SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 275 and 279

[Release No. IA–1769; IC–23476; File No. S7–20–98]

RIN 3235–AH45

Investment Adviser Year 2000 Reports

AGENCY: Securities and Exchange Commission.

ACTION: Final rule.

SUMMARY: The Commission is adopting a new rule and form under the Investment Advisers Act of 1940 that requires most registered investment advisers to file with the Commission reports regarding their plans for addressing the Year 2000 computer problem. The reports will provide the Commission and investors with information regarding advisers' plans to address the Year 2000 problem.

EFFECTIVE DATE: The rule and form will become effective November 13, 1998. See section III.A for filing dates.

FOR FURTHER INFORMATION CONTACT: Carolyn-Gail Gilheany, Senior Counsel, or Arthur B. Laby, Special Counsel, at (202) 942–0716, Task Force on Investment Adviser Regulation, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 5–6, Washington, D.C. 20549. The Commission has placed a list of frequently asked questions and answers about Form ADV–Y2K on the Commission's Internet web site. The list is located at http://www.sec.gov/rules/othern/advfaq.htm. The Commission staff will update these questions and answers from time to time. The Commission urges interested persons with access to the Internet to review these questions and answers before contacting Commission staff.

SUPPLEMENTARY INFORMATION: The Commission today is adopting rule 204–5 (17 CFR 275.204–5) and Form ADV–Y2K (17 CFR 279.9) under the Investment Advisers Act of 1940 (15 U.S.C. 80b) (''Advisers Act'').

I. Executive Summary

The Commission is conducting a review of U.S. public companies and the U.S. securities industry to examine how they will address the Year 2000 computer problem.[1] As part of this initiative, we recently adopted rule changes to require certain broker-dealers and transfer agents to file reports with the Commission on Year 2000 readiness.[2] Today the Commission is adopting a new rule and form that requires most investment advisers registered with the Commission under the Advisers Act to file reports on their Year 2000 readiness. The reports will permit us to better evaluate the preparedness of advisers for the Year 2000 problem, identify the advisers that pose a significant risk to their clients and shareholders, and evaluate the adequacy of disclosure made by advisers regarding the Year 2000 problem. This rule is the most recent in a series of actions we have taken in an effort to assure that the securities industry is prepared for the computer challenges presented by the Year 2000 problem.

II. Background

Investment advisers (''advisers'') are responsible for managing approximately $15 trillion in assets, including over $5 trillion in mutual funds.[3] Advisers manage these assets by using both internal computer systems and external systems that connect them with the markets, service providers and clients. The failure of advisers' computer systems could threaten their ability to manage client assets, communicate information to clients and comply with the federal securities laws.[4] In the case of investment companies, a breakdown in their systems could interfere with the day-to-day management of fund portfolios, delay shareholder transactions and compromise recordkeeping and other compliance systems.

The Commission has taken several measures to encourage advisers and funds to timely address the challenges posed by the year 2000 problem. Since 1996, our examiners have raised year 2000 concerns during adviser and investment company examinations, and recently our staff has begun a series of examinations that focus on plans to address the year 2000 problem. Last year, Chairman Levitt sent a letter to all registered advisers urging them to prepare for the year 2000 problem,[5] and in July 1998, we published an interpretive release to provide guidance on the disclosure obligations of advisers, funds and others.[6] Last month, we announced a moratorium on the implementation of new SEC rules that require major reprogramming of systems by, among others, investment advisers and funds.[7] The moratorium is designed to facilitate and encourage securities industry participants to allocate sufficient resources to remediation of the year 2000 problem.

On June 30, 1998, the Commission issued a release proposing rule 204–5 (''Proposing Release'') that would require most advisers registered with the Commission to submit a form, Form ADV–Y2K, on their preparedness for the year 2000 problem.[8] In response to the proposal, we received 24 comment letters from professional and trade organizations and investment advisers. Nearly all of the commenters supported the proposal, which we are adopting largely as proposed.

III. Discussion

A. Rule 204–5

New rule 204–5 requires each investment adviser that is registered with the Commission and (i) has at least $25 million of assets under management,[9] or (ii) is an adviser to an investment company registered under the Investment Company Act of 1940,[10] to file Form ADV–Y2K with the Commission.[11] The form must be filed

[1] On January 1, 2000, certain computer systems may function erroneously if modifications have not been made, because the systems may read the date 01/01/00 as being January 1, 1900, or another incorrect date.

[2] Reports to be Made by Certain Brokers and Dealers, Exchange Act Release No. 40162 (July 2, 1998) [63 FR 37668 (July 13, 1998)]; Year 2000 Readiness Reports To Be Made by Certain Transfer Agents, Exchange Act Release No. 40163 (July 2, 1998) [63 FR 37688 (July 13, 1998)]. Under these rules, broker-dealers are required to file Form BD–Y2K; transfer agents are required to file Form TA–Y2K.

[3] *See* The Investment Company Institute, Current Statistical Releases, Trends in Mutual Fund Investing, April 1998, available at <http://www.ici.org/facts__figures/trends__0298html>.

[4] *See* Tracey Longo, The Millennium Time Bomb, 28 Financial Planning 180 (Sept. 1998).

[5] Letter from Chairman Levitt, dated November 13, 1997, available at <http://www.sec.gov/news/press/97–102.txt>.

[6] Statement of the Commission Regarding Disclosure of year 2000 Issues and Consequences by Public Companies, Investment Advisers, Investment Companies, and Municipal Securities Issuers, Securities Act Release No. 7558 (July 29, 1998) [63 FR 41394 (Aug. 4, 1998)] (Statement on year 2000 Disclosure).

[7] Commission Statement of Policy on Regulatory Moratorium to Facilitate the year 2000 Conversion, Investment Advisers Act Release No. 1949 (Aug. 27, 1998) [63 FR 47051 (Sept. 3, 1998)].

[8] Investment Adviser year 2000 Reports, Investment Advisers Act Release No. 1728 (June 30, 1998) [63 FR 36632 (July 7, 1998)].

[9] The amount of assets under management for purposes of the rule is the amount reported on Schedule I of the adviser's most recently filed Form ADV (17 CFR 279.1), or the most recent amendment to its Form ADV.

[10] 15 U.S.C. 80a.

[11] Generally only advisers that have at least $25 million of assets under management or that advise a registered investment company can register with the Commission. *See* section 203A(b) of the Advisers Act (15 U.S.C. 80b–3a(b)). Advisers in the states that do not regulate investment advisers, advisers with principal places of business in foreign countries, and other advisers exempt by SEC rule from the $25 million assets under management limitation, however, may register with the

with the Commission no later than December 7, 1998, and an updated form must be filed no later than June 7, 1999. Each filing must reflect the adviser's preparedness for the year 2000 problem no earlier than 15 days before the respective filing deadline.

Shortly after publication of this release, we will mail a copy of Form ADV–Y2K to each registered adviser. The form mailed to each adviser will contain certain pre-printed information, such as the adviser's name and registration number. The form (without the pre-printed information) also is available on the Commission's web site, and advisers may down-load the form and complete it on their computers, print the completed form, and return it to the Commission.[12] The Commission asks advisers to return the Form ADV–Y2K they receive in the mail containing the pre-printed information or the version down-loaded from the web-site.[13] An authorized person of the adviser, who participates in managing or directing the adviser's affairs, must sign the report.[14] Form ADV–Y2K, like all forms filed with the Commission by investment advisers, will be publicly available.[15] Shortly after the Commission receives the forms, we will make data from the forms available on the Commission's web site.[16] In addition, the Commission or its staff, after reviewing the forms and other pertinent information, may make findings or conclusions, or compile information from filings by individual firms, and make firm-specific, aggregate or derivative information available to the public, Congress or members of the securities industry.

Four commenters urged us to exempt from the rule advisers that also are SEC-registered broker-dealers or transfer agents, or affiliates of banks. These commenters argued that since these advisers are required to file similar reports with us or with the bank regulatory agencies, there is no reason to require duplicative reports. While the Commission appreciates the need to avoid imposing unnecessary paperwork on investment advisers, we are not adopting these commenters' suggestions. An adviser's response to the same or similar questions in Form BD–Y2K, Form TA–Y2K [17] or similar forms filed with the banking regulatory agencies, may (and in some cases should) be different because of the different focus of those reports. To the extent there is overlap among the reports, the burdens imposed by completing Form ADV–Y2K should not be significant since previous responses can simply be restated in Form ADV–Y2K (if they remain accurate).[18]

B. Form ADV–Y2K

New Form ADV–Y2K has two parts. The first part must be completed by all advisers required to file the form, while the second part must be completed only by advisers to investment companies registered with the Commission under the Investment Company Act.

1. Part I: Information Required From All Advisers

Part I of the form contains 13 questions about an adviser's plans to address the year 2000 problem with respect to all of its clients.[19] The questions are in multiple choice or fill-in-the-blank format; all advisers filing the form must respond to each question. Form ADV–Y2K asks for information in several areas: (1) the adviser's year 2000 compliance plan; (2) resources and personnel to address year 2000 issues; (3) systems that may be affected;[20] (4) the adviser's progress in addressing year 2000 issues; (5) contingency plans; (6) the readiness of third parties; and (7) whether, and the means by which, the adviser takes into consideration the year 2000 preparedness of issuers of securities the adviser recommends to clients.[21]

Several questions elicit information on specific aspects of the adviser's plans to address the year 2000 problem and when those plans will be complete.[22] This information is important so that the Commission can learn not only about the steps an adviser is taking to prepare, but also when it expects to complete those steps. Several commenters expressed concern that some of these questions, as proposed, appeared to prescribe specific steps that all advisers must take in order to prepare for the year 2000 problem.[23] We have revised the wording of these questions to clarify that the Advisers Act requires no particular steps to be taken by an adviser to prepare for the year 2000 problem.[24] The Commission highly recommends, however, that all advisers consider the six steps of preparation the Commission has

Commission. *See* rule 203A–2 under the Advisers Act (17 CFR 275.203A–2).

[12] The SEC's web site is <www.sec.gov>. The Commission also is making available, through its web site, the software required to access the form.

[13] The Commission had considered requiring advisers to file by fax, but we are not doing so because we are unsure about the ability of the technology we had planned to use to accept the expected volume of filings.

[14] The adviser is not required to engage an independent public accountant to attest to the report. The Commission had proposed not to require an auditor attestation for Form ADV–Y2K, and the commenters agreed that the auditor's attestation was not necessary.

[15] *See* section 210(a) of the Advisers Act (15 U.S.C. 80b–10(a)). One commenter requested that the forms not be made public. The Commission believes it is important that investors be able to access information about their advisers' preparedness for the year 2000 problem, just as they can access similar information about broker-dealers. See Exchange Act Rule 17a–5(e)(5)(v) (17 CFR 240.17a–5(e)(5)(v)).

[16] The information will be available at <http://www.sec.gov/rules/othern/advfaq.htm>. Several commenters expressed concern that their responses to certain questions may appear incomplete in the absence of a more detailed explanation. To address this concern, the Commission will place on its web site a statement explaining that the information on the form may be incomplete, and that it only reflects developments as of the date the form was submitted to the SEC. The statement will urge interested readers to seek more complete information from the adviser about its preparedness for the year 2000 problem.

[17] Reports to be Made by Certain Brokers and Dealers, *supra* note 2; year 2000 Readiness Reports To Be Made by Certain Transfer Agents, *supra* note 2.

[18] We are also not adopting one commenter's suggestion that advisers organized in a holding company structure be permitted to file a single report on the year 2000 preparedness of the holding company. Such an approach would make it very difficult for us and members of the public reviewing the data to distinguish between those advisers who were not required to file Form ADV–Y2K from those that failed to comply with the filing requirement. Advisers that are members of a holding company with integrated computer systems should be able simply to use identical responses in each of the reports filed with the Commission.

[19] The questions in Part I of Form ADV–Y2K are generally the same as the questions in Part I of Form BD–Y2K and Form TA–Y2K.

[20] There are no universal definitions for mission-critical systems; it is up to each adviser to determine which of its systems are mission-critical.

[21] *See* Question 11 to Part I of Form ADV–Y2K. The Commission has added this question in light of the important role advisers can play in identifying issuers and securities that may be adversely affected by year 2000 problems, and protecting their clients from losses as a result. The Commission recognizes, however, that some advisers have investment styles that make consideration of year 2000 preparedness of issuers irrelevant. For example, some advisers' advice is limited to the advisability of investing in broad asset classes (*e.g.*, market timers); some manage accounts that track indexes; and others use ''technical analysis'' and base their advice on market trends, but not on the fundamentals of particular issuers. These advisers would respond to this item by checking the ''Not Applicable'' response. An adviser should only check the ''Not Applicable'' box if it is an appropriate response with respect to all of its accounts.

[22] *See* Questions 5, 7–10 to Part I of Form ADV–Y2K.

[23] Also, two commenters raised questions about the requirement in the instructions to Part I that advisers include information about their affiliates that are not required to file the form. The Commission has clarified that advisers should include information about SEC registered affiliates that are not required to complete the form, i.e., those that have less than $25 million of assets under management, but are permitted to register under an exemption.

[24] *See* Questions 7–8 to Part I of Form ADV–Y2K. Under the Advisers Act, an adviser that is unable, or uncertain about its ability, to address year 2000 issues, would be required to disclose this information, if material, to its clients. See Statement on year 2000 Disclosure, *supra* note 6.

identified that advisers and funds can take to prepare for the year 2000 computer problem.[25]

An adviser that has computer systems for which it has made different amounts of progress in preparing for the year 2000 must respond to questions regarding its year 2000 preparedness based on a ''qualitative average'' of its systems.[26] This qualitative average requires an adviser to give greater weight to mission-critical systems than to other of its systems. Commenters generally preferred this approach to an alternative under which the adviser's progress with respect to each system would be separately reported.

Responses to several questions in Form ADV–Y2K depend on obtaining information about third party systems that communicate with the adviser's systems. Several commenters asserted that advisers should be required to report only on their own readiness for the year 2000 problem, not on the readiness of third parties, especially since the adviser is required to execute the form. Because many advisers rely extensively on the computer systems of third parties in their day-to-day business, eliminating these questions would reduce substantially the utility of these reports and yield an incomplete picture of readiness for the year 2000. The Commission, therefore, has not eliminated these questions from the form.[27]

2. Part II: Information Required From Advisers to Investment Companies

Part II of Form ADV–Y2K must be completed by advisers to a registered investment company or group of investment companies. Part II is designed to elicit information about the year 2000 readiness of the investment companies (''funds''). Only advisers that are sponsors or administrators of a fund complex must complete Part II.[28] If no sponsor or administrator of the complex is a registered adviser, at least one adviser to a fund (or series) in the complex must submit a report for the fund complex, if the adviser is registered with the Commission.[29]

The Commission proposed to require each adviser to a fund complex to report for the entire complex unless another adviser is reporting on behalf of the fund, and explained that this approach would permit multiple advisers to a single fund complex to decide among themselves which adviser would file the report.[30] We received numerous objections to this proposal from advisers to funds. Many argued that advisers or sub-advisers that do not sponsor funds are not in a position to report on a fund's preparation for the year 2000 problem. In response, we have added a note clarifying that the adviser that is the sponsor or administrator of a fund complex should file the report.[31] In some cases, however, the sponsor or administrator of a fund complex is not a registered investment adviser, and no adviser otherwise might be required to file Part II for that fund complex. Therefore, in such cases (which the Commission believes to be few) at least one of the advisers to the fund complex must file Part II of Form ADV–Y2K on behalf of the complex.[32]

Commenters on the Proposed Form expressed concern that some of the questions in Part II contained assumptions that funds rather than third party service providers (such as advisers or administrators) were engaged in year 2000 planning and remediation activities. We have revised several questions and deleted others to make clear that the form is not based on these assumptions. We also have added an instruction at the suggestion of one commenter to clarify that advisers, in responding to questions in Form ADV–Y2K, should treat as third parties any other advisers or sub-advisers for the fund or funds for which the adviser is completing the Form.[33] Finally, in response to two comments, we have added an instruction clarifying how advisers to insurance company separate accounts,[34] and the funds underlying the separate accounts, should respond to items in Form ADV–Y2K.[35]

IV. Paperwork Reduction Act

As discussed in the Proposing Release, certain provisions of rule 204–5 (17 CFR 275.204–5) contain collection of information requirements within the meaning of the Paperwork Reduction Act of 1995[36] because registered advisers would have to file new Form ADV–Y2K (17 CFR 279.9) with the Commission. The form is necessary for the Commission to assess the steps advisers are taking to manage and avoid year 2000 problems. The Commission did not receive public comments in response to its request for comments in the Proposing Release on the Paperwork Reduction Act analysis.[37]

Under Office of Management and Budget rules, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the agency displays a valid OMB control number.[38] The Commission, therefore, has sent the collection of information requirements contained in rule 204–5 and Form ADV–Y2K to the Office of Management and Budget for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The title for the collection of information is ''Proposed Rule 204–5'' and ''Form ADV–Y2K.'' OMB has approved the PRA request and assigned control number 3235–0513 to Form ADV–Y2K with an expiration date of December 31, 1999.

The Commission is adopting rule 204–5 and Form ADV–Y2K and requiring most registered investment advisers to file the form with the Commission regarding advisers' plans to

[25] These steps are: (i) identification of potential year 2000 problems; (ii) assessment of steps to avoid year 2000 problems; (iii) implementation of steps to avoid year 2000 problems; (iv) internal testing of software designed to avoid year 2000 problems; (v) point-to-point testing of software designed to avoid year 2000 problems (*i.e.*, testing with service providers such as broker-dealers, custodians, transfer agents and distributors); and (vi) implementation of tested software that will avoid year 2000 problems.

[26] *See* Instruction 4 to Part I of Form ADV–Y2K.

[27] In our Statement on year 2000 Disclosure, *supra* note 6, we stated that an issuer should assess ''whether third parties with whom a company has material relationships are year 2000 compliant.'' We also stated that an issuer should take ''reasonable steps to verify the year 2000 readiness of any third party that could cause a material impact on the company'' and that we understood ''that this is often done by analyzing the response to questionnaires sent to these third parties.'' We believe that investment advisers should take similar steps. Therefore, the Commission has added an instruction to the form that requires advisers to make reasonable inquiries of third parties to obtain information necessary to respond to the form. *See* General Instructions to Form ADV–Y2K. If an adviser has no reason to believe that a third party's responses to an inquiry were not truthful, the Commission would not expect the adviser to inquire further.

[28] If there are multiple administrators or sponsors, the adviser must complete the form only with respect to funds for which another adviser has not reported.

[29] *See* Instruction 1 to Part II of Form ADV–Y2K.

[30] *See* Proposing Release, *supra* note 8.

[31] *See* Instruction 1 to Part II of Form ADV–Y2K.

[32] As noted in the Proposing Release, the Commission does not have authority under Section 204 of the Advisers Act (15 U.S.C. 80b–4) to require a fund sponsor or administrator that is not registered under Section 203 of the Advisers Act (15 U.S.C. 80b–3) to file Form ADV–Y2K.

[33] *See* Instruction 3 to Part II of Form ADV–Y2K.

[34] These separate accounts are typically registered with the Commission as unit investment trusts.

[35] *See* Instruction 4 to Part II of Form ADV–Y2K. This instruction is designed to exclude from Form ADV–Y2K information about the year 2000 preparedness of the insurance company's general computer systems, the primary function of which is to support fixed rate insurance products that are generally excluded from regulation as securities.

[36] 44 U.S.C. 3501.

[37] Although two commenters discussed the amount of time that would be required to complete Form ADV–Y2K, none specifically addressed the Paperwork Reduction Act analysis in the Proposing Release. One commenter believed that the time estimate for completing Form ADV–Y2K was reasonable; the other commenter believed the Commission's estimate was too low, but did not specify the amount of time it would take to complete the form.

[38] 44 U.S.C. 3506(c)(1)(B)(v).

address the year 2000 computer problem. The rule imposing this collection of information can be found at 17 CFR 275.204–5 and 17 CFR 279.9. The collection of information required by Form ADV–Y2K is mandatory and responses are not kept confidential.

Rule 204–5 describes the requirement to file Form ADV–Y2K. The Commission estimates that there are approximately 7,500 investment advisers registered with the Commission, approximately 6,500 of which would be required to file Form ADV–Y2K. Although the amount of time needed to comply with the rule could vary, the Commission estimates that, on average, an adviser would devote approximately two employee hours of preparation time to completing Part I of the form, and an additional two employee hours to completing Part II of the form, if the adviser is required to complete Part II. This estimate was based on field-testing of Form ADV–Y2K by the Commission's Office of Compliance Inspections and Examinations. The total annual burden will be 14,782 hours ((6,500 advisers × 2 hours) + (891 advisers × 2 hours)). This burden would be incurred twice, once in 1998 and once in 1999. The rule would not impose an ongoing reporting requirement, and the rule and form, as adopted, do not impose a greater paperwork burden on advisers than was estimated and described in the Proposing Release.

V. Cost/Benefit Analysis

The Commission is sensitive to the costs and benefits imposed by its rules, and understands that completing Form ADV–Y2K may impose costs on advisers and funds. As discussed below, we believe that the costs imposed by requiring advisers to complete Form ADV–Y2K are necessary and justified in light of the need to make information on the year 2000 problem available to investors, Congress and the Commission.

The Commission believes that requiring advisers to report on their readiness for the year 2000 problem will yield important benefits, both direct and indirect. The year 2000 reports required by the rule will yield direct benefits because they will assist the Commission in evaluating the preparedness of advisers and funds for the year 2000 computer problem. The reports also will help us identify advisers and funds that may not be preparing for the year 2000 problem and may pose a risk to their clients and shareholders. The reports also will identify disclosure by advisers and funds regarding risks associated with the year 2000 problem that may be inadequate. Finally, the reports will permit the Commission to make information available to the public and to fulfill requests by members of Congress for information regarding the securities industry's readiness for the year 2000 problem.

The year 2000 reports will yield important indirect benefits. By requiring the year 2000 reports at this time, some advisers and funds, whose year 2000 preparedness efforts to date have been inadequate, may be persuaded to accelerate their efforts, which could save them significant costs in the future if they fail to make the necessary modifications to their computer systems.[39] This indirect benefit is difficult to quantify. It is difficult to estimate the costs that could be incurred if computer systems of advisers and funds fail to function properly after December 31, 1999.[40] Moreover, if the systems of advisers and funds fail after December 31, 1999, it could have negative effects not only for the advisers and funds themselves, but also for investors and third parties, such as underwriters, brokers, transfer agents, custodians, sub-advisers and other service providers.

Avoiding the harm to third parties may be one of most important benefits to proper preparation for the year 2000 problem. Most firms' computer systems today depend on the systems of many other firms and individuals. If even one of these systems were to fail, this could have negative repercussions on the systems of other firms with which its computers communicate. The failure to address this interdependence may be one of the greatest harms stemming from the year 2000 problem.[41] The benefit of avoiding this harm from occurring, although difficult to quantify, may be extremely significant to investors, firms and the economy in general.

The proposed rule may impose some additional costs on advisers and funds. Advisers may need to spend resources obtaining answers to questions in the form, completing the form and submitting it to the Commission. These costs likely will vary from adviser to adviser. Small advisers, for example, may spend comparatively little time completing the form because small advisers are likely to have few systems, and one person may be responsible for all of the systems. This person may have all of the information necessary to complete the form and can do so in a few minutes. Larger advisers may require more time because they are more likely to have many systems and it is possible that such advisers would have to draw on the knowledge of several individuals to complete the form.

The Commission estimates that there are approximately 7,500 investment advisers registered with the Commission, approximately 6,500 of which would be required to file Form ADV–Y2K. Although the time needed to comply with the rule likely will vary from adviser to adviser, the Commission estimates that an adviser will devote approximately two employee hours of time to complete Part I of the form. In addition, approximately 891 registered investment advisers have registered investment companies as clients. In our view, those 891 advisers are likely to need an additional two hours completing Part II of the form on behalf of a fund or fund complex.

These estimates are based on field-testing of the form by the Commission's Office of Compliance Inspections and Examinations. Two commenters discussed the amount of time it would take to complete the form. One agreed with the Commission's estimate while the other stated that the Commission's estimate was low, but did not specify the amount of time that would be required. Thus, the Commission is not revising its annual burden estimate, which is 14,782 hours ((6,500 advisers x 2 hours) + (891 advisers x 2 hours)). The form likely will be completed by information technology professionals. The Commission estimates the hourly wage rate for these professionals to be $100 per hour. The Commission, therefore, estimates that the total annual cost of completing the forms is $1,478,200.[42] The Commission believes that the proposed rule would not impose significant additional costs on investment advisers.

The Commission requested comment on its cost/benefit analysis, and commenters were requested to provide views and empirical data relating to any costs and benefits associated with the rule. No comments about the cost/benefit analysis, other than those discussed above, were provided, and no

[39] It has been estimated that without corrective measures, ninety percent of all computer applications worldwide may fail, or fail to function properly, because of the inability properly to recognize the date change. Maggie Parent, Morgan Stanley, year 2000 Issue Paper (May 1997), available at <http://www.ms.com/main/link12.html≤.

[40] The Securities Industry Association has stated that the transition to the year 2000 is the largest business and technology effort that the world has ever experienced. *See* SIA, year 2000, available at < http://www.sia.com/year__2000/index.html≤.

[41] C. Lawrence Meador and Leland G. Freeman, year 2000: The Domino Effect, Datamation (Jan. 1997), available at <http://www.datamation.com/PlugIn/issues/1997/jan/01depend.html≤.

[42] This burden would be incurred twice, once in 1998 and once in 1999.

data were presented. The Commission believes that the costs imposed by the rule are insignificant compared to the benefits. If advisers and funds are not prepared for the Year 2000 problem, however, the effect on advisers and funds, and their clients and third party service providers, could be very substantial. For that reason, in the Commission's view, the chance of ameliorating the Year 2000 problem with respect to advisers and funds justifies the costs involved.

VI. Summary of Regulatory Flexibility Analysis

The Commission has prepared a Final Regulatory Flexibility Analysis (''FRFA'') in accordance with the provisions of the Regulatory Flexibility Act (''Reg. Flex. Act'') (5 U.S.C. 604) in connection with the adoption of the rule described in this Release. An Initial Regulatory Flexibility Analysis (''IRFA'') was prepared in accordance with 5 U.S.C. 603 in conjunction with the Proposing Release and was made available to the public. A summary of the IRFA was published in the Proposing Release. No comments were received on the IRFA.[43]

The FRFA discusses both the need for, and objectives of, the rule and form adopted by the Commission. As set forth in greater detail in the FRFA, the rule requires most registered investment advisers to file with the Commission a report on Form ADV–Y2K regarding plans to address the Year 2000 computer problem.

The FRFA provides a description and an estimate of the number of small entities to which the rule will apply. For purposes of the Advisers Act and the Reg. Flex. Act, an investment adviser generally is a small entity if (i) it manages assets of $25 million or less reported on its last amended Form ADV (17 CFR 279.1) or its most recent Schedule I to Form ADV (17 CFR 279.1), (ii) it does not have total assets of $5 million or more on the last day of its most recent fiscal year, and (iii) it is not in a control relationship with another investment adviser that is not a small entity.[44] The Commission estimates that approximately 1,000 investment advisers registered with the Commission are small entities.

Few or none of the approximately 1,000 small entities would be subject to the rule. Only Commission registered advisers that either have $25 million or more under management or act as advisers to registered investment companies must file Form ADV–Y2K. Since the definition of small entity establishes a threshold of $25 million under management, most or all small entities are exempt from the rule by its terms. In addition, the Commission believes that few or no investment advisers that have less than $25 million under management have more than $5 million in assets or are in a control relationship with an entity that is not considered a small entity. The only other potential small entities that would be subject to the rule are those advisers that advise a registered investment company. The Commission is not aware of any small entity that advises a registered investment company. Therefore, the Commission believes that there are few or no small entities affected by the rule.

Finally, the FRFA states that, in adopting the amendments, the Commission considered (a) the establishment of differing compliance requirements that take into account the resources available to small entities; (b) simplification of the rule's requirements for small entities; (c) the use of performance rather than design standards; and (d) an exemption from the rules for small entities. The FRFA states that the Commission concluded that different standards for small entities are not necessary or appropriate.

The FRFA is available for public inspection in File No. S7–20–98, and a copy may be obtained by contacting Carolyn-Gail Gilheany, Senior Counsel, Task Force on Investment Adviser Regulation, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 5–6, Washington, D.C. 20549.

VII. Statutory Authority

The Commission is adopting rule 204–5 and Form ADV–Y2K under the authority in sections 204 and 211(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–4 and 80b–11(a)).

List of Subjects in 17 CFR Parts 275 and 279

Reporting and recordkeeping requirements, Securities.

Text of Rule and Form

For the reasons set out in the preamble, Title 17, Chapter II of the Code of Federal Regulations is amended as follows:

PART 275—RULES AND REGULATIONS, INVESTMENT ADVISERS ACT OF 1940

1. The authority citation for Part 275 continues to read in part as follows:

Authority: 15 U.S.C. 80b–2(a)(17), 80b–3, 80b–4, 80b–6(4), 80b–6a, 80b–11, unless otherwise noted.

* * * * *

2. Section 275.204–4 is added and reserved and section 275.204–5 is added to read as follows:

§ 275.204–4 [Reserved]

§ 275.204–5 Year 2000 reports.

Every investment adviser registered with the Commission that has assets under management of not less than $25 million or is an investment adviser to an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a–1) must file with the Commission:

(a) A completed Form ADV–Y2K (17 CFR 279.9) no later than December 7, 1998; and

(b) An additional completed Form ADV–Y2K no later than June 7, 1999.

PART 279—FORMS PRESCRIBED UNDER THE INVESTMENT ADVISERS ACT OF 1940

3. The authority citation for Part 279 continues to read as follows:

Authority: The Investment Advisers Act of 1940, 15 U.S.C. 80b–1, *et seq.*

4. Section 279.9 and Form ADV–Y2K are added to read as follows:

§ 279.9 Form ADV–Y2K.

This form must be filed pursuant to § 275.204–5 of this chapter by certain investment advisers.

By the Commission.

Dated: October 1, 1998.

Margaret H. MacFarland,

Deputy Secretary.

Note: The text of Form ADV–Y2K will not appear in the Code of Federal Regulations. Form ADV–Y2K is attached as Exhibit A.

BILLING CODE 8010–01–U

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[43] Although two commenters discussed the amount of time required to complete Form ADV–Y2K, none specifically addressed the IRFA.

[44] The Commission recently adopted revised definitions of ''small entity.'' *See* Definitions of ''Small Business'' or ''Small Organization'' Under the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Securities Exchange Act of 1934, and the Securities Act of 1933, Investment Adviser Act Release No. 1727 (June 24, 1998) [63 FR 35508 (June 30, 1998)].

EXHIBIT A [NOTE: The text of Form ADV-Y2K does not appear in the Code of Federal Regulations]

DO NOT FILE THIS INSTRUCTION PAGE

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

Form ADV-Y2K
Form for Reporting on Preparations for the Year 2000

GENERAL INSTRUCTIONS

Throughout these instructions and the form, we will refer to the investment advisory firm on behalf of which the form is being completed as "you."

Who Must File
You must complete this report and file it with the SEC if you are registered with the SEC and either:

- you have assets under management of $25 million or more as reported on your current Form ADV, or
- you advise an investment company registered under the Investment Company Act of 1940.

When Must You File
You must file this form twice. Initially, on or before December 7, 1998, and then on or before June 7, 1999. The second report will serve to update the first report. The information in both reports must be current as of a date no earlier than two weeks before the date by which the reports must be filed.

How You File The Form
You may complete this form by utilizing one of two methods described below:

1. manually completing the paper version of Form ADV-Y2K provided to you by the SEC, or
2. electronically completing the version of the form available on the SEC's web site. If you use the electronic version of the form, you must still print and sign the completed form. Further instructions on how to access the electronic form can be obtained on the SEC's web site at <http://www.sec.gov/rules/othern/advfaq.htm>

If manually completing the form, please use a black pen and print in capital letters. Avoid contact with the edge of the box as in the example below:

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z

0	1	2	3	4	5	6	7	8	9

The original and two copies of each Form ADV-Y2K must be filed with the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. Staple the original, and each of the copies, separately. The original must be manually signed.

If you do not have the information to complete this form, you must make reasonable inquiries to obtain the information.

If necessary to explain your responses, you may attach additional information, but we ask that you do not write explanatory notes or make any other marks next to the questions.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

The information contained in the reports submitted on this Form will assist the Commission in evaluating whether investment advisers registered with the SEC will be prepared for the computer problems associated with the Year 2000, identify advisers and funds that may not be prepared for the Year 2000 problem, and permit the Commission to fulfill Congressional and other requests for information regarding the securities industry's readiness for the Year 2000. Responses to the questions in this Form are mandatory. The completed Forms will be publicly available.

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Form ADV-Y2K

SEC File No.

NOTE:
This number must appear on all pages.

OMB APPROVAL

OMB Number: 3235-0513
Expires: Dec. 31, 1999
Estimated average burden hours per response: 2.27

Adviser Name / Business Address Information

Name under which business is conducted, if different than above.

DBA Name

Contact Person Responsible For Filling Out This Form

First Name

Last Name

Title

(Area Code) Telephone Number

( ) -

E-Mail Address (if applicable)

For SEC Use Only

Month / **Day** / **Year**

Adviser Mailing Address:

NOT TO BE USED FOR OFFICIAL FILING

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Form ADV-Y2K

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NOTE:
This number must appear on all pages.

Contact Person Responsible For Filling Out This Form (continued)

Business Address (Line 1)

Business Address (Line 2)

City **State** **Zip Code** -

Country

Execution

The undersigned represents that he or she is executing this Form on behalf of, and with the authority of, the registrant. (The person executing the Form does not necessarily have to be the contact person above.)

The undersigned and registrant represent that the information contained in this Form is current, true and complete to the best of his or her knowledge.

Date

/ /

Month **Day** **Year**

Adviser Name

By (Signature):

Printed Name

Title

ATTENTION:
Advisers are reminded that it is a violation of section 207 of the Advisers Act to willfully make any untrue statement of a material fact in any report filed with the Commission, or willfully to omit to state in any such report any material fact that is required to be stated in the Form.

NOT TO BE USED FOR OFFICIAL FILING

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Form ADV-Y2K

SEC File No.

NOTE:
This number must appear on all pages.

PART I. Instructions

1. If you are required to file Form ADV-Y2K, you must complete Part I. Complete Part I even if you also will be completing Part II because you are an adviser to an investment company.
2. Include in your answers to Part I your SEC-registered investment adviser affiliates that are not required to file this report.
3. Answer Part I with respect to all of your computer systems, including systems that service only investment company clients.
4. If you have computer systems for which you have made different amounts of progress in preparing for the Year 2000 problem, base your responses on a qualitative average of your systems. Give greater weight to mission-critical systems, and systems used for a large number of clients, than to other systems.
5. If your advisory firm has multiple lines of business, base your responses only on computer systems that support your advisory business. For example, if you are also a tax return preparation firm, you need not take into consideration computer systems used solely for preparing tax returns (even if you prepare some of the tax returns of your advisory clients), although you must consider a billing system used to bill both advisory and tax preparation clients.
6. If more than one answer to a question is applicable, mark all answers that apply.
7. When marking the answer(s) to each question, shade circles like this: ● Not like this: ⊗ ✓

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem

1. Year 2000 compliance plan

(a) Do you have a plan for Year 2000 compliance to address whether your computer systems will operate correctly after December 31, 1999?

○ Yes ○ No *Consider as a plan, or as part of a plan, contacts with third parties upon whom you rely for systems you use.*

If the answer to question 1(a) is Yes, answer questions 1(c) through 1(i) and then go on to question 2.
If the answer to question 1(a) is No, answer question 1(b) below and then go on to question 2.

(b) If you do not have a plan, then are you:

○ Developing a plan. Expected date it will be completed by: Month ☐☐ / Day ☐☐ / Year ☐☐☐☐

○ Not developing a written plan because you do not plan to be conducting business after January 1, 2000.
Date you expect to be out of business by: Month ☐☐ / Day ☐☐ / Year ☐☐☐☐

○ Other (please specify on a separate attachment)

(c) Does the plan address external interfaces with third party computer systems that communicate with your systems?

○ Yes ○ No

NOT TO BE USED FOR OFFICIAL FILING

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Form ADV-Y2K

SEC File No.

NOTE:
This number must appear on all pages.

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

NOT TO BE USED FOR OFFICIAL FILING

1. Year 2000 compliance plan (continued)

(d) Is your Year 2000 compliance plan in writing?

O Yes O No

(e) Who has approved the plan? (mark all that apply)

O No approval O Corporate officers O Head of Information Technology or equivalent

O Board of directors O Executive management O Employees

(f) Has the plan been discussed with your outside auditors?

O Yes O No

(g) What is the scope of coverage of the plan? (mark all that apply)

O All systems O Mission-critical systems O Physical facilities O Communications systems

(h) Which of your facilities does the plan cover? (mark all that apply)

O Our primary facility O All U.S. facilities O All facilities worldwide

O Certain U.S. facilities O Certain facilities worldwide O We have no international facilities

(i) Are your activities for non-US clients covered by the plan?

O Yes O No O Not applicable

2. Funding for Year 2000 compliance

(a) Please indicate the month your fiscal year begins: [ ][ ] ***(Example: '01' for January, '02' for February, etc.)***

(b) Has specific funding been allocated for fiscal year 1998, fiscal year 1999, or fiscal year 2000, for your Year 2000 compliance plan?
If funding has not yet been allocated for fiscal year 1999 or fiscal year 2000, mark 'No'.
If you marked 'No' for 1998, 1999, and 2000, then go on to question 3.

(i) 1998 O Yes O No

(ii) 1999 O Yes O No

(iii) 2000 O Yes O No

(c) What is your specific 1998 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

O Less than $1,000 O $100,001 - $500,000 O $5 - 10 million O Over $100 million

O $1,001 - $10,000 O $500,001 - $1 million O $10 - 20 million

O $10,001 - $50,000 O $1 - 2 million O $20 - 50 million

O $50,001 - $100,000 O $2 - 5 million O $50 - 100 million

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Form ADV-Y2K

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NOTE:
This number must appear on all pages.

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

2. Funding for Year 2000 compliance (continued)

(d) What items are contained in your 1998 fiscal year budget for Year 2000 compliance? (mark all that apply)

- O Assessment of the problem
- O Correction of systems
- O Replacement of systems
- O Internal testing
- O Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)
- O Training
- O SIA industry-wide testing
- O Implementation of contingency plans

If you marked 'No' for 1999 and 2000 in question 2(b), then go on to question 3.

(e) What is your specific 1999 fiscal year budget allocation for Year 2000 compliance (including operating and capital expenditures)?

- O Less than $1,000
- O $1,001 - $10,000
- O $10,001 - $50,000
- O $50,001 - $100,000
- O $100,001 - $500,000
- O $500,001 - $1 million
- O $1 - 2 million
- O $2 - 5 million
- O $5 - 10 million
- O $10 - 20 million
- O $20 - 50 million
- O $50 - 100 million
- O Over $100 million

(f) What items are contained in your 1999 fiscal year budget for Year 2000 compliance? (mark all that apply)

- O Assessment of the problem
- O Correction of systems
- O Replacement of systems
- O Internal testing
- O Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)
- O Training
- O SIA industry-wide testing
- O Implementation of contingency plans

If you marked 'No' for 2000 in question 2(b), then go on to question 3.

(g) What is your specific 2000 fiscal year budget allocation for Year 2000 compliance including operating and capital expenditures? ***Estimate if specific information is not yet available.***

- O Less than $1,000
- O $1,001 - $10,000
- O $10,001 - $50,000
- O $50,001 - $100,000
- O $100,001 - $500,000
- O $500,001 - $1 million
- O $1 - 2 million
- O $2 - 5 million
- O $5 - 10 million
- O $10 - 20 million
- O $20 - 50 million
- O $50 - 100 million
- O Over $100 million

(h) What items are contained in your 2000 fiscal year budget for Year 2000 compliance? (mark all that apply) ***Estimate if specific information is not yet available.***

- O Assessment of the problem
- O Correction of systems
- O Replacement of systems
- O Internal testing
- O Point-to-point testing
- O Training
- O SIA industry-wide testing
- O Implementation of contingency plans

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NOTE:
This number must appear on all pages.

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

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3. Persons responsible for Year 2000 compliance

(a) Has one or more individuals been designated as responsible for your Year 2000 compliance?

O Yes O No ***Include both employees and consultants***

(b) If yes, provide the following information on the person primarily responsible:
Provide information for one person only.

First Name **Last Name**

Title

Business Address (Line 1)

Business Address (Line 2)

City **State** **Zip Code** -

4. Staffing for Year 2000

(a) Is this a full-time (or full-time equivalent) project for one or more individuals?

O Yes O No ***Include both employees and third parties.***

(b) If yes, how many full-time (or full-time equivalent) individuals are working on Year 2000 compliance?

O 1 O 6-10 O 21-50 O 101-200

O 2-5 O 11-20 O 51-100 O Over 200

(c) Have you hired third parties to assist you on Year 2000 issues?

O Yes O No

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PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

4. Staffing for Year 2000 (continued)

(d) If yes, what function(s) are the third parties performing? (mark all that apply)

- O Assessment of the problem
- O Correction of systems
- O Replacement of systems
- O Internal testing
- O Vendor assessment
- O Point-to-point testing (including testing with broker-dealers, custodians, transfer agents and other service providers)
- O Training
- O SIA industry-wide testing
- O Implementation of contingency plans
- O Other

(e) If you have not completed staffing your Year 2000 project, are you:

- O Defining resources -- expected date it will be completed by: ☐☐ / ☐☐ / ☐☐☐☐ (Month / Day / Year)
- O Unable to find sufficient staffing resources
- O Handling the staffing as part of your ongoing business operations

5. Inventory of systems

(a) Have you inventoried all of your systems?
O Yes O No

(b) What is the nature of the computer systems you utilize? (mark all that apply)
O Off-the-shelf O Vendor provided O Developed in-house (custom made) O Other

(c) Have you identified your mission-critical systems?
O Yes O No

(d) If no, this is expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐ (Month / Day / Year)

(e) Have you determined which of your mission-critical systems are not currently Year 2000 compliant?
O Yes O No

6. Awareness of the problem

What steps have you taken to enhance awareness of potential Year 2000 problems? (mark all that apply)

- O None to date
- O Designated individuals for Year 2000 compliance
- O Presentations to the Adviser's Board
- O Presentations to management
- O Presentations to employees
- O Contacted third parties
- O Other

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NOTE:
This number must appear on all pages.

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

7. Progress on preparing mission-critical systems for the Year 2000

What is your progress, if any, on the following stages of preparation for the Year 2000?

(a) Assessment of steps you expect to take to address Year 2000 problems with your mission-critical systems (including preparing an inventory of computer systems affected by the Year 2000 problem):

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, assessment expected to be completed by: Month / Day / Year

(b) Implementation of steps you expect to take to address Year 2000 problems with your mission-critical systems:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, implementation expected to be completed by: Month / Day / Year

(c) Testing of your internal mission-critical systems:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, testing expected to be completed by: Month / Day / Year

(d) Did your testing of internal mission-critical systems result in material exceptions that remain unresolved as of this filing?

O Yes O No O Not Applicable

(e) Point-to-point testing of your mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, point-to-point testing expected to be completed by: Month / Day / Year

(f) Did your point-to-point testing of internal mission-critical systems result in material exceptions that remain unresolved as of this filing?

O Yes O No O Not Applicable

(g) Implementation of tested software to address Year 2000 problems with your mission-critical systems:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, implementation expected to be completed by: Month / Day / Year

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NOTE:
This number must appear on all pages.

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

8. Progress on preparing all other systems for the Year 2000

What is your progress, if any, on the following stages of preparation for the Year 2000?

(a) Assessment of steps you expect to take to address Year 2000 problems with your non-mission-critical systems (including preparing an inventory of computer systems affected by the Year 2000 problem):

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, assessment expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(b) Implementation of steps you expect to take to address Year 2000 problems with your non-mission-critical systems:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, implementation expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(c) Testing of your non-mission-critical systems:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, testing expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(d) Did your testing of internal non-mission-critical systems result in material exceptions that remain unresolved as of this filing?

O Yes O No O Not Applicable

(e) Point-to-point testing of your non-mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, point-to-point testing expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(f) Did your point-to-point testing of internal non-mission-critical systems result in material exceptions that remain unresolved as of this filing?

O Yes O No O Not Applicable

(g) Implementation of tested software to address Year 2000 problems with your non-mission-critical systems:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, implementation expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

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SEC File No.

NOTE:
This number must appear on all pages.

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

NOT TO BE USED FOR OFFICIAL FILING

9. Contingency Plans

(a) Do you have a contingency plan for your systems if, after December 31, 1999, you have computer problems caused by the Year 2000?

O Yes O No

(b) If yes, is the contingency plan in writing?

O Yes O No

(c) If no, what is your progress in preparing a contingency plan?

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, contingency plan expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(d) What is the scope of coverage of the contingency plan? (mark all that apply)
Include only internal systems and external systems that are individually related to the adviser.

O No systems O Mission-critical systems O Physical facilities O Communications systems O All systems

(e) Who has approved the contingency plan? (mark all that apply)

O No approval O Corporate officers O Head of Information Technology or equivalent
O Board of directors O Executive management O Employees

10. Third parties who provide mission-critical systems

(a) Have you identified all third parties upon whom you rely for your mission-critical systems?

O Yes O No

(b) If yes, on how many third parties do you rely for your mission-critical systems: ☐☐☐

(c) With what percentage of third parties upon whom you rely for mission-critical systems have you had contact regarding the third parties' readiness for the year 2000?

O 0% O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O 100%

If not all, contact expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

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NOTE:
This number must appear on all pages.

PART I. Information on Preparations by Investment Advisers for the Year 2000 Problem (continued)

10. Third parties who provide mission-critical systems (continued)

(d) Has any third party on whom you rely for mission-critical systems declined or failed to provide you with assurances that it is undertaking the necessary steps to prepare for the Year 2000?

O Yes O No O Not Applicable

(e) If yes, what number of third parties providing mission-critical systems have failed to provide such assurances: ☐☐☐

(f) Does your contingency plan account for third parties whose systems may fail after December 31, 1999?

O Yes O No O We have no contingency plan

11. Year 2000 preparations by companies whose securities you recommend

(a) In formulating advice given to clients as to the advisability of investing in, or continuing to hold, securities of particular issuers, do you take into account the extent to which the issuer has prepared for the Year 2000 problem?

O Yes O No O Not Applicable (not applicable to investment style)

(b) If yes, where does the adviser obtain information about issuers' preparedness?

O Representatives of issuers O Reports filed with the SEC O Publications

O Persons doing business with issuers O Securities Analysts O Other

12. Indicate the amount of your assets managed as reported in your last amended Form ADV (add the two amounts reported in Items 18B and 19B of Part I of Form ADV).

$ ☐☐☐, ☐☐☐, ☐☐☐, ☐☐☐ (to the nearest whole dollar)

13. Questions related to Part II of this form

(a) Are you filing Part II of this form (see instructions for Part II)?

O Yes O No

(b) If you are filing more than one version of Part II, because you advise funds in different fund families, how many versions of Part II are you filing? ☐☐

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Form ADV-Y2K

SEC File No.

NOTE: This number must appear on all pages.

PART II. Instructions

1. If you are an adviser or sub-adviser to an investment company registered under the Investment Company Act of 1940 ("fund") you must complete Part II with respect to that fund and any other fund in the same fund "complex" or "family" unless another adviser is submitting a Form ADV-Y2K that covers that fund.

   Note: Under this instruction, if a fund complex has multiple advisers, the Commission expects that the adviser that sponsors or administers the fund complex would complete Part II. If neither the sponsor nor the administrator is a registered investment adviser, the advisers must decide among themselves which will complete and submit Form ADV-Y2K.

2. Answer Part II with respect to all computer systems used by the fund complex. If the complex has computer systems for which different amounts of progress in preparing for the Year 2000 problem have been made, base your responses on a qualitative average of the systems. Give greater weight to mission-critical systems than to other systems.

3. Include as third parties any other advisers or sub-advisers to the fund, or complex, on whose behalf you are filing Part II.

4. An adviser to (managed) insurance company separate accounts should limit its responses to the systems used to manage the account's portfolio. An adviser to funds serving as funding vehicles to insurance company separate accounts organized as unit investment trusts should limit its responses to the underlying funds and exclude systems used by the insurance company to administer the separate account.

5. If more than one answer to a question is applicable, mark all answers that apply.

6. When marking the answer(s) to each question, shade circles like this: ● Not like this: ⊗ ✓

PART II. Information About Preparations by Investment Company Clients of Investment Advisers for the Year 2000

1. Identify the fund or funds, or the fund complex, on whose behalf you are filing this form. Provide the name and ten-letter identifier for the complex used in Item 19C of Form N-SAR, if available. If no answer to Item 19C was provided, provide the full name of the complex. *If you are responding for multiple funds on this form, provide the name or names of the additional funds on a separate attachment.*

   (a) Name of fund or funds, or fund complex:

   (b) Ten-letter identifier in Form N-SAR:

2. Year 2000 compliance plan

   (a) Does the fund you advise have a plan for Year 2000 compliance to address whether its computer systems will operate correctly after December 31, 1999?

   ○ Yes ○ No *Consider as a plan, or as part of a plan, efforts by the fund's board to monitor the activities of the fund's service providers.*

NOT TO BE USED FOR OFFICIAL FILING

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Form ADV-Y2K

SEC File No.

NOTE:
This number must appear on all pages.

PART II. Information About Preparations by Investment Company Clients of Investment Advisers for the Year 2000 (continued)

2. Year 2000 compliance plan (continued)

If the answer to question 2(a) is No, answer question 2(b) below and then go on to question 3.

(b) If No, then is the fund:

○ **Developing a plan. Expected date it will be completed by:** ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

○ **Not developing a plan because the fund does not plan to be conducting business after December 1, 1999.**

Date the fund expects to be out of business by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

○ **Other (please specify on a separate attachment)**

If the answer to question 2(a) is Yes, answer questions 2(c) through 2(h) and then go on to question 3.

(c) Is the Year 2000 compliance plan in writing?

○ **Yes** ○ **No**

(d) Who has approved the plan? (mark all that apply)

○ **No approval** ○ **Corporate officers** ○ **Head of Information Technology or equivalent**
○ **Fund's board of directors** ○ **Executive management** ○ **Employees**

(e) Has the plan been discussed with outside auditors?

○ **Yes** ○ **No**

(f) What is the scope of coverage of the plan? (mark all that apply)

○ **All systems** ○ **Mission-critical systems** ○ **Physical facilities** ○ **Communications systems**

(g) Who had primary responsibility for preparing the Year 2000 plan?

○ **The fund (or fund's board of directors)** ○ **A sub-adviser** ○ **A transfer agent** ○ **A broker-dealer**
○ **An adviser** ○ **An administrator** ○ **A custodian** ○ **Other**

(h) Is the person or persons who have primary responsibility for preparing the Year 2000 plan the same person or persons completing the form?

○ **Yes** ○ **No**

NOT TO BE USED FOR OFFICIAL FILING

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Form ADV-Y2K

SEC File No.

NOTE:
This number must appear on all pages.

PART II. Information About Preparations by Investment Company Clients of Investment Advisers for the Year 2000 (continued)

3. Persons responsible for Year 2000 compliance

(a) Has one or more individuals been designated as responsible for your Year 2000 compliance for the fund?

O Yes O No *Include employees, employees of service providers (such as the adviser) and consultants*

(b) If yes, provide the following information on the person primarily responsible:

First Name

Last Name

Title

Business Address (Line 1)

Business Address (Line 2)

City

State

Zip Code -

4. Inventory of systems

(a) Has the fund had an inventory conducted of the systems it uses?

O Yes O No

(b) What is the nature of the computer systems utilized? (mark all that apply)

O Off-the-shelf O Vendor provided O Developed in-house (custom made) O Other

(c) Have the mission-critical systems used by the fund been identified?

O Yes O No

(d) If no, this is expected to be completed by: / /

Month Day Year

(e) Has a determination for the fund been made as to which mission-critical systems it uses are not currently Year 2000 compliant?

O Yes O No

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PART II. Information About Preparations by Investment Company Clients of Investment Advisers for the Year 2000 (continued)

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5. Awareness of the problem.

What steps have been taken to enhance awareness of potential Year 2000 problems? (mark all that apply)

- O None to date
- O Designated individuals for Year 2000 compliance
- O Presentations to the fund's board of directors
- O Presentations to management
- O Presentations to employees
- O Contacted third parties

6. Progress on preparing mission-critical systems for the Year 2000

What is the investment company's progress, if any, on the following stages of preparation for the Year 2000?

(a) Assessment of steps the fund expects to take to address Year 2000 problems with mission-critical systems it uses (including preparing an inventory of computer systems affected by the Year 2000):

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, assessment expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(b) Implementation of steps the fund expects to take to address Year 2000 problems with mission-critical systems it uses:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, implementation expected to be completed by: ☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(c) Testing of mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, testing of mission critical systems expected to be completed by:
☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

(d) Did testing of mission-critical systems result in material exceptions that remain unresolved as of this filing?

O Yes O No O Not Applicable

(e) Implementation of tested software to address Year 2000 problems with mission-critical systems:

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, implementation expected to be completed by:
☐☐ / ☐☐ / ☐☐☐☐
Month Day Year

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PART II. Information About Preparations by Investment Company Clients of Investment Advisers for the Year 2000 (continued)

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7. Progress on preparing all other systems for the Year 2000

What is the investment company's progress, if any, on the following stages of preparation for the Year 2000?

(a) Assessment of steps the fund expects to take to address Year 2000 problems with non-mission-critical systems (including preparing an inventory of computer systems affected by the Year 2000):

○ 0% complete ○ 1 - 25% ○ 26 - 50% ○ 51 - 75% ○ 76 - 99% ○ Complete

If not completed, assessment expected to be completed by: __ __ / __ __ / __ __ __ __ (Month / Day / Year)

(b) Implementation of steps the fund expects to take to address Year 2000 problems with non-mission-critical systems:

○ 0% complete ○ 1 - 25% ○ 26 - 50% ○ 51 - 75% ○ 76 - 99% ○ Complete

If not completed, implementation expected to be completed by: __ __ / __ __ / __ __ __ __ (Month / Day / Year)

(c) Testing of non-mission-critical systems (including testing with broker-dealers, custodians, transfer agents and other service providers):

○ 0% complete ○ 1 - 25% ○ 26 - 50% ○ 51 - 75% ○ 76 - 99% ○ Complete

If not completed, testing expected to be completed by: __ __ / __ __ / __ __ __ __ (Month / Day / Year)

(d) Did testing of non-mission-critical systems result in material exceptions that remain unresolved as of this filing?

○ Yes ○ No ○ Not Applicable

(e) Implementation of tested software to address Year 2000 problems with non-mission-critical systems:

○ 0% complete ○ 1 - 25% ○ 26 - 50% ○ 51 - 75% ○ 76 - 99% ○ Complete

If not completed, implementation expected to be completed by: __ __ / __ __ / __ __ __ __ (Month / Day / Year)

8. Contingency Plans

(a) Does the fund have a contingency plan for systems it uses if, after December 31, 1999, it has computer problems caused by the Year 2000?

○ Yes ○ No

(b) If yes, is the contingency plan in writing?

○ Yes ○ No

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PART II. Information About Preparations by Investment Company Clients of Investment Advisers for the Year 2000 (continued)

8. Contingency Plans (continued)

(c) What is the scope of coverage of the contingency plan? (mark all that apply)
Include only systems that are individually related to the fund.

O No systems O Mission-critical systems O Physical facilities O Communications systems O All systems

(d) Who has approved the contingency plan? (mark all that apply)

O No approval O Corporate officers O Head of Information Technology or equivalent
O Fund's board of directors O Executive management O Employees

(e) If the fund has no contingency plan, what is the progress in preparing a contingency plan?

O 0% complete O 1 - 25% O 26 - 50% O 51 - 75% O 76 - 99% O Complete

If not completed, contingency plan expected to be completed by: Month / Day / Year

9. How often is the board of directors of the fund apprised of progress in the investment company's Year 2000 compliance efforts?

O Not informed O Quarterly
O Weekly O Annually
O Monthly O From time to time

10. Indicate the amount of assets that are covered by this report. Do not double-count assets in arrangements where one investment vehicle is a mere conduit for an investment in another fund (i.e., assets in a two-tier structure, such as a "master/feeder" structure or a unit investment trust that issues periodic payment plans or that is an insurance company separate account).

$, , , (to the nearest whole dollar)

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