II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[3]

(A) Self-Regulatory Organization's Statement of the Purpose, of, and Statutory Basis for, the Proposed Rule Change

In DTC's next-day funds settlement system and prior to the implementation of the Group of Thirty's principal and income payment guidelines,[4] paying agents generally made payments in same-day funds to DTC for corporate income payments (*e.g.*, dividends and interest) and reorganization actions (*e.g.*, tenders and exchanges) for a majority of issues. Although corporate and municipal redemption payments and municipal income payments could be paid in next-day funds, paying agents generally made these payments in same-day funds on payment date to ensure their timely arrival at DTC. DTC invested these funds overnight and rebated to the paying agents interest on the funds as compensation for holding the funds overnight.

DTC has paid such rebates for many years; however, once DTC converts to same-day funds settlement for all security issues, DTC will make all payments to its participants on the payable date in same-day funds. As a result, DTC will not have interest earned from overnight investing available to rebate to paying agents. Therefore, DTC determined that it would cease paying such rebates to paying agents. Recognizing that participants would benefit by receiving all their expected payments in same-day funds on the payable date and in order to give agents time in which to modify their business practices in order to compensate for the loss of the rebates, DTC initially proposed to continue to pay rebates from the date of the conversion to same-day funds settlement for all security issues through July 31, 1996. In order to accomplish this, DTC determined that it would charge to participants, in proportion to their holdings in each issue for which a rebate would apply, the funds needed to pay the rebates from the date of the conversion through July 31, 1996.

In order to give paying agents additional time in which to modify their practices and procedures, the members of the Same-Day Funds Payment Task Force of the U.S. Working Committee of The Group of Thirty Clearance and Settlement Project requested that DTC extend the payment of agent rebates from August 1, 1996, through September 30, 1996. Therefore, DTC now proposes to extend the payment of such rebates until September 30, 1996. With respect to payments made on or after October 1, 1996, charges to participants will no longer be made.

The rebates will not be applied to payments of corporate interest, dividends, and reorganizations for which the paying agents already pay DTC in same-day funds on the payable date and which currently are not subject to interest earning rebates. However, DTC will require that 100% of corporate interest, dividends, and reorganization payments be paid to DTC in same-day funds on the payable date by 2:30 p.m. Eastern Standard time.

DTC believes the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act[5] because the extension of the payment of rebates to paying agents during the modification of their business practices will foster cooperation and coordination among persons engaged in the clearance and settlement of securities transactions.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe the proposed rule change will impact or impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments from DTC participants or others have not been solicited or received.

III. Date of effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) was provided to the Commission for its review at least five days prior to the filing date; and (4) does not become operative for thirty days from the date of its filing on August 14, 1995, the proposed rule change has become effective pursuant to Section 19(b)(3)(A)(iii)[6] of the Act and Rule 19b–4(e)(6)[7] thereunder. In particular, the Commission believes the proposed rule change does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of DTC. All submissions should refer to the File No. SR–DTC–95–12 and should be submitted by October 5, 1995.

For the commission by the Division of Market Regulation, pursuant to delegated authority.[8]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–22848 Filed 9–13–95; 8:45 am]

BILLING CODE 8010–01–M

[3] The Commission has modified the text of the summaries prepared by DTC.

[4] For a complete description of the principal and interest payment guidelines, refer to Securities Exchange Act Release No. 35649, supra note 2.

[5] 15 U.S.C. 78q–1.

[6] 15 U.S.C. 78s(b)(3)(A)(iii) (1988).

[7] 17 CFR 240.19b–4(e)(6) (1994)

[8] 17 CFR 200.30–3(a)(12) (1994).

[Rel. No. IC–21342; 812–9568]

Alex, Brown Cash Reserve Fund, Inc., et al.; Notice of Application

September 8, 1995.

AGENCY: Securities and Exchange Commission (the ''SEC'').

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the ''Act'').

APPLICANTS: Alex, Brown Cash Reserve Fund, Inc.; Chestnut Street Exchange Fund; Municipal Fund for California Investors, Inc.; Municipal Fund for New York Investors, Inc.; Municipal Fund for Temporary Investment; The PNC Fund, Inc.; Portfolios for Diversified Investment Inc.; Provident Institutional Funds, Inc.; The RBB Fund, Inc.; Temporary Investment Fund, Inc.; Trust for Federal Securities; Warburg Pincus Cash Reserve Fund; Warburg Pincus New York Tax-Exempt Fund (the ''Existing Funds''); and all future registered management investment companies (or series thereof) for which PNC Institutional Management Corporation (''PIMC''), PNC Bank, N.A. (''PNC Bank'') or any entity controlling, controlled by, or under common control with PIMC or PNC Bank serves as investment adviser (the ''Future Funds'' and together with the Existing Funds, the ''Funds'').

RELEVANT ACT SECTIONS: Order requested under sections 6(c) and 17(b) of the Act to exempt applicants from the provisions of sections 17(a)(1), 17(a)(2), and 17(e)(1) of the Act.

SUMMARY OF APPLICATION: Applicants seek an order to permit the Funds to engage in transactions with banks, bank holding companies, and affiliated persons thereof that are ''affiliated persons'' of a Fund solely because they own, hold, or control five percent or more of the outstanding voting securities of a Fund and/or act as investment adviser to a Fund. No Fund will engage, however, in such transactions with a bank, bank holding company, or an affiliated person thereof that controls, advises, or sponsors that Fund. The purchase and sale transactions would be limited to certain types of high quality debt securities and repurchase agreements meeting specified standards. The requested order would supersede a prior order.

FILING DATES: The application was filed on April 13, 1995, and amended on July 24, 1995. Applicants have agreed to file an additional amendment, the substance of which is incorporated herein, during the notice period.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on October 3, 1995, 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 may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street, N.W., Washington, D.C. 20549. Applicants, c/o PNC Bank, N.A., Land Title Building, Broad & Chestnut Streets, Philadelphia, Pennsylvania 19110.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Staff Attorney, at (202) 942–0572, or C. David Messman, Branch Chief, at (202) 942–0564 (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 SEC's Public Reference Branch.

Applicants' Representations

1. The Existing Funds are, and the Future Funds will be, registered management investment companies, PIMC or PNC Bank serve as investment adviser to each Existing Fund, and will serve as investment adviser to each Future Fund.

2. In 1984 the SEC issued an order granting an exemption from sections 17(a)(1), 17(a)(2), and 17(e)(1) of the Act to permit the Funds to engage in certain transactions with Affiliated Banks (the ''1984 Order'').[1] ''Affiliated Banks'' for purposes of the 1984 Order and the order requested hereby are banks, bank holding companies, and affiliated persons thereof that are affiliated persons of a Fund solely because they directly or indirectly own, control, or hold five percent or more of the outstanding voting securities of a Fund, and/or act as investment adviser to a Fund.

3. The 1984 Order permits the applicant funds to engage in transactions with Affiliated Banks involving the following instruments: (a) Money market instruments of an Affiliated Bank that is one of the fifty largest United States banks (measured by deposits); (b) repurchase agreements with no more than twelve Affiliated Banks that are among the fifty largest United States banks (measured by deposits); and (c) tax-exempt obligations (transactions with Affiliated Banks covered by the terms of the 1984 Order are hereinafter referred to as the ''Covered Transactions''). The 1984 Order also permits an Affiliated Bank to accept compensation from the applicant funds, subject to the limitations of section 17(e)(2) of the Act, if such bank acts as agent for one of the funds in a Covered Transaction.

4. Applicants now request an order that would supersede the 1984 Order and permit the Funds to engage in transactions with Affiliated Banks involving the following ''Qualified Securities:'' (a) Money market instruments and other taxable obligations issued by, or purchased from or sold to an Affiliated Bank; (b) tax-exempt obligations purchased from or sold to an Affiliated Bank; (c) U.S. government securities from Affiliated Banks that are primary dealers in these securities (''Affiliated Dealers'') and (d) repurchase agreements.

5. In addition, all Qualified Securities will meet the following credit standards:

a. For obligations that have a remaining maturity of 397 days or less, each such security shall constitute an ''Eligible Security'' within the meaning of rule 2a–7; provided, that, in the case of Unrated Securities (as defined in rule 2a–7(a)(20)), in addition to the requirements of rule 2a–7 applicable to such Unrated Securities, all determinations with respect to the comparability of such securities to rated securities are also reviewed and approved at least quarterly by a majority of the Fund's directors who are not interested persons of the Fund.

b. For obligations that have a remaining maturity of more than 397 days, each such security (or another long-term security of the same issuer having comparable priority and security to such obligation) shall have been rated by a nationally-recognized statistical rating organization (''NRSRO'') in one of the four highest rating categories for long-term obligations; or, if the security and issuer have not been rated by an NRSRO, are determined by the Fund's investment adviser to be comparable in credit quality to a security carrying a long-term rating in one of such four highest rating categories of a NRSRO, and such determination is reviewed and approved at least quarterly by a majority of the Fund's directors who are not interested persons of the Fund.

[1] The Arch Fund, Inc., Investment Company Act Release Nos. 14016 (June 27, 1984) (notice) and 14064 (July 25, 1984) (order).

c. Any repurchase agreements will be collateralized fully within the meaning of rule 2a–7.

d. For obligations subject to unconditional, irrevocable credit enhancement (including, without limitation, a guarantee, letter of credit or put), the Funds may rely upon the NRSRO ratings of the provider of such credit enhancement to determine whether the obligation satisfies the requirements of paragraphs (a) and (b) above. Such obligations shall be treated as rated securities to the extent that the credit enhancement is of comparable priority and security to the rated obligations of the provider of such credit enhancement.

6. Applicants also request relief to permit an Affiliated Bank to accept compensation within the limitations of section 17(e)(2) of the Act where it acts as agent for any Fund in connection with the purchase or sale of Qualified Securities.

Applicants' Legal Analysis

1. Sections 17(a)(1) and 17(a)(2) of the Act prohibit affiliated persons of the Funds, or affiliated persons of such affiliated persons, acting as principal, knowingly to sell or purchase any securities to or from the Funds. Sections 2(a)(3)(A), (B), and (C) of the Act define an ''affiliated person'' of another person as, respectively: (a) Any person directly or indirectly owning, controlling, or holding with power to vote, five percent or more of the outstanding voting securities of such other person; (b) any person five percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person; and (c) any person directly or indirectly controlling, controlled by or under common control with, such other person.

2. By virtue of section 2(a)(3)(A), if a bank owns, controls or holds with power to vote five percent or more of the outstanding voting shares of one of the Funds, that bank could be considered an affiliated person of that Fund. Furthermore, any person who is an affiliated person of a registered investment company also may be deemed to be affiliated with each other registered investment company which has a common investment adviser, or investment advisers which are affiliated persons of each other, or common directors of common officers, or a combination of the foregoing, because such investment companies may be deemed to be under common control. Accordingly, a bank, bank holding company, or affiliated person thereof that is deemed to be an Affiliated Bank in respect of one Fund by virtue of its ownership of such Fund's shares may be deemed to be affiliated with all the Funds. The result of the operation of these provisions is to prohibit all of the Funds from engaging in any principal transaction in securities, including repurchase agreements and U.S. government securities, with a wide range of banks, bank holding companies, and affiliates thereof.

3. If an Affiliated Bank is also a primary dealer or an affiliated person of a primary dealer, the dealer then becomes an Affiliated Dealer. In addition, sections 2(a)(3)(B) and (C) cause a primary dealer which is a subsidiary of an Affiliated Bank, or which is controlled by the same holding company as an Affiliated Bank (or otherwise under common control with the Affiliated Bank), to be an affiliated person of the Affiliated Bank. The primary dealer then is an affiliated person of an affiliated person of the Funds.

4. The Funds believe the applicability of sections 17(a)(1) and 17(a)(2) to transactions between the Funds and Affiliated Banks in Qualified Securities unreasonably reduces the range of available investment alternatives. The inability to effect transactions in Qualified Securities With Affiliated Banks unduly impairs an investment adviser's flexibility in portfolio management, and deprives the Funds of the ability to purchase and sell otherwise proper portfolio securities.

5. Applicants state that the Funds will continue to apply existing internal control procedures that are designed to monitor securities transactions with Affiliated Banks by placing primary responsibility for the reasonableness and fairness of those transactions on the Funds' board of directors or trustees, or other governing bodies (''Governing Boards''). In addition to existing controls, applicants state that they will impose stringent credit quality requirements on the securities that a Fund may purchase from an Affiliated Bank. By limiting transactions with Affiliated Banks to certain Qualified Securities, applicants believe that focus is placed on the merits of a particular investment and that the Funds and their advisers will be subjected to a disciplined determination regarding whether a particular transaction is appropriate for a Fund. Finally, applicants believe that because Qualified Securities will be liquid, high-quality securities, an Affiliated Bank will be unable to exercise any improper influence without detection by the Funds' Governing Boards.

6. Applicants state that no fund will engage in transactions with an Affiliated Bank that serves as investment adviser (including sub-adviser) or sponsor to such Fund. Moreover, no Fund will engage in transactions in Qualified Securities with any Affiliated Bank that controls such Fund within the meaning of section 2(a)(9) of the Act.

7. PIMC and PNC Bank represent that there is no express or implied understanding between PIMC and PNC Bank and any bank, bank holding company or affiliated person thereof that is (or may become) an Affiliated Bank of a Fund that applicants will cause any of the Funds to enter into purchase or sale transactions in Qualified Securities with such entity. Moreover, applicants represent that they will give no preference to any Affiliated Bank in effecting purchase or sale transactions between the Funds and an Affiliated Bank that involve Qualified Securities issued by or purchased from or sold to such Affiliated Bank or because the customers of such bank purchase shares of any of the funds.

8. Section 17(e)(1) of the Act prohibits any affiliated person of a registered investment company, or any affiliated person of such person, when acting as agent from accepting from any source any compensation (other than a regular salary or wages from such registered company) for the purchase or sale of any property to or for such registered company, except in the course of such person's business as an underwriter or broker.

9. Banks are specifically excluded from the definition of a broker in section 2(a)(6) of the Act. In addition, applicants state that it would be highly improbable for a bank to satisfy the definition of underwriter in section 2(a)(40) with respect to each securities transaction involving an investment company where the bank was asked to act as agent for the investment company. Thus, a bank that is an Affiliated Bank may be prohibited from accepting any consideration whatsoever in connection with a brokerage transaction where it acted as agent for the Fund. In addition, if an Affiliated Dealer is not a separate entity from the Affiliated Bank, and acts as agent for a Fund, section 17(e)(1) also may apply to prohibit an Affiliated Dealer from receiving compensation in U.S. government securities or municipal securities transactions.

10. Applicants state that the transactions will comply with section 17(e)(2).[2] In addition, applicants state

[2] Section 17(e)(2) permits an affiliated broker of a registered investment company to receive

that the use of Affiliated Banks promotes investment flexibility by expanding the range of entities available for execution of securities transactions.

11. Section 17(b) of the Act provides that the SEC may exempt a transaction from the prohibitions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act.

12. Section 6(c) of the Act provides that the SEC may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provisions of the Act, if and to the extent such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.[3]

13. Applicants submit that the terms and conditions set forth herein are reasonable and fair and do not involve overreaching on the part of any person, that they are consistent with the policy of each of the Funds, that they are consistent with the general purposes of the Act, and that the requested exemption is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Applicants' Conditions

Applicants agree that any order will be subject to the following conditions:

1. The funds will engage in transactions with Affiliated Banks only in Qualified Securities.

2. No Fund will engage in a transaction in Qualified Securities with an Affiliated Bank that is an investment adviser or sponsor to that Fund or an Affiliated Bank controlling, controlled by, or under common control with such investment adviser or sponsor. No Fund will purchase obligations of any Affiliated Bank (other than repurchase agreements) if, as a result, more than 5% of that Fund's total assets would be invested in obligations of that Affiliated Bank. No Fund will engage in transactions in Qualified Securities with an Affiliated Bank that exercises a controlling influence over that Fund (and ''controlling influence'' shall be deemed to include, but is not limited to, directly or indirectly, owning, controlling, or holding more than 25% of the outstanding voting securities of the Fund).

3. The Funds: (a) Will maintain and preserve permanently in an easily accessible place a written copy of the procedures (and any modifications thereto) described in paragraphs (1) and (2) of this section; and (b) will maintain and preserve for a period of not less than six years from the end of the fiscal year in which transactions in Qualified Securities occurred, the first two years in an easily accessible place, a written record of each such transaction setting forth a description of the security purchased or sold, the identity of the person on the other side of the transaction, the terms of the purchase or sale transaction, and the information or material upon which the determinations described below were made.

4. The Qualified Security to be purchased or sold by a Fund will be consistent with the investment objectives and policies of that Fund as recited in the Fund's registration statement, and will be consistent with the interests of that Fund and its shareholders. Further, the security to be purchased or sold by that Fund will be comparable in terms of quality, yield, and maturity to other similar securities that are appropriate for that Fund and that are being purchased or sold during a comparable period of time.

5. The terms of the transaction will be reasonable and fair to the shareholders of that Fund and will not involve overreaching on the part of any person concerned. In considering whether the price to be paid or received for the security is reasonable and fair, the price of the security will be analyzed with respect to comparable transactions involving similar securities being purchased or sold during a comparable period of time. In making this analysis, the Governing Board may rely on a matrix pricing system which it believes properly assists it in determining the value of securities pursuant to section 2(a)(41) of the Act.

6. The commission, fee, spread, or other remuneration to be received by the Affiliated Bank as dealer will be reasonable and fair compared to the commission, fee, spread or other remuneration received by other brokers or dealers in connection with comparable transactions involving similar securities being purchased or sold during a comparable period of time, but in no event will such fee, commission, spread or other remuneration exceed that which is stated in section 17(e)(2) of the Act.

7. The Governing Board of each of the Funds: (a) Will adopt procedures, pursuant to which transactions in Qualified Securities may be effected for the Funds, which are reasonably designed to provide that the conditions in the foregoing paragraphs and the requirements of Investment Company Act Release No. 13005 (Feb. 2, 1983) have been complied with; (b) will make and approve such changes as the Governing Board deems necessary; and (c) will determine no less frequently than quarterly that transactions in Qualified Securities made during the preceding quarter were effected in compliance with those procedures. Those procedures will also be approved by a majority of the disinterested Trustees or Directors of the Funds. The investment adviser of each Fund will implement those procedures and make decisions necessary to meet these conditions, subject to the direction and control of the Governing Board of each Fund.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–22851 Filed 9–13–95; 8:45 am]

BILLING CODE 8010–01–M

[Release No. IC–21340; 812–8950]

Goldman Sachs Money Market Trust, et al.; Notice of Application

September 7, 1995.

AGENCY: Securities and Exchange Commission (''SEC'').

ACTION: Notice of application for an order of exemption under the Investment Company Act of 1940 (''1940 Act'').

APPLICANTS: Goldman Sachs Money Market Trust (formerly Goldman Sachs-Institutional Liquid Assets), Trust For Credit Unions, Goldman Sachs Equity Portfolios, Inc., Goldman Sachs Trust, Financial Square Trust and Paragon Portfolio (collectively, the ''Funds'') and Goldman Sachs Funds Management, L.P., Goldman Sachs Asset Management International and Goldman, Sachs & Co. (collectively, ''Goldman Sachs''),[1] on

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compensation in connection with the sale of securities to or from the investment company under certain circumstances.

[3] Applicants seek relief under section 6(c) as well as section 17(b) because section 17(b) could be interpreted as giving the SEC power to exempt only a single transaction from section 17(a), as opposed to a class of transactions. See Keystone Custodian Funds, Inc., 21 S.E.C. 295 (1945).

[1] The term ''Goldman Sachs'' refers to all entities controlling, controlled by or under common control with Goldman Sachs & Co. and which serve as

Continued