

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC - 26838; 812-13182]

The PNC Financial Services Group, Inc., et al.; Notice of Application

April 21, 2005

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of application for a permanent order under section 9(c) of the Investment Company Act of 1940 (the “Act”).

Summary of Application: Applicants request a permanent order exempting them and any other company of which Riggs Bank N.A. (“Riggs Bank”), or its successors, is or hereafter becomes an affiliated person from section 9(a) of the Act, with respect to a plea agreement entered into on January 27, 2005 between Riggs Bank and the U.S. Attorney for the District of Columbia and the U.S. Department of Justice.

Applicants: The PNC Financial Services Group, Inc. (“PNC”); BlackRock, Inc. (“BlackRock, Inc.”); BlackRock Financial Management, Inc. (“BlackRock Financial”); BlackRock International, Ltd. (“BlackRock International”); BlackRock Advisors, Inc. (“BlackRock Advisors”); BlackRock Institutional Management Corporation (“BlackRock Institutional”); BlackRock Capital Management, Inc. (“BlackRock Capital”); State Street Research & Management Company (“State Street”); J.J.B. Hilliard, W.L. Lyons, Inc. d/b/a Hilliard Lyons (“Hilliard Lyons”); PFPC Distributors, Inc. (“PFPC”); BlackRock Distributors, Inc. (“BlackRock Distributors”); Northern Funds Distributors, LLC (“Northern Funds”); and ABN AMRO Distribution Services (USA), Inc. (“ABN”) (collectively, the “Applicants”).

Filing Date: The application was filed on April 6, 2005.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on May 12, 2005, 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 Commission's Secretary.

Addresses: Secretary, Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

Applicants: Drew J. Pfirman, The PNC Financial Services Group, Inc., 249 Fifth Avenue, 21st Floor, Pittsburgh, PA 15222, and Richard Prins, Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, NY 10036.

For Further Information Contact: Keith A. Gregory, Senior Counsel, at (202) 551-6815, or Mary Kay Frech, Branch Chief, at (202) 551-6821 (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 Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (tel. 202-551-8090).

Applicants' Representations:

1. PNC, a Pennsylvania corporation, is a diversified financial services company that operates through its subsidiaries in five major businesses engaged in regional community banking, wholesale banking, wealth management, asset management, and global fund processing. PNC's subsidiaries have approximately \$354 billion of assets under management as

of December 31, 2004. BlackRock, Inc., a Delaware corporation, is a majority-owned indirect subsidiary of PNC. BlackRock Advisors, BlackRock Financial, BlackRock Institutional, BlackRock International, BlackRock Capital, and State Street are each wholly-owned direct or indirect subsidiaries of BlackRock, Inc. BlackRock Advisors, BlackRock Financial, BlackRock Institutional, Blackrock International, BlackRock Capital, and State Street are registered under the Investment Advisers Act of 1940 (the “Advisers Act”) and provide investment advisory services to registered investment companies (“Funds”).

2. Hilliard Lyons, a wholly-owned indirect subsidiary of PNC, is a full service investment firm that is registered under the Advisers Act and is registered as a broker-dealer under the Securities Exchange Act of 1934 (the “Exchange Act”). Hilliard Lyons provides investment advisory services and serves as principal underwriter for two open-end Funds. PFPC, a Massachusetts corporation, is a wholly-owned indirect subsidiary of PNC. BlackRock Distributors, ABN (both Delaware corporations), and Northern Funds (a Wisconsin limited liability company), each a wholly-owned direct subsidiary of PFPC, are registered as broker-dealers under the Exchange Act and serve as principal underwriters for various open-end Funds.

3. On February 10, 2005, PNC and Riggs National Corporation (“Riggs National”), a Delaware corporation and parent of Riggs Bank, entered into a merger agreement (the “Merger Agreement”). Under the terms of the Merger Agreement, Riggs National will merge into PNC on May 13, 2005 (“Merger”). Concurrently with the Merger, PNC Bank will acquire the assets and assume substantially all of the liabilities of Riggs Bank. Following the Merger, Riggs Bank either will be liquidated or merged into a non-bank subsidiary.

4. On January 26, 2005, the United States Attorney for the District of Columbia (the “U.S. Attorney”) filed an information (the “Information”) in the United States District Court for

the District of Columbia alleging that from at least March 1999 through December 2003 Riggs Bank failed to file timely or accurate suspicious activity reports (“SARs”) in violation of the Bank Secrecy Act. On January 27, 2005, the U.S. Attorney and the U.S. Department of Justice and Riggs Bank entered into a plea agreement (the “Plea Agreement”), under which Riggs Bank pled guilty to a single count of failing to file timely or accurate SARs.¹ Riggs Bank agreed to pay a \$16 million fine and agreed to a five-year period of corporate probation, which will terminate immediately upon the closing of a sale of Riggs Bank or any other change-of-control transaction. The individuals at Riggs National and at Riggs Bank who were identified as being responsible for the conduct underlying the Plea Agreement have either resigned or have been terminated.

Applicants’ Legal Analysis:

1. Section 9(a)(1) of the Act provides, in pertinent part, that a person may not serve or act as an investment adviser or depositor of any registered investment company or a principal underwriter for any registered open-end investment company or registered unit investment trust, if such person within ten years has been convicted of any felony or misdemeanor arising out of such person’s conduct, as, among other things, a bank. Section 2(a)(10) of the Act defines the term “convicted” to include a plea of guilty. Section 9(a)(3) of the Act extends the prohibitions of section 9(a)(1) to a company any affiliated person of which is disqualified under the provisions of section 9(a)(1). “Affiliated person” is defined in section 2(a)(3) of the Act to

¹ In addition to the Plea Agreement, Riggs Bank was directly and indirectly subject to several other government actions related to the conduct that led to the filing of the Information. *See In re Riggs Bank Nat’l Assn.*, No. 2003-79 (July 16, 2003), *In re Riggs Bank N.A.*, No. 2004-43, AA-EC-04-54 (May 13, 2004), *In re Riggs Bank N.A.*, No. 2004-44, AA-EC-04-55 (May 13, 2004), *In re Riggs Bank N.A.*, No. 2005-1, AA-EC-04-54 (Jan. 27, 2005), *In re Riggs Bank N.A.*, No. 2004-1 (May 13, 2004) and *In re Riggs Nat’l Corp.*, Nos. 04-011-B-HC & 04-011-B-EC (May 14, 2004).

include, among others, any person directly or indirectly controlling, controlled by, or under common control with, the other person. Sections 9(a)(1) and 9(a)(3) would, upon the closing of the Merger, have the effect of precluding the Applicants, and any other company of which Riggs Bank is or during the next ten years becomes an affiliated person, from serving as investment adviser, depositor or a principal underwriter for any Funds.

2. Section 9(c) of the Act provides that the Commission shall grant an application for an exemption from the disqualification provisions of section 9(a) of the Act if it is established that these provisions, as applied to the applicants, are unduly or disproportionately severe or that the conduct of the applicants has been such as not to make it against the public interest or the protection of investors to grant the exemption. In light of the Plea Agreement and the Merger Agreement, Applicants seek an order exempting them and any other company of which Riggs Bank, or its successors, is or hereafter becomes an affiliated person (together with the Applicants, the “Covered Persons”) from the provisions of section 9(a) of the Act with respect to the Plea Agreement.

3. Applicants state that the prohibitions of section 9(a), as applied to the Covered Persons, would be unduly and disproportionately severe and that it would not be against the public interest or the protection of investors to grant an exemption from section 9(a). Applicants state that prohibiting them from providing services to the Funds would not only adversely affect their businesses, but also their employees. Applicants state that neither they nor any of their current or former officers, directors or employees had any involvement in the conduct underlying the Plea Agreement. All of the conduct occurred and ceased before the Merger Agreement, when the Applicants had no affiliation with the parties to the Plea Agreement. Following the Merger, no former employee of Riggs Bank who previously has been or who subsequently may

be identified by PNC or any federal or state agency or court as having been responsible for the conduct underlying the Plea Agreement will be an officer, director or employee of any of the Applicants or any of the other Covered Persons. Applicants assert that the provisions of section 9(a) should not apply to the Applicants, who have taken no part in the misconduct underlying the Plea Agreement and are subject to section 9(a) solely because of the Merger Agreement.

4. Applicants have distributed, or will distribute, written materials, including an offer to meet in person to discuss the materials, to the boards of directors or trustees of the Funds for which Applicants provide services as investment adviser or principal underwriter, including the directors or trustees who are not “interested persons,” as defined in section 2(a)(19) of the Act, of the Funds and their independent legal counsel, as defined in rule 0-1(a)(6) under the Act, if any, regarding the Plea Agreement and the reasons applicants believe relief pursuant to section 9(c) is appropriate. Applicants undertake to provide the Funds with all the information concerning the Plea Agreement and the application necessary for the Funds to fulfill their disclosure and other obligations under the federal securities laws. Applicants also state that they have not previously applied for an exemption pursuant to section 9(c) of the Act.

Applicants' Condition:

Applicants agree that any order granting the requested relief shall be subject to the following condition:

Neither the Applicants nor any of the other Covered Persons will employ any of the former employees of Riggs Bank who previously have been or who subsequently may be identified by PNC or any federal or state agency or court as having been responsible for the conduct underlying the Plea Agreement, in any capacity, without first making further application to the Commission pursuant to section 9(c) of the Act.

By the Commission.

Margaret H. McFarland
Deputy Secretary