principal transaction with an Eligible Dealer will be reasonable and fair.

5. Applicants also request relief under sections 6(c) and 17(b) for an exemption from section 17(a) to permit Lazard Frères to engage in principal transactions with registered investment companies, or portfolios of any registered investment company, of which Lazard Frères is, or becomes in the future, a second-tier affiliate solely because of its advisory or subadvisory relationship with other portfolios of that investment company or other investment companies under common control with that investment company.

6. Applicants furthermore request relief under section 6(c) for an exemption from section 17(e) of the Act and rule 17e–1 thereunder. Section 17(e)(2)(A) provides in relevant part that it shall be unlawful for any affiliated person of a registered investment company, or an affiliated person of such person, acting as broker in connection with the sale of securities to or by such company, to receive from any source a commission for effecting such transaction which exceeds the usual and customary broker's commission if the sale is effected on a securities exchange. When a subadviser is a second-tier affiliate of a Fund and conducts brokerage operations via the same legal entity, the brokerage component also is a second-tier affiliate of the Funds not subadvised by the subadviser. Consequently, transactions involving a Fund that are brokered by an Eligible Broker are subject to section 17(e)(2).

7. Rule 17e–1 provides that, for purposes of section 17(e)(2)(A), a commission shall be deemed as not exceeding the usual and customary broker's commission, if certain specified procedures are followed. These procedures include the requirement in rule 17e–1(b)(3) that a registered investment company's board of directors, including a majority of disinterested directors, determines, no less frequently than quarterly, that all transactions effected pursuant to the rule comply with procedures reasonably designed to provide that the brokerage commission is consistent with the standards set forth in the rule. The procedures also include the requirement in rule 17e–1(c) under the Act that the investment company maintain and preserve certain written records about each transaction effected pursuant to the rule.

8. Applicants believe that the proposed transactions raise no possibility of self-dealing or any concern that the Funds would be managed in the interest of the Eligible Brokers. A subadviser who recommends that an Eligible Broker act as broker to a particular transaction would neither lose nor gain financially on the basis of whether or not the transaction benefits the Eligible Broker, because the subadviser's only pecuniary interest in the transaction is its advisory fee, which is based on net assets under management. Accordingly, the subadviser would have no interest in benefitting Lazard Frères or any future Eligible Broker at the expense of the Fund or Funds it subadvises.

9. Applicants believe that under the circumstances the monitoring and recordkeeping provisions of rule 17e–1 would be unduly burdensome to the Funds. Applicants believe that the situations contemplated by the relief are similar to the arms-length bargaining that normally prevails when an investment adviser acts on behalf of an investment company. Accordingly, applicants believe that the proposed transactions meet the standards of section 6(c) because they are 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.

10. Applicants also request relief under section 6(c) from section 17(e) and rule 17e–1 to permit Lazard Frères to receive commissions from any registered investment company or portfolio thereof for which Lazard Frères is, or becomes in the future, a second-tier affiliate solely because of its advisory or subadvisory relationship with other portfolios of the same investment company or other investment companies under common control with the investment company, without compliance with the requirements of 17e–1 (b)(3) and (c). For the reasons discussed above, applicants believe that the proposal meets the section 6(c) standard.

Applicants' Condition

Applicants agree that the requested order is subject to the condition that, with respect to any brokerage transactions conducted in reliance on the requested order, applicants will comply with all of the provisions of rule 17e–1 except those of rule 17e–1 (b)(3) and (c).

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–28615 Filed 11–22–95; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Rel. No. 21502; International Series Release No. 885; 812–8654]

Merrill Lynch, Pierce, Fenner & Smith Incorporated, et al.; Notice of Application

November 13, 1995.

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

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

APPLICANTS: Merrill Lynch, Pierce, Fenner, & Smith Incorporated (''Merrill Lynch''), Smith Barney Inc., Prudential Securities Incorporated, Dean Witter, Reynolds Inc., PaineWebber Incorporated, Corporate Income Fund, Equity Income Fund, The Fund of Stripped (''Zero'') U.S. Treasury Securities, Government Securities Income Fund, International Bond Fund, The Merrill Lynch Fund of Stripped (''Zero'') U.S. Treasury Securities, The Mortgage-Backed Income Fund, Defined Asset Funds, Municipal Investment Trust Fund, and The Tax-Exempt Mortgage Fund.

RELEVANT ACT SECTIONS: Order requested under section 6(c) from section 26(a)(2)(D) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit the trustees for certain unit investment trusts to deposit trust assets in the custody of foreign banks and securities depositories.

FILING DATE: The application was filed on October 27, 1993 and amended on May 23, 1995, August 10, 1995, and October 23, 1995.

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 December 8, 1995, and should be accompanied by proof of service on the 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 reasons for the request, and the issues contested. Persons who wish to be notified of a hearing may request such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated, Unit Investment Trusts, P.O. 9051, Princeton, New Jersey 08543–9051.

FOR FURTHER INFORMATION CONTACT: Marilyn Mann, Special Counsel, at (202) 942–0582, or Robert A. Robertson, 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 from the SEC's Public Research Branch.

Applicants' Representations

1. Corporate Income Fund, Equity Income Fund, The Fund of Stripped (''Zero'') U.S. Treasury Securities, Government Securities Income Fund, International Bond Fund, The Merrill Lynch Fund of Stripped (''Zero'') U.S. Treasury Securities, The Mortgage-Backed Income Fund, Defined Asset Funds, Municipal Investment Trust Fund, and The Tax-Exempt Mortgage Fund (the ''Funds'') are registered investment companies made up of one or more series (the ''Series'') of separate unit investment trusts registered or to be registered under the Securities Act of 1933. Each Series is created by a trust indenture (an ''Indenture'') among its sponsors and a trustee and is sponsored by one or more of the following: Merrill Lynch, Smith Barney Inc., Prudential Securities Incorporated, Dean Witter Reynolds Inc., and PaineWebber Incorporated (the ''Sponsors''). Pursuant to powers of attorney executed by each of the other Sponsors, Merrill Lynch acts as agent for the Sponsors for purposes of taking action under the Indentures (including, among other things, selecting securities to be deposited or liquidated). Applicants request that any order granted pursuant to the application extend to any future unit investment trust sponsored by one or more of the Sponsors that becomes a party to an Indenture, and any future sponsor of one or more of the Series that becomes a party to an Indenture and for which Merrill Lynch acts as agent for purposes of taking action under the Indentures.

2. In 1987, the SEC issued an order (the ''Euroclear Order'')[1] that permits any trustee of a Series to deposit securities and other assets of any such Series with Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System (''Euroclear'') or Central de Livraison de Valeurs Mobilieres, S.A. (''Cedel'').[2] However, as discussed below, various Series of Corporate Income Fund, Equity Income Fund, and International Income Fund now invest in foreign securities that either are not eligible for settlement through Euroclear or Cedel or for which those depositories are not used in the ordinary course of settling securities transactions in those securities. Applicants thus request an order to permit the trustees for the Funds to deposit Fund assets in the custody of all foreign banks and securities depositories that meet the requirements described below.

3. Increasingly, transactions in foreign securities must be settled by book entry through specified clearing systems with related securities depositories. Without the requested relief, effecting a trade in securities held in those depositories means that the securities must be physically transported in certificate form for deposit with a foreign branch of a U.S. bank and then retransported and redeposited upon sale.

4. In addition, certain countries by law or regulation mandate use of a particular depository as the only means of holding a security. In other markets, maintaining securities outside a depository is not consistent with prevailing custodial practices. In some markets, anticipated time delays, as well as the costs, of maintaining securities with the nearest foreign branch of a U.S. bank, have led the Sponsors to determine not to invest Fund assets in those markets.

5. The authority to use the custodial services of foreign banks will permit the Funds to invest in countries in which U.S. banks are not authorized to operate or in which U.S. banks are not members of the depository in which the desired securities are held. Even if a U.S. bank is available, there may be settlement advantages to using a local bank.

Applicants' Legal Analysis

1. Under sections 2(a)(5) and 26(a)(1), the trustee of a unit investment trust must be a bank that is subject to regulation by the U.S. government or one of the states. Section 26(a)(2)(D) requires that the trust indenture provide that the trustee ''shall have possession of all securities and other property in which the funds of the trust are invested * * * and shall segregate and hold the same in trust * * * until distribution thereof to the security holders of the trust.'' Under these sections, the only foreign entity that qualifies as a unit investment trust custodian is an overseas branch of a U.S. bank.[3]

2. Section 6(c) 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 provision of the Act or any rule or regulation thereunder, if and to the extent that 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. The Sponsors and the Funds request an order under section 6(c) exempting them and any bank that acts as trustee (a ''Trustee'')[4] for any Series from section 26(a)(2)(D) to the extent necessary to permit a Trustee to deposit, or to cause or permit the deposit of, foreign securities (as defined in rule 17f–5, and any amendments thereto), cash, and cash equivalents in amounts reasonably necessary to effect foreign securities transactions of any Series with (1) any company that is an ''eligible foreign custodian'' as defined in rule 17f–5 or any amendments thereto and (2) any other company (a ''Qualifying Custodian'') that fails to meet the definition of eligible foreign custodian solely because it does not meet the shareholders' equity requirement of rule 17f–5(c)(i) or (ii), whichever is applicable. Under the proposed arrangement, each Trustee would provide custody services pursuant to arrangements that would be the same as those applicable to registered management investment companies except that (i) the Trustee would perform the duties that, under rule 17f–5, are assigned to the boards of directors of management investment companies; (ii) the Trustee would provide indemnification against losses due to negligence of the foreign custodian; and (iii) in the case of foreign custodians that fail to meet the shareholders' equity requirements of the rule, the Trustee or an affiliated person of the foreign custodian would provide indemnification against losses due to

[1] Merrill Lynch, Pierce, Fenner & Smith Incorporated, Investment Company Act Release Nos. 15739 (May 14, 1987) (notice) and 15813 (June 16, 1987) (order).

[2] As conditions to the Euroclear Order, the Funds agreed to include in their trust indentures provisions for custody arrangements that (i) assign to the Trustee the supervisory and monitoring duties which, under rule 17f–5, are assigned to the boards of directors of management investment companies and (ii) require the Trustee to indemnify the Funds against losses occurring by reason of the gross negligence, bad faith, or willful misconduct of Euroclear or Cedel.

[3] *See* Custody of Investment Company Assets Outside the United States, Investment Company Act Release No. 21259 (July 27, 1995).

[4] The current Trustees are The Bank of New York, The Chase Manhattan Bank, N.A. (each acting as sole trustee), and the Bank of New York and Shawmut Bank, N.A. (acting as co-trustees for certain Series). The Sponsors may use other trustees in the future.

bankruptcy or insolvency of the foreign custodian.

4. Applicants believe that the requested exemption is closely analogous to, and appropriate in light of, the foreign custodial arrangements available to management companies under rule 17f–5. Rule 17f–5 permits management companies to use foreign banks that meet the rule's capital requirements, transnational securities depositories, and securities depositories that operate the central system for handling securities or equivalent book-entries in a particular country. In addition, applicants believe that securities held by a foreign custodian, subject to the conditions listed below, will be at least as effectively protected as the same securities would be if directly deposited with a foreign branch of a United States bank, or shipped to the United States for custody. Applicants also believe that the exposure to certain custodial risks is reduced when securities are held through certain foreign securities depositories rather than through a foreign branch of a United States bank since securities held in those depositories do not have to be physically transported in certificate form for deposit outside the system to effect a trade and then retransported and redeposited upon sale.

5. Applicants believe that the use of eligible foreign custodians and Qualifying Custodians would result in efficiencies, cost savings, and enhanced liquidity of the Funds' foreign securities. Substantial costs and inefficiencies currently arise, in part, because all sales of certain depository-eligible portfolio securities must be settled only through that depository. Thus, since a unit investment trust that purchases securities that must be settled through the depository must also hold those securities outside of the depository, the unit investment trust must withdraw the securities from the depository, send them out for registration, and then transport them to an eligible sub-custodian (*i.e.*, a foreign branch of a United States bank). In order to subsequently resell the portfolio securities, they must be transported back to the depository for redeposit.

6. During the delay due to sending securities out for registration, corporate action information is not readily available. This could lead, for example, to delays in the crediting of dividends to the Trust for the benefit of unit holders. In addition, the delay could give rise to significant liquidity problems if sales of securities were needed to meet redemptions.

7. If a trust were permitted to hold securities in the foreign depository, this delay would be virtually eliminated. This is because securities held in the depository are automatically reregistered in the name of the depository common nominee and participants may continue to settle their delivery obligations according to sufficiency of their book-entry balances in their depository stock clearing accounts, even when the underlying certificates have been submitted to share registrars for registration.

8. The Trustees will be required to exercise reasonable care in selecting foreign custodians, and each Trustee will maintain written records regarding the basis for the choice or continued use of each foreign custodian. In addition, the prospectus of each Series will provide appropriate disclosure regarding foreign securities and foreign custody. Applicants believe that in view of the cost savings and increased efficiency and liquidity described above, and the proposed indemnification and oversight by the Trustees, the requested exemption is appropriate and should be granted.

Applicants' Conditions

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

I. Conditions Applicable to All Foreign Custodians

1. The Indenture will contain provisions under which the Trustee agrees to indemnify the Series against any loss occurring as a result of willful misfeasance, bad faith, or negligence by the foreign custodian in the performance of its duties or by reason of the foreign custodian's reckless disregard of its duties.

2. The Indenture will contain provisions under which the Trustee agrees to be liable to the Series for any loss occurring as a result of the Trustee's willful misfeasance, bad faith or negligence in the performance of its duties under the Indenture or by reason of its reckless disregard of those duties.

3. The Indenture will contain provisions under which the Trustee agrees to perform all of the duties assigned by rule 17f–5, as now in effect or as it may be amended in the future, to boards of directors of management companies. A Trustee's duties under this condition will not be delegated.

4. The Series' prospectus will contain such disclosure regarding foreign securities and foreign custody as is required for management investment companies by Forms N–1A and N–2.

5. The Trustee will maintain and keep current written records regarding the basis for the choice or continued use of each foreign custodian. These records will be preserved for a period of not less than six years from the end of the fiscal year in which the unit investment trust was terminated, the first two years in an easily accessible place. Such records will be available for inspection at the Trustee's main office during the Trustee's usual business hours, by unitholders and by the SEC or its staff.

II. Condition Applicable to Foreign Custodians With Insufficient Shareholders' Equity

1. Any foreign custodian that fails to meet the definition of ''eligible foreign custodian'' solely because it does not meet the shareholders' equity requirement of rule 17f–5(c)(2) (i) or (ii), whichever is applicable, shall not be given custody of the assets of any Series unless and until the Trustee of that Series has entered into one of the following contractual agreements, which will remain in effect at all times during which the foreign custodian fails to have the minimum shareholders' equity specified in rule 17f–5(c)(2):

a. An agreement between the Series, the Trustee, the Sponsors, and the foreign custodian, which provides that the Trustee will indemnify the Series against any loss arising out of or in connection with the bankruptcy or insolvency of the foreign custodian; or

b. An agreement between the Series, the Trustee, the Sponsors, the foreign custodian, and an affiliated person of the foreign custodian that (i) is a bank (as defined in section 2(a)(5) of the Act) or bank holding company or (ii) meets the definition of ''eligible foreign custodian'' under rule 17f–5(c)(2)(i), which provides that the affiliated person will indemnify the Series against any loss arising out of or in connection with the bankruptcy or insolvency of the foreign custodian.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–28616 Filed 11–22–95; 8:45 am]

BILLING CODE 8010–01–M

Issuer Delisting; Notice of Application to Withdraw from Listing and Registration; (Ocelot Energy Inc., Class B Subordinate Voting Shares No Par Value) File No. 1–12076

November 13, 1995.

Ocelot Energy Inc. (''Company'') has filed an application with the Securities and Exchange Commission (''Commission''), pursuant to Section