



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

PUBLIC

DIVISION OF
 INVESTMENT MANAGEMENT

August 5, 1996

VIA FACSIMILE AND AIRMAIL

Mr. Jyrki Leppanen
 Managing Director
 Interbolsa
 Rua do Pinheiro Manso
 471-4100 Porto
PORTUGAL

ACT 1940 AET
 SECTION _____
 RULE 17f-5
 PUBLIC _____
 AVAILABILITY Aug 5, 1996

Dear Mr. Leppanen:

I am writing in response to your letter of July 10, 1996. In your letter, you request information on Rule 17f-5 under the Investment Company Act of 1940 ("1940 Act"), concerning the requirements to become an eligible foreign custodian for U.S. investment companies. Specifically, you ask whether Interbolsa-Associacao para a Prestacao de Servicos as Bolsas de Valores ("Interbolsa") is required to seek the approval of the Securities and Exchange Commission ("Commission") before acting as an eligible foreign custodian for U.S.-registered investment companies.

Section 17(f) of the 1940 Act sets forth the custodial requirements for U.S.-registered management investment companies ("funds"). Rule 17f-5 thereunder permits funds to maintain their assets with certain categories of "eligible foreign custodians." These include foreign banks that have more than \$200 million shareholders equity; majority-owned subsidiaries of U.S. banks that have more than \$100 million shareholders' equity; transnational foreign securities depositories and clearing agencies; and certain centralized securities depositories and clearing agencies.

Based on the nature of the activities of Interbolsa, subparagraph (c)(2)(iii) of Rule 17f-5 seems most relevant to your inquiry.¹ Rule 17f-5(c)(2)(iii) defines the term "eligible foreign custodian" to include a "securities depository or clearing agency, incorporated or organized under the laws of a country other than the United States, which operates the central system for handling of securities or equivalent book-entries in that country."²

¹ Your letter states that Interbolsa was formed under the securities laws of Portugal with the purpose of acting as the central securities depository, running the clearing and settlement system and maintaining Portugal's continuous trading system.

² Section 3(a)(23)(A) of the Securities Exchange Act of 1934 defines "clearing agency" generally as an intermediary that makes payments or deliveries in connection with transactions in

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Rule 17f-5 is self-operative and does not require a foreign institution that satisfies the definition of "eligible foreign custodian" to obtain the approval of the Commission to serve as an eligible foreign custodian for U.S.-registered investment companies. Where an institution clearly meets the definition, and no legal issue is presented, the staff, as a matter of policy, will not issue an approval letter. Custody arrangements with foreign institutions that do not meet the requirements of Rule 17f-5 are evaluated on a case-by-case basis.³ We suggest that you consult an attorney familiar with the U.S. federal securities laws to confirm that Interbolsa satisfies the definition of "eligible foreign custodian" under Rule 17f-5.

On July 27, 1995, the Commission proposed for public comment amendments to Rule 17f-5 that would, among other things, amend the definition of "eligible foreign custodian." I have enclosed with this letter a copy of the release proposing these amendments. Also enclosed is a copy of Section 17(f) and the current Rule 17f-5.

securities. The term includes any entity, such as a securities depository, that (1) acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of an issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (2) otherwise permits or facilitates the settlement of securities transactions without physical delivery of securities certificates.

Rule 17f-4(a) defines a "securities depository" as a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities."

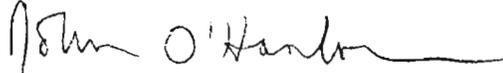
Rule 17f-5(c)(2)(iii) refers to both securities depositories and clearing agencies because a foreign securities depository may be known as a "clearing agency" in certain countries. See Investment Company Act Rel. No. 13724 at n. 31 (Jan. 17, 1984) (reproposing Rule 17f-5).

³ See, e.g., Jardine Fleming China Region Fund, Inc. And Custody of B Shares Trading on the Shenzhen and Shanghai Securities Exchanges (both pub. Avail. Apr. 26, 1993); Camara de Liquidacao e Custodia S/A and Bolsa de Valores de Sao Paulo (both pub. Avail. Oct. 28, 1992).

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I hope that you find this information helpful. If you have any further questions, please contact me at (202) 942-0660 or [FAX] (202) 942-9659.

Sincerely,


John O'Hanlon
Assistant Chief Counsel

Attachments (w/ airmail copy)



INTERBOLSA

 Data / Date
July 9, 1996

 Nossa referência / Our reference
CEX/JL/-/040

 Nº de folhas incluindo a presente/
 No. of pages including this one
3

 Emitido por / Issued by
Jyrki Leppänen**FAX - Transmissão / Transmission**

 Para / To
U.S. SECURITIES AND EXCHANGE COMMISSION

 Ao cuidado de / For the attention of
Mr. John O'Hanlon

 Fax nº / Fax no.
+1 202-942-965⁹

 Assunto / Message: **Exemption to the Rule 17f-5**

Dear Mr. O'Hanlon,

Please find attached a copy of the letter I am sending you by mail later today. If there are any changes you would like to suggest, please send them to my attention by fax +351-2-610-3031.

Thank you for your help.

Best regards,



Jyrki Leppänen
 Managing Director

INTERBOLSA - Associação para a Prestação de Serviços às Bolsas de Valores

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 Tct. 351.2.610 30 31 Fax 351.2.610 30 29
 Contribuinte Nº 502 962 275

INTERBOLSA
ADMINISTRAÇÃO

Mr John O'Hanlon
Assistant Chief Council
Division of Investment Management
U. S. Securities and Exchange Commission
450 Fifth Street, N.W. Mail Stop 11-4
Washington, D.C. 20549

Porto, July 9, 1996

Ref: CEX/JL/-/041

Dear Sir,

We have been receiving questionnaires from several foreign Banks about the securities market in Portugal, focusing mainly on the risk aspects of safekeeping and settlement of stock exchange transactions. One of the questions that is always present is:

Does the Central Depository have Rule 17f-5 approval or exemption?

As this Rule is part of U.S. Securities and Exchange Commission Regulations, I am writing to you asking if we are exempt of any approval or do we have to apply for an approval of S.E.C.?

Interbolsa - Associação para a Prestação de Serviços às Bolsas de Valores, (*Association for the Rendering of Services to the Stock Exchanges*) has been set up with the purpose of acting as a central securities depository for Portugal, running the clearing and settlement system for stock exchange transactions and maintaining and running the nationwide continuous trading system - TRADIS. The legal constitution of Interbolsa was on April 2, 1993. Our shareholders are the Associação da Bolsa de Valores de Lisboa (Lisbon stock exchange) and the Associação da Bolsa de Derivados do Porto (derivatives exchange), fifty percent each. The setting up of Interbolsa was possible after the publication of the new Securities Act, which opened the doors for the modernisation of the securities market in Portugal on April 10, 1991.

INTERBOLSA
ADMINISTRAÇÃO

Today we hold more than 1000 issues in our system from which 66% are in dematerialized form, and about 600 are traded in the Bolsa de Valores de Lisboa. The deposit of the securities is mandatory for issues traded in the official market and also for those that are dematerialized. All Financial Intermediaries that are allowed to trade in the securities markets, must be affiliated of Interbolsa in order to have their global securities accounts in our system.

I am happy to include copies of our Annual Reports for 1993, 1994 and 1995 in hope that the information will complement this letter and be of some use to you. If you need any further information about Interbolsa, please don't hesitate to contact me.

In the hope that you will answer promptly to my question, I remain,

Sincerely yours,

Jyrki Leppänen
Managing Director