000 compliance plan in writing?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
 - (e) Who has approved the plan? (check all that apply)

☐ No approval ☐ Board of directors ☐ Corporate officers ☐ Executive management

☐ Head of Information Technology or equivalent ☐ Employees
 - (f) Has the plan been discussed with your outside auditors?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
 - (g) What is the scope of coverage of the plan? (check all that apply)

☐ All systems ☐ Mission-critical systems ☐ Physical facilities ☐ Communications systems
 - (h) Which of your facilities does the plan cover? (check all that apply)

☐ Our primary facility ☐ Certain U.S. facilities ☐ All U.S. facilities ☐ Certain facilities worldwide

☐ All facilities worldwide ☐ We have no international facilities

(i) Are your activities for non-U.S. clients covered by the plan?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	not applicable <input type="checkbox"/>
---	---------------------------------	--------------------------------	--

2. Funding for Year 2000 compliance

(a) Please indicate the month your fiscal year begins:

(b) Has specific funding been allocated for fiscal year 1998, fiscal year 1999, or fiscal year 2000, for your Year 2000 compliance plan?

(i) 1998 ☐ Yes ☐ No

(ii) 1999 ☐ Yes ☐ No

(iii) 2000 ☐ Yes ☐ No

If funding has not yet been allocated for fiscal year 1999 or fiscal year 2000, mark "no"
If you marked "no" for 1998, 1999, and 2000, go on to question 3

(c) What is your specific 1998 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

☐ Less than \$1,000 ☐ \$1,001 - \$10,000 ☐ \$10,001 - \$50,000 ☐ \$50,001 - \$100,000

☐ \$100,001 - \$500,000 ☐ \$500,001 - \$1 million ☐ \$1-2 million ☐ \$2-5 million ☐ \$5-10 million

☐ \$10-20 million ☐ \$20-50 million ☐ \$50-100 million ☐ over \$100 million

(d) What items are contained in your 1998 fiscal year budget for Year 2000 compliance? (check all that apply)

☐ Assessment of the problem ☐ Correction of systems ☐ Replacement of systems ☐ Internal testing

☐ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)

☐ Training ☐ SIA industry-wide testing ☐ Implementation of contingency plans

If you marked "no" for 1999 and 2000 in question 2(b), go on to question 3

(e) What is your specific 1999 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

☐ Less than \$1,000 ☐ \$1,001 - \$10,000 ☐ \$10,001 - \$50,000 ☐ \$50,001 - \$100,000

☐ \$100,001 - \$500,000 ☐ \$500,001 - \$1 million ☐ \$1-2 million ☐ \$2-5 million ☐ \$5-10 million

☐ \$10-20 million ☐ \$20-50 million ☐ \$50-100 million ☐ over \$100 million

(f) What items are contained in your 1999 fiscal year budget for Year 2000 compliance? (check all that apply)

☐ Assessment of the problem ☐ Correction of systems ☐ Replacement of systems ☐ Internal testing

☐ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)

☐ Training ☐ SIA industry-wide testing ☐ Implementation of contingency plans

If you marked "no" for 2000 in question 2(b), go on to question 3

(g) What is your specific 2000 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

☐ Less than \$1,000 ☐ \$1,001 - \$10,000 ☐ \$10,001 - \$50,000 ☐ \$50,001 - \$100,000

☐ \$100,001 - \$500,000 ☐ \$500,001 - \$1 million ☐ \$1-2 million ☐ \$2-5 million ☐ \$5-10 million

☐ \$10-20 million ☐ \$20-50 million ☐ \$50-100 million ☐ over \$100 million

(h) What items are contained in your 2000 fiscal year budget for Year 2000 compliance? (check all that apply)

☐ Assessment of the problem ☐ Correction of systems ☐ Replacement of systems ☐ Internal testing

☐ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)

☐ Training ☐ SIA industry-wide testing ☐ Implementation of contingency plans

3. Persons responsible for Year 2000 compliance

(a) Has one or more individuals been designated as responsible for your Year 2000 compliance?

Yes No

☐ ☐

Include both employees and consultants

Form ADV-Y2K

- (b) If
- yes*
- , provide the following information on the person primarily responsible:

Name:

Title:

Business Address:

(city)

(state)

(zip code)

Provide information for one person only

4. Staffing for Year 2000

- (a) Is this a full-time project for at least one individual?

Yes

No

☐☐*Include both employees and consultants*

- (b) If
- yes*
- , how many individuals are working full time on Year 2000 compliance?

☐ 1☐ 2-5☐ 6-10☐ 11-20☐ 21-50☐ 51-100☐ 101-200☐ over 200

- (c) Have you hired third parties to assist you on Year 2000 issues?

Yes

No

☐☐

- (d) If
- yes*
- , what function(s) are the third parties performing? (check all that apply)

☐ Assessment of the problem ☐ Correction of systems ☐ Replacement of systems ☐ Internal testing☐ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)☐ Training ☐ SIA industry-wide testing ☐ Implementation of contingency plans☐ Vendor assessment ☐ Other (please specify on a separate attachment)

- (e) If you have not completed staffing your Year 2000 project, are you:

MM/DD/YYYY

☐ Defining resources — this will be completed by:☐ Unable to find sufficient staffing resources☐ Handling the staffing as part of your ongoing business operations

5. Inventory of systems

- (a) Have you inventoried all of your systems?

Yes

No

☐☐

- (b) What is the nature of the computer systems you utilize? (check all that apply)

☐ Off-the-shelf ☐ Vendor provided ☐ Developed in-house (custom made)☐ Other (please specify on a separate attachment)

- (c) Have you identified your mission-critical systems?

Yes

No

☐☐

- (d) If
- no*
- , this will be completed by:

MM/DD/YYYY

- (e) Have you determined which of your mission-critical systems are not currently Year 2000 compliant?

Yes

No

☐☐

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6. Awareness of the problem

What steps have you taken to enhance awareness of potential Year 2000 problems? (check all that apply)

- ☐ None to date ☐ Designated individuals for Year 2000 compliance ☐ Presentations to the Adviser's Board
☐ Presentations to management ☐ Presentations to employees ☐ Contacted third parties
☐ Other (please specify on a separate attachment)

7. Progress on preparing mission-critical systems for the Year 2000

What is your progress on the following stages of preparation for the Year 2000?

- (a) **Assessment** of steps you will take to address Year 2000 problems with your mission-critical systems (including preparing an inventory of computer systems affected by the Year 2000):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, assessment expected to be completed by:

- (b) **Implementation of steps** you will take to address Year 2000 problems with your mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation of steps expected to be completed by:

- (c) **Testing** of your internal mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, testing expected to be completed by:

- (d) Did your testing of internal mission-critical systems result in material exceptions that remain unresolved as of this filing?

Yes	No	not applicable
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- (e) **Point-to-point testing** of your mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, point-to-point testing expected to be completed by:

- (f) Did your point-to-point testing of mission-critical systems result in material exceptions that remain unresolved as of this filing?

Yes	No	not applicable
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- (g) **Implementation of tested software** to address Year 2000 problems with your mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation of tested software expected to be completed by:

8. Progress on preparing all other systems for the Year 2000

What is your progress on the following stages of preparation for the Year 2000?

- (a) **Assessment** of steps you will take to address Year 2000 problems with your non-mission-critical systems (including preparing an inventory of computer systems affected by the Year 2000):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, assessment expected to be completed by:

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- (b)
- Implementation of steps**
- you will take to address Year 2000 problems with your non-mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation of steps expected to be completed by:

- (c)
- Testing of your non-mission-critical internal systems:**

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, internal testing expected to be completed by:

- (d) Did your testing of internal non-mission-critical systems result in material exceptions that remain unresolved as of this filing?

Yes No not applicable
☐ ☐ ☐

- (e)
- Point-to-point testing**
- of your non-mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, point-to-point testing expected to be completed by:

- (f) Did your point-to-point testing result in material exceptions that remain unresolved as of this filing?

Yes No not applicable
☐ ☐ ☐

- (g)
- Implementation of tested software**
- to address Year 2000 problems with your non-mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation of software expected to be completed by:

9. Contingency plans

- (a) Do you have a contingency plan for your systems if, after December 31, 1999, you have computer problems caused by the Year 2000?

Yes No
☐ ☐

- (b) If
- yes*
- , is the contingency plan in writing?

Yes No
☐ ☐

- (c) If
- no*
- , what is your progress in preparing a contingency plan?

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99%

MM/DD/YYYY

Contingency plan expected to be completed by:

- (d) What is the scope of coverage of the contingency plan? (check all that apply)

☐ No systems ☐ Mission-critical systems ☐ Physical facilities ☐ Communications systems ☐ All systems

- (e) Who has approved the contingency plan? (check all that apply)

☐ No approval ☐ Board of directors ☐ Corporate officers ☐ Executive management
☐ Head of Information Technology or equivalent ☐ Employees

10. Third parties who provide mission-critical systems

- (a) Have you identified all third parties upon whom you rely for your mission-critical systems?

Yes No
☐ ☐

(b)	If <i>yes</i> , on how many third parties do you rely for your mission-critical systems:			
<hr/>				
(c)	With what percentage of third parties upon whom you rely for mission-critical systems have you had contact regarding the third parties' readiness for the Year 2000?			
	<input type="checkbox"/> 0% <input type="checkbox"/> 1-25% <input type="checkbox"/> 26-50% <input type="checkbox"/> 51-75% <input type="checkbox"/> 76-99% <input type="checkbox"/> 100%			
	MM/DD/YYYY			
	If not all, contact expected to be completed by:			
<hr/>				
(d)	Has any third party on whom you rely for mission-critical systems declined or failed to provide you with assurances that it is undertaking the necessary steps to prepare for the Year 2000?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	not applicable <input type="checkbox"/>
<hr/>				
(e)	If <i>yes</i> , what number of third parties providing mission-critical systems have failed to provide such assurances:			
<hr/>				
(f)	Does your contingency plan account for third parties whose systems may fail after December 31, 1999?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	We have no contingency plan <input type="checkbox"/>

Form ADV-Y2K

PART II Information About Preparations by Investment Company Clients of Investment Advisers for the Year 2000**Instructions for Part II**

1. If you are an adviser or sub-adviser to an investment company registered under the Investment Company Act of 1940 ("fund") you also must complete Part II with respect to that fund *and* any other fund in the same fund "complex" or "family" *unless* another adviser is submitting a Form ADV-Y2K that covers that investment company.

Note: under this instruction, advisers to a fund complex with multiple advisers can decide among themselves which will complete and submit Form ADV-Y2K.

2. Answer Part II with respect to all computer systems used by the fund complex. If the complex has computer systems for which different amounts of progress in preparing for the Year 2000 problem have been made, base your responses on a qualitative average of the systems. Give greater weight to mission-critical systems than to other systems.

PART II

1. Identify the investment company or companies, or the fund complex, on whose behalf you are filing this form. Provide the name and ten-letter identifier for the complex used in Item 19C of Form N-SAR if available. If no answer to Item 19C was provided, provide the full name of the complex.

Name of investment company or companies, or fund complex:

Ten-letter identifier in Form N-SAR:

2. Year 2000 compliance plan

- (a) Does the investment company you advise have a plan for Year 2000 compliance to address whether its computer systems will operate correctly after December 31, 1999?

Yes No
☐ ☐

Consider as a plan, or as part of a plan, efforts to contact vendors of software systems used.

- (b) If *no*, is the investment company:

MM/DD/YYYY

☐ Developing a plan — it is scheduled to be completed by:

☐ Not developing a plan because the investment company does not plan to be conducting business after January 1, 2000 — plan to be out of business by:

MM/DD/YYYY

☐ Other (please specify on a separate attachment)

If the investment company has no plan, go on to question 3

- (c) Does the plan address external interfaces with third party computer systems that communicate with the investment company's systems?

Yes No
☐ ☐

- (d) Is the Year 2000 compliance plan in writing?

Yes No
☐ ☐

- (e) Who has approved the plan? (check all that apply)

☐ No approval ☐ Board of directors ☐ Corporate officers ☐ Executive management

☐ Head of Information Technology or equivalent ☐ Employees

- (f) Has the plan been discussed with outside auditors?

Yes No
☐ ☐

- (g) What is the scope of coverage of the plan? (check all that apply)

☐ All systems ☐ Mission-critical systems ☐ Physical facilities ☐ Communications systems

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(h) Which facilities does the plan cover? (check all that apply)

- ☐ The primary facility ☐ Certain U.S. facilities ☐ All U.S. facilities ☐ Certain facilities worldwide
☐ All facilities worldwide ☐ There are no international facilities

(i) Who had primary responsibility for preparing the Year 2000 plan?

- ☐ The fund ☐ An adviser ☐ A sub-adviser ☐ An administrator ☐ A transfer agent
☐ A custodian ☐ A broker-dealer ☐ Other

3. Persons responsible for Year 2000 compliance

(a) Has one or more individuals been designated as responsible for Year 2000 compliance? Yes No
☐ ☐*Include employees and consultants*

(b) If yes, provide the following information on the person primarily responsible:

Name:

Title:

Business Address:

(city) (state) (zip code)
Provide information for one person only

4. Staffing for Year 2000

(a) Is this a full-time project for at least one individual? Yes No
☐ ☐*Include employees and consultants*

(b) If yes, how many individuals are working full time on Year 2000 compliance?

- ☐ 1 ☐ 2-5 ☐ 6-10 ☐ 11-20 ☐ 21-50
☐ 51-100 ☐ 101-200 ☐ over 200

(c) Have third parties been hired to assist on Year 2000 issues? Yes No
☐ ☐

(d) If yes, what function(s) are the third parties performing? (check all that apply)

- ☐ Assessment of the problem ☐ Correction of systems ☐ Replacement of systems ☐ Internal testing
☐ Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)
☐ Training ☐ SIA industry-wide testing ☐ Implementation of contingency plans ☐ Vendor assessment
☐ Other (please specify on a separate attachment)

(e) If the investment company has not completed staffing on the Year 2000 project, is it:

MM/DD/YYYY

- ☐ Defining resources — this will be completed by:
☐ Unable to find sufficient staffing resources
☐ Handling the staffing as part of ongoing business operations

5. Inventory of systems

(a) Has the investment company inventoried all of its systems? Yes No
☐ ☐

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(b)	What is the nature of the computer systems utilized:		
	<input type="checkbox"/> Off-the-shelf <input type="checkbox"/> Vendor provided <input type="checkbox"/> Developed in-house (custom made) <input type="checkbox"/> Other		
(c)	Has the investment company identified its mission-critical systems?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	MM/DD/YYYY		
(d)	If no, this will be completed by:		
(e)	Has the investment company determined which mission-critical systems are not currently Year 2000 compliant?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

6. Awareness of the problem

What steps have been taken to enhance awareness of potential Year 2000 problems? (check all that apply)

☐ None to date ☐ Designated individuals for Year 2000 compliance

☐ Presentations to the investment company's Board ☐ Presentations to management

☐ Presentations to employees ☐ Contacted third parties

7. Progress on preparing mission-critical systems for the Year 2000

What is the investment company's progress on the following stages of preparation for the Year 2000?

(a) **Assessment** of steps the investment company will take to address Year 2000 problems with its mission-critical systems (including preparing an inventory of computer systems affected by Year 2000):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, assessment expected to be completed by:

(b) **Implementation** of steps the investment company will take to address Year 2000 problems with its mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation expected to be completed by:

(c) **Testing** of internal mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, internal testing of mission-critical systems expected to be completed by:

(d) Did testing of internal mission-critical systems result in material exceptions that remain unresolved as of this filing?

Yes No not applicable
☐ ☐ ☐

(e) **Point-to-point testing** of mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, point-to-point testing of mission-critical systems expected to be completed by:

(f) Did point-to-point testing of mission-critical systems result in material exceptions that remain unresolved as of this filing?

Yes No not applicable
☐ ☐ ☐

(g) **Implementation of tested software** to address Year 2000 problems with mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation of software expected to be completed by:

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8. Progress on preparing all other systems for the Year 2000

What is the investment company's progress on the following stages of preparation for the Year 2000?

- (a) **Assessment** of steps that must be taken to address Year 2000 problems with non-mission-critical systems (including preparing an inventory of computer systems affected by the Year 2000):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, assessment expected to be completed by:

- (b) **Implementation of steps** that must be taken to address Year 2000 problems with non-mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation expected to be completed by:

- (c) **Testing** of internal non-mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, internal testing expected to be completed by:

- (d) Did testing of internal non-mission-critical systems result in material exceptions that remain unresolved as of this filing?

Yes	No	not applicable
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- (e) **Point-to-point testing** of non-mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, point-to-point testing expected to be completed by:

- (f) Did point-to-point testing of non-mission-critical systems result in material exceptions that remain unresolved as of this filing?

Yes	No	not applicable
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- (g) **Implementation of tested software** to address Year 2000 problems with non-mission-critical systems:

☐ 0% complete ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ complete

MM/DD/YYYY

If not completed, implementation of software expected to be completed by:

9. Contingency plans

- (a) Does the investment company have a contingency plan for its systems if, after December 31, 1999, it has computer problems caused by the Year 2000?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

- (b) If yes, is the contingency plan in writing?

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

- (c) What is the scope of coverage of the contingency plan?

☐ No systems ☐ Mission-critical systems ☐ Physical facilities ☐ Communications systems ☐ All systems

- (d) Who has approved the contingency plan? (check all that apply)

☐ No approval ☐ Board of directors ☐ Corporate officers ☐ Executive management
☐ Head of Information Technology or equivalent ☐ Employees

- (e) If the investment company has no contingency plan, what is the progress in preparing a contingency plan?

☐ 0% ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99%

Form ADV-Y2K

10. Third parties who provide mission-critical systems		
(a)	Has the investment company identified all third parties upon whom it relies for mission-critical systems?	
	Yes <input type="checkbox"/>	No <input type="checkbox"/>
(b)	If <i>yes</i> , upon how many third parties does it rely for mission-critical systems:	
(c)	With what percentage of third parties upon whom the investment company relies for mission-critical systems has the adviser had contact regarding the third parties' readiness for the Year 2000?	
	<input type="checkbox"/> 0% <input type="checkbox"/> 1-25% <input type="checkbox"/> 26-50% <input type="checkbox"/> 51-75% <input type="checkbox"/> 76-99% <input type="checkbox"/> 100%	
	MM/DD/YYYY	
	If not all, contact expected to be completed by:	
(d)	Has any third party upon whom the investment company relies for mission-critical systems declined or failed to provide assurances that it is undertaking the necessary steps to prepare for the Year 2000?	
	Yes <input type="checkbox"/>	No not applicable <input type="checkbox"/> <input type="checkbox"/>
(e)	If <i>yes</i> , what number of third parties providing mission-critical systems have failed to provide such assurances:	
(f)	Does the contingency plan account for third parties whose systems may fail after December 31, 1999?	
	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> The investment company has no contingency plan	
11. How often is the board of directors of the investment company apprised of progress in the investment company's Year 2000 compliance efforts?		
	<input type="checkbox"/> Not informed <input type="checkbox"/> Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Annually <input type="checkbox"/> From time to time	
12. Indicate the amount of assets that are covered by this report. Do not double-count assets in arrangements where one investment vehicle is a mere conduit for an investment in another fund (<i>i.e.</i> , assets in a two-tier structure, such as a "master/feeder" structure or a unit investment trust that issues periodic payment plans or that is an insurance company separate account).		
	\$ _____ (to the nearest whole dollar)	