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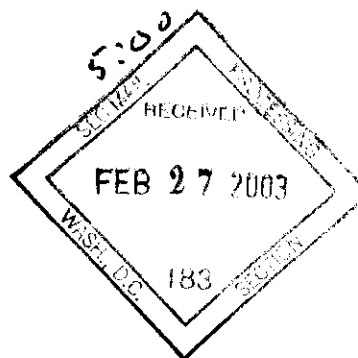
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February 27, 2003

**Please Stamp and Return
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BY E-MAIL AND MESSENGER

C. Hunter Jones
Assistant Director
Office of Regulatory Policy
Division of Investment Management
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0506



Re: Clarification of Rule 17f-7 Pursuant to Recent Amendments to Rule 17f-4

Dear Mr. Jones:

We are writing on behalf of the Association of Global Custodians ("Association"),¹ to request certain clarifications with respect to amended Investment Company Act Rule 17f-4.² Specifically, and as previously discussed with you,³ the Association is asking for

¹ The members of the Association are The Bank of New York, Brown Brothers Harriman & Co., Citibank, N.A., Deutsche Bank, Investors Bank & Trust Company, JPMorgan Chase Bank, Mellon Financial, The Northern Trust Company, RBC Global Services and State Street Bank and Trust Company.

² Release No. IC-25934 (February 14, 2003); 68 FR 8438 (February 20, 2003).

³ Telephone conversation between C. Hunter Jones, Assistant Director, Office of Regulatory Policy, Division of Investment Management, Securities and Exchange Commission ("Commission"), and Margaret R. Blake and Dan W. Schneider, Baker & McKenzie (February 21, 2003); and Telephone conversation between C. Hunter Jones, Assistant Director, Office of Regulatory Policy, Division of Investment

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clarification of Investment Company Act Rule 17f-7 in light of the recent changes to the definition of the term "securities depository" in revised Rule 17f-4.

Issue

As you know, Investment Company Act Rule 17f-7 governs the custody of investment company assets held with a foreign securities depository. Rule 17f-7 defines an "Eligible Securities Depository" as "a system for the central handling of securities as defined in Rule 17f-4 * * *." Prior to its amendment, Rule 17f-4 defined "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."

As a result, to be an "Eligible Securities Depository" under Rule 17f-7, an entity needed to meet the functional definition of "securities depository" under Rule 17f-4, or more specifically, be "a system for the central handling of securities." However, the amended definition of "securities depository" under revised Rule 17f-4 impedes the operation of the 17f-7 cross-reference by limiting its application to U.S. depositories and federal securities book-entry system operators. Specifically, under revised Rule 17f-4(c)(6), "securities depository" means --

"a clearing corporation that is (i) Registered with the Commission as a clearing agency under Section 17A of the Securities Exchange Act of 1934 * * *; or (ii) a Federal Reserve Bank or other person authorized to operate the federal book entry system described in the regulation of the Department of Treasury * * *."

Unfortunately, this change in Rule 17f-4, which replaced the functional definition of a "securities depository" with this new technical definition covering only U.S. entities, prevents foreign depositories from meeting the requirements of Rule 17f-7.

Global custodians, holding client assets with numerous foreign securities depositories, rely on the specific language and application of Rule 17f-7 in

Management, Commission, and Margaret R. Blake, Baker & McKenzie (February 24, 2003).

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memorializing custody arrangements with their clients and subcustodians. The revisions to Rule 17f-4 create interpretive uncertainty and compliance risks for custodians and their investment company clients. We understand that it was not the Commission's intention to cause such a result, and we therefore request that prompt action be taken to clarify this point.

Action Requested

On behalf of the members of the Association, we are requesting that the Commission or Commission staff, as appropriate, take prompt action to clarify that the cross reference to revised Rule 17f-4 does not modify or limit, in any way, the application of Rule 17f-7 to the placement of investment company assets with a foreign depository. We ask that such clarification be made prior to the March 28, 2003 effective date for revised Rule 17f-4, preferably, in the form of a letter on which custodians and their investment company clients may rely with respect to Rule 17f-7.

We also are requesting that, in addition to issuing such a clarification, staff take further and more permanent action in the form of a technical amendment to Rule 17f-7. In our view, the best option would be to eliminate the cross-reference in Rule 17f-7 to Rule 17f-4. We believe that the cross-reference is not necessary to achieve the intended results of Rule 17f-7 and that elimination thereof is the simplest way to resolve the inadvertent consequence of the amendments to Rule 17f-4. We also respectfully request that this amendment be made on an accelerated basis.

Conclusion

The Association applauds the Commission's efforts and those of the staff, to create a more current and workable Rule 17f-4. We are confident that with the modifications to Rule 17f-7 discussed with you and noted above, both Rule 17f-7, as modified, and newly-amended Rule 17f-4 will provide the guidance and parameters intended by the Commission.

* * *

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Assistant Director
Office of Regulatory Policy
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If you have questions or require additional information, please contact the undersigned at 202/452-7020.

Sincerely,

A handwritten signature in black ink, appearing to read "Margaret R. Blake", with a horizontal line extending to the right.

Margaret R. Blake
Counsel to the Association
of Global Custodians

cc: Robert E. Plaze
Associate Director
Division of Investment Management