this standard for the reasons discussed below.

7. Applicants assert that by investing in a Fund, shareholders, in effect, will hire COMANCO to manage the Fund's assets by selecting and monitoring Sub-Advisers rather than by hiring its own employees to manage assets directly. Applicants state that investors will purchase Fund shares to gain access to COMANCO's expertise in overseeing Sub-Advisers. Applicants further assert that the requested relief will reduce Fund expenses and permit the Funds to operate more efficiently. Applicants note that the Advisory Agreement will remain subject to the shareholder approval requirements of section 15(a) of the Act and rule 18f–2 under the Act.

8. Applicants assert that many Sub-Advisers charge their customers for advisory services according to a ''posted'' rate schedule. Applicants state that while Sub-Advisers are willing to negotiate fees lower than those posted in the schedule, particularly with large institutional clients, they are reluctant to do so where the fees are disclosed to other prospective and existing customers. Applicants submit that the relief will encourage Sub-Advisers to negotiate lower advisory fees with COMANCO, the benefits of which are likely to be passed on to shareholders.

Applicants' Conditions

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

1. Before a Fund may rely on the requested order, the operation of the Fund in the manner described in the application will be approved by a majority of the Fund's outstanding voting securities, as defined in the Act, or, in the case of a Fund whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the sole shareholder prior to offering shares of the Fund to the public.

2. Each Fund will disclose in its prospectus the existence, substance and effect of any order granted pursuant to this application. In addition, each Fund will hold itself out to the public as employing the ''manager of managers'' approach described in this application. The prospectus will prominently disclose that COMANCO has ultimate responsibility (subject to oversight by the Board) for the investment performance of a Fund due to its responsibility to oversee Sub-Advisers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of any new Sub-Adviser, COMANCO will furnish shareholders of the affected Fund with all of the information about the new Sub-Adviser that would be contained in a proxy statement, except as modified by the order to permit the disclosure of Aggregate Fees. This information will include the disclosure of Aggregate Fees and any change in such disclosure caused by the addition of a new Sub-Adviser. COMANCO will meet this condition by providing shareholders with an information statement meeting the requirements of Regulation 14C and Schedule 14C and Item 22 of Schedule 14A under the Exchange Act, except as modified by the order to permit the disclosure of Aggregate Fees.

4. COMANCO will not enter into a sub-advisory agreement with any Affiliated Manager without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the Fund.

5. At all times, a majority of the Board will be Independent Directors and the nomination of new or additional Independent Directors will be placed within the discretion of the then-existing Independent Directors.

6. When a change of Sub-Adviser is proposed for a Fund with an Affiliated Manager, the Board, including a majority of the Independent Directors, will make a separate funding, reflected in the Board minutes, that the change is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which COMANCO or the Affiliated Manager derives an inappropriate advantage.

7. COMANCO will provide general management services to each Fund, and, subject to review and approval by the Board, will: (a) Set the Fund's overall investment strategies; (b) evaluate, select and recommend Sub-Advisers to manage all or a part of the Fund's assets; (c) when appropriate, allocate and reallocate the Fund's assets among multiple Sub-Advisers; (d) monitor and evaluate the Sub-Adviser's performance; and (e) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the Fund's investment objective, policies, and restrictions of the Fund.

8. No director or officer of the Company, or director or officer of COMANCO will own directly or indirectly (other than through a pooled investment vehicle over which such person does not have control) any interest in a Sub-Adviser except for (a) ownership of interests in COMANCO or an entity that controls, is controlled by or is under common control with COMANCO; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

Each Fund will disclose in its registration statement the Aggregate Fees.

10. Independent legal counsel, as defined in rule 0–1(a)(6) under the Act, will be engaged to represent the Independent Directors. The selection of such counsel will be within the discretion of the then-existing Independent Directors.

11. COMANCO will provide the Board, no less frequently than quarterly, with information about COMANCO's profitability on a per-Fund basis. The information will reflect the impact on profitability of the hiring or termination of any Sub-Adviser during the applicable quarter.

12. Whenever a Sub-Adviser is hired or terminated, COMANCO will provide the Board information showing the expected impact on COMANCO's profitability.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–21738 Filed 8–28–01; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–25135; 812–12416]

Master Investment Portfolio, et al.; Notice of Application

August 23, 2001.

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

ACTION: Notice of application for an order under section 12(d)(1)(J) of the Investment Company Act of 1940 (''Act'') exempting applicants from sections 12(d)(1)(A) and (B) of the Act, sections 6(c) and 17(b) of the Act exempting applicants from section 17(a) of the Act, and section 17(d) of the Act and rule 17d–1 under the Act permitting certain joint transactions.

SUMMARY OF APPLICATION: Applicants request an order to permit certain registered open-end management investment companies to invest uninvested cash and cash collateral in one or more affiliated money market funds.

APPLICANTS: Master Investment Portfolio (''MIP Portfolios''), Barclays Global Investors Funds, Inc. (''BGI Funds''),

iShares Trust, iShares, Inc. and Barclays Global Fund Advisors (''BGFA'').

FILING DATES: The application was filed on January 22, 2001. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the applications 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 September 17, 2001, 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 Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549–0609. Applicants, c/o Marco E. Adelfio, Esq., Jonathan F. Cayne, Esq., Morrison & Foerster, LLP, 2000 Pennsylvania Avenue, NW., Washington, DC 20006.

FOR FURTHER INFORMATION CONTACT: John L. Sullivan, Senior Counsel, at (202) 942–0681, or Mary Kay Frech, 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 Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549–0102 (tel. 202–942–8090).

Applicants' Representatives

1. Each of MIP Portfolios and iShares Trust is organized as a Delaware business trust and is registered under the Act as an open-end management investment company. MIP Portfolios currently has 13 series, and iShares Trust has 46 series. Each of BGI Funds and iShares, Inc. is organized as a Maryland corporation and is registered under the Act as an open-end management investment company. BGI Funds currently has 10 series, and iShares, Inc. has 21 series.[1]

2. BFFA is registered as an investment adviser under the Investment Advisers Act of 1940. BGFA serves as the investment adviser to MIP Portfolios, iShares Trust and iShares, Inc. Currently, each series of BGI Funds is a ''feeder fund'' that seeks to achieve its investment objective by investing all of its net investable assets, in reliance on section 12(d)(1)(E) of the Act, in its corresponding MIP Portfolio, which is a ''master fund.'' Applicants also request relief for all other registered management investment companies and any series thereof now or hereafter existing that are advised by BGFA or any other person controlling, controlled by or under common control with BGFA (collectively, with MIP Portfolios, BGI Funds, iShares Trust and iShares, Inc. and each of their series now and hereafter existing, the ''Funds'').

3. Each Fund has, or may be expected to have, cash that has not been invested in portfolio securities (''Uninvested Cash''). Uninvested Cash may result from a variety of sources, including dividends or interest received from portfolio securities, unsettled securities transactions, reserves held for investment strategy purposes, scheduled maturity of investments, liquidation of investment securities to meet anticipated redemptions or dividend payments, and new monies received from investors. Certain of the Funds also may participate in a securities lending program under which a Fund may lend its portfolio securities to registered broker-dealers or other institutional investors (''Securities Lending Program''). The loans are continuously secured by collateral equal at all times to at least the market value of the securities loaned. Collateral for these loans may include cash (''Cash Collateral,'' and together with Uninvested Cash, ''Cash Balances''). Currently, BGFA may invest Cash Balances directly in money market instruments or other short-term debt obligations.

4. Applicants request an order to permit (a) each of the Funds to invest their Cash Balances in one or more of the Funds that are money market funds and comply with rule 2a–7 under the Act (''Money Market Funds'') (a Fund that purchases shares of a Money Market Fund is referred to as an ''Investing Portfolio''); (b) the Money Market Funds to sell their shares to, and redeem their shares from, the Investing Portfolios; and (c) BGFA to effect such purchases and sales. Applicants submit that investing Cash Balances in shares of the Money Market Funds is in the best interest of the Investing Portfolios and their shareholders because such investment may reduce the risk of counterparty default on repurchase agreements and the market risk associated with direct purchases of short-term obligations, while providing high current money market rates of return, ready liquidity, and increased diversity of holdings.

Applicants' Legal Analysis

1. Section 12(d)(1)(A) of the Act provides, in pertinent part, that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) of the Act, in pertinent part, provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned investment companies.

2. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security or transaction from any provision of section 12(d)(1) if, and to the extent that, such exemption is consistent with the public interest and the protection of investors. Applicants request relief under section 12(d)(1)(J) from the limitations of sections 12(d)(1)(A) and (B) to permit each Investing Portfolio to invest Cash Balances in the Money Market Funds, so long as the Investing Portfolio's aggregate investment of Uninvested Cash in shares of the Money Market Funds does not exceed 25% of the Investing Portfolio's total assets at any time.

3. Applicants state that the proposed arrangements would not result in the abuses that sections 12(d)(1)(A) and (B) were intended to prevent. Applicants state that each Money Market Fund will maintain a highly liquid portfolio and will not be susceptible to undue control. Applicants represent that the proposed arrangement will not result in an inappropriate layering of fees because shares of the Money Market Funds purchased by the Investing Portfolios will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule 12b–1 under the Act, or service fee (as defined in rule 2830(b)(9) of the

[1] All investment companies that currently intend to rely on the requested relief have been named as applicants, and any existing or future registered management investment company that relies on the requested relief in the future will do so only in accordance with the terms and conditions of the application.

Conduct Rules of the National Association of Securities Dealers, Inc. (''NASD'')), or if such shares are subject to any distribution or service fee, BGFA will waive its advisory fee for each Investing Portfolio in an amount that offsets the amount of such distribution and/or service fee incurred by the Investing Portfolio. Applicants represent that no Money Market Fund will acquire securities of any other investment company in excess of the limitations contained in section 12(d)(1)(A) of the Act, except to the extent the Money Market Fund is a feeder Fund investing in a master Fund that is in the same group of investment companies as the feeder Fund in reliance on section 12(d)(1)(E) of the Act (''Underlying Feeder Fund''). Applicants also represent that if a Money Market Fund offers more than one class of shares, and Investing Portfolio will invest its Cash Balances only in the class with the lowest expense ratio (taking into account the expected impact of the Investing Portfolio's investment) at the time of investment.

4. Section 17(a) of the Act makes it unlawful for any affiliated person of a registered investment company, or an affiliated person of such person, acting as principal, to sell or purchase any security to or from the company. Section 2(a)(3) of the Act defines an ''affiliated person'' of another person to include, among others: (a) Any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; and (c) any person directly or indirectly controlling, controlled by, or under common control with the other person. Applicants state that, because the Investing Portfolios and the Money Market Funds share a common investment adviser and a common board of directors/trustees, each Investing Portfolio may be deemed to be under common control with each of the Money Market Funds. Furthermore, an Investing Portfolio may own more than 5% of the outstanding voting securities of a Money Market Fund, thus making the Investing Portfolio an affiliated person of the Money Market Fund. As a result of these affiliations, section 17(a) would prohibit the sale of the shares of the Money Market Funds to the Investing Portfolios, and the redemption of the shares by the Money Market Funds.

5. Section 17(b) of the Act authorizes the Commission to exempt a transaction from section 17(a) if the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, and the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act, if the 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.

6. Applicants submits that their request for relief to permit the purchase and redemption of shares of the Money Market Funds by the Investing Portfolios satisfies the standards in sections 6(c) and 17(b) of the Act. Applicants note that shares of the Money Market Funds will be purchased and redeemed at their net asset value, the same consideration paid and received for these shares by any other shareholders. Applicants state that the Investing Portfolios will retain their ability to invest their Cash Balances directly in money market instruments as authorized by their respective investment objectives and policies if they believe they can obtain a higher rate of return, or for any other reason. Applicants also state that each Money Market Fund has the right to discontinue selling shares to any of the Investing Portfolios if the Money Market Fund's board of directors/trustees (''Board'') determines that such sale would adversely affect its portfolio management and operations.

7. Section 17(d) of the Act and rule 17d–1 under the Act prohibit an affiliated person of a registered investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or other joint arrangement or profit sharing plan in which the investment company participates, without and order of the Commission. Applicants state that each Investing Portfolio, by purchasing and redeeming shares of the Money Market Funds, BGFA, by managing the assets of the Investing Portfolios investing in the Money Market Funds, and the Money Market Funds, by selling shares to, and redeeming them from, the Investing Portfolios, could be deemed to be participants in a joint enterprise or arrangement within the meaning of section 17(d) of the Act and rule 17d–1 under the Act.

8. Rule 17d–1 permits the Commission to approve a proposed joint transaction covered by the terms of section 17(d) of the Act. In determining whether to approve a transaction, the Commission is to consider whether the proposed transaction is consistent with the provisions, policies, and purposes of the Act, and the extent to which the participation is on a basis different from or less advantageous than that of other participants. Applicants submit that the Investing Portfolios will be treated like any other investor in the Money Market Funds. The Investing Portfolios will purchase and sell shares on the same terms and on the same basis as shares are purchased and sold by all other shareholders of the Money Market Funds.

Applicants' Conditions

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

1. The shares of the Money Market Funds sold to and redeemed from the Investing Portfolios will not be subject to a sales load, redemption fee, distribution fee under a 12b–1 plan, or service fee (as defined in rule 2830(b)(9) of the Conduct Rules of the NASD), or if such shares are subject to any such distribution fee or service fee, BGFA will waive its advisory fee for each Investing Portfolio in an amount that offsets the amount of such distribution and/or service fees incurred by the Investing Portfolio.

2. If BGFA or a person controlling, controlled by or under common control with BGFA receives a fee from any Money Market Fund for acting as its investment adviser with respect to assets invested by an Investing Portfolio, then before the next meeting of the Board of an Investing Portfolio is held for the purpose of voting on the Investing Portfolio's advisory contract pursuant to section 15 of the Act, BGFA will provide the Board with specific information regarding the approximate cost to BGFA for, or portion of the advisory fee under the existing advisory contract attributable to, managing the Uninvested Cash of the Investing Portfolio that can be expected to be invested in the Money Market Funds. Before approving any advisory contract for an Investing Portfolio pursuant to section 15, the Board, including a majority of the directors/trustees who are not ''interested persons'' within the meaning of section 2(a)(19) of the Act (''Independent Directors/Trustees''), shall consider to what extent, if any, the advisory fees charged to the Investing Portfolio by BGFA should be reduced to account for reduced services provided to the Investing Portfolio by BGFA as a result of Uninvested Cash being invested in the Money Market Funds. The minute books of the Investing

Portfolio will fully record the Board's consideration in approving the advisory contract, including the considerations relating to fees referred to above.

3. Each of the Investing Portfolios will invest Uninvested Cash in, and hold shares of, the Money Market Funds only to the extent that the Investing Portfolio's aggregate investment of Uninvested Cash in the Money Market Funds does not exceed 25% of the Investing Portfolio's total assets. For purposes of this limitation, each Investing Portfolio or series thereof will be treated as a separate investment company.

4. Investment by an Investing Portfolio of Cash Balances in shares of the Money Market Funds will be in accordance with each Investing Portfolio's respective investment restrictions and will be consistent with each Investing Portfolio's policies as set forth in its prospectus and statement of additional information.

5. Each Investing Portfolio, each Money Market Fund, and any future Fund that may rely on the order shall be advised by BGFA, or a person controlling, controlled by, or under common control with BGFA.

6. No Money Market Fund in which an Investing Portfolio invests shall acquire securities of any other investment company in excess of the percentage limits contained in section 12(d)(1)(A) of the Act, except to the extent a Money Market Fund is an Underlying Feeder Fund.

7. Before an Investing Portfolio may participate in the Securities Lending Program, a majority of the Board (including a majority of the Independent Directors/Trustees) of the Investing Portfolio will approve of the Investing Portfolio's participation in the Securities Lending Program. Such directors/trustees also will evaluate the securities lending arrangement and its results no less frequently than annually and determine that any investment of Cash Collateral in the Money Market Funds is in the best interests of the shareholders of the Investing Portfolio.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–21789 Filed 8–28–01; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44738; File No. SR–Amex–2001–60]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC Suspending the Collection of a Marketing Fee From Specialists and Registered Options Traders

August 22, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on August 7, 2001, the American Stock Exchange LLC (''Amex'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III, below, which Items the Amex has prepared. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Amex proposes to suspend collection of the marketing fee that it currently imposes on equity options transactions of specialists and registered options traders (''ROTs''). The text of the proposed rule change is available at the principal offices of the Amex and at the Commission.

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

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

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

1. Purpose

The Amex proposes to suspend collection of the marketing fee that it currently imposes on equity options transactions of specialists and ROTs.

In July 2000, the Amex imposed a marketing fee of $0.40 per contract on the transactions of specialists and ROTs in equity options.[3] The Amex collects the fee and allocates the funds to the Amex's specialists, who may then use the funds to pay broker-dealers for orders that they direct to the Amex. The specialists, in their discretion, determine the specific terms governing the orders that qualify for payment and the amount of any payments. The Amex also instituted a rebate program whereby funds collected and unspent are returned to the specialists and ROTs.[4]

The Amex now proposes to suspend collection of the marketing fee for an indeterminate period of time. The Amex would also reserve the right to reinstate the program if it determines to do so. The Amex notes that the funds collected before the suspension of the program would continue to be allocated to the specialists and disbursed pursuant to the specialists' instructions. In addition, the rebate program mentioned above would remain in effect until all unspent money is returned to the specialists and ROTs.

2. Statutory Basis

The Amex believes that the proposed rule change is consistent with Section 6(b) of the Act[5] and furthers the objectives of Section 6(b)(4) of the Act[6] in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilitates.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Amex does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

The Amex neither solicited nor received any written comments with respect to the proposal.

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 43228 (August 30, 2000), 65 FR 54330 (September 7, 2000) (SR–Amex–2000–38). Trades between ROTs and trades between specialists and ROTs were excluded from the marketing fee.

[4] *See* Securities Exchange Act Release No. 44598 (July 26, 2001), 66 FR 41071 (August 6, 2001) (SR–Amex–2001–38).

[5] 15 U.S.C. 78f(b).

[6] 15 U.S.C. 78f(b)(4).