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

DIVISION OF
INVESTMENT MANAGEMENT

PUBLIC

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ICA
Section
Rule 17a-7
Public
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Ms. Lisa A. Duda
Stradley Ronon Stevens & Young
2600 One Commerce Square
Philadelphia, PA 19103-7098

Dear Ms. Duda:

On October 17, 1995 the staff issued a no-action letter to The DFA Investment Trust ("DFA") under rule 17a-7 under the Investment Company Act of 1940 (the "Act") in connection with the conversion of a collective trust fund into a registered investment company. The conversion was accomplished by the sale of portfolio securities by three tax-exempt group trusts ("Group Trusts") to certain series of The DFA Investment Trust Company ("DFAITC"), in exchange for shares of those series. The staff's letter noted your representation that "other than DFA in its capacity as investment adviser, no person who is an affiliated person of DFAITC, or an affiliated person of an affiliated person of DFAITC, within the meaning of section 2(a)(3) of the Investment Company Act, has any beneficial interest in the Subtrusts of the Group Trusts participating in the proposed transaction." Similar representations were noted in prior letters requesting comparable relief. 1/ We recently have received a number of requests for clarification with respect to that representation.

Rule 17a-7 provides an exemption from section 17(a) of the Act for purchase and sale transactions between affiliated registered investment companies, and between registered investment companies and other persons affiliated with such companies *solely* by reason of having a common investment adviser, common directors and/or common officers. The representation quoted above was intended to ensure that there was no additional affiliation between a registered investment company and another person seeking to reorganize into the company that would disqualify the transaction from relying on rule 17a-7. The representation was *not* intended to suggest that the staff would have refused to grant no-action relief had an affiliated person of the registered investment company owned less than five percent of the outstanding voting securities of the counterparty to the transaction. 2/ Ownership of five percent or more of the counterparty would, however, create a disqualifying affiliation between the parties.

1/ *See, e.g.,* Federated Investors (pub. avail. Apr. 21, 1994); The First National Bank of Chicago (pub. avail. Sept. 22, 1992); Lincoln National Investment Management Company (pub. avail. Apr. 25, 1976).

2/ Registered investment companies have sought exemptive orders in connection with collective trust fund conversions solely because they could not comply with the representation quoted above. *See, e.g.,* SEI Financial Management Corporation, IC-21128 (June 9, 1995) (Notice) and IC-21194 (July 7, 1995) (Order). Provided that all of the other conditions contained in the DFA letter are met, this clarification will obviate the need for such exemptive orders in the future.

If you have any questions regarding this clarification, please call me at (202) 942-0660.

Sincerely,

Karrie McMillan

Karrie McMillan
Senior Counsel
Office of Chief Counsel