

Period has ended, and the new investment advisory agreement has not received the requisite Fund shareholder vote. Before any certificate is sent, the boards of directors of the Company would be notified.

Applicants' Legal Analysis

1. Applicants request an order pursuant to section 6(c) of the Act exempting them from section 15(a) of the Act to the extent necessary (a) to permit the implementation during the Interim Period of the new investment advisory agreement prior to receiving shareholder approval and (b) to permit PLAM to receive from the Fund all fees earned under the new investment advisory agreement (which would be the same as all fees that would have been earned under the existing investment advisory agreement) implemented during the Interim Period if and to the extent the new investment advisory agreement is approved by the shareholders of the Fund. Because the Fund has not had sufficient advance notice of the Purchase, it will not be possible for the Fund to obtain prior approval of the new investment advisory agreement by Fund shareholders.

2. Section 15(a) prohibits an investment adviser from providing investment advisory services to an investment company except under a written contract that has been approved by a majority of the voting securities of the investment company. Section 15(a) further requires that the written contract provide for automatic termination in the event of its assignment. Section 2(a)(4) of the Act defines "assignment" to include any direct or indirect transfer of a contract by the assignor or of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor.

3. Upon consummation of the Purchase, Fiat S.p.A. will transfer ownership of its interest in Prime S.p.A., the parent of Prime U.S.A., to Generali. The Purchase will result in an "assignment" within the meaning of section 2(a)(4) of the existing investment advisory agreement, terminating the agreement according to its terms.

4. Rule 15a-4 provides, in relevant part, that if an investment adviser's contract with an investment company is terminated by assignment, the adviser may continue to act as such for 120 days at the previous compensation rate if a new contract is approved by the board of directors of the investment company and if neither the investment adviser nor a controlling person thereof directly or indirectly receives money or other benefit in connection with the

assignment. Applicants cannot rely on rule 15a-4 because of the benefits which will accrue to Fiat S.p.A. due to the Purchase.

5. Section 6(c) provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants believe that the requested relief meets this standard.

6. Applicants believe that the requested relief is necessary, as it would permit continuity of investment management to the Fund during the period following the consummation of the Purchase so that services to the Fund would not be disrupted. Applicants also believe that the Interim Period would facilitate the orderly and reasonable consideration of the new advisory agreement by the Fund's shareholders.

7. Applicants represent that the best interests of the Fund's shareholders would be served if PLAM receives fees for services during the Interim Period as provided herein. In addition, applicants believe that it would be unjust to deprive Lipper Europe L.P. of fees due to a change in control of the parent of Prime U.S.A. Finally, the fees to be paid during the Interim Period are at the same rate as the fees currently payable by the Fund under the existing investment advisory agreement.

Applicants' Conditions

Applicants agree as conditions to the issuance of the exemptive order requested by the application that:

1. The new investment advisory agreement will have the identical terms and conditions as the existing investment advisory agreement, except for its effective date and escrow provisions.

2. The investment advisory fees paid to PLAM during the Interim Period will be maintained in an interest-bearing escrow account, and amounts in the account (including interest earned on such paid fees) will be paid (a) to PLAM in accordance with the new investment advisory agreement, after the requisite approval is obtained, or (b) to the Fund, in the absence of such approval.

3. The Fund will hold a meeting of shareholders to vote on approval of the new investment advisory agreement on or before the 120th day following the termination of the existing advisory agreement (but in no event later than May 31, 1997).

4. PLAM will bear the costs of preparing and filing the application. The Fund will not bear any costs relating to the solicitation of shareholder approval of the Fund's shareholders necessitated by the consummation of the Purchase.

5. PLAM will take all appropriate steps so that the scope and quality of investment advisory services provided to the Fund during the Interim Period will be at least equivalent, in the judgment of the Company's board of directors, including a majority of the non-interested directors, to the scope and quality of services previously provided. If personnel providing material services during the Interim Period change materially, PLAM will apprise and consult with the board of directors of the Company to assure that they, including a majority of the non-interested board members, are satisfied that the services provided will not be diminished in scope or quality.

6. The board of directors of the Company, including a majority of non-interested directors, will have approved the new investment advisory agreement in accordance with the requirements of section 15(c) of the Act prior to termination of the existing investment advisory agreement.

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

Margaret H. McFarland,
Deputy Secretary.

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BILLING CODE 8010-01-M

Interactive Multimedia Publishers, Inc., File No. 500-1; Order Directing Suspension of Trading

December 3, 1996.

It appears to the Securities and Exchange Commission that there is a lack of current and accurate information concerning the securities of Interactive Multimedia Publishers, Inc. ("IMP") (trading symbol DROM) because of questions that have been raised regarding the accuracy of disclosure concerning IMP's corporate history and tradability of its shares.

The Commission is of the opinion that the public interest and the protection of investors require a suspension of trading in the securities of the above listed company.

Therefore, *it is ordered*, pursuant to Section 12(k) of the Securities Exchange Act of 1934, that trading in the securities of Interactive Multimedia Publishers, Inc. (trading symbol DROM), over-the-counter, on the National Association of Securities Dealers, Inc.'s

OTC Bulletin Board Service or otherwise, is suspended for the period from 9:30 a.m. E.S.T. December 4, 1996 through 11:59 p.m. E.S.T. on December 17, 1996.

By the Commission.
Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 96-31227 Filed 12-4-96; 11:51 am]
BILLING CODE 8010-01-M

[Release No. 34-38007; File No. SR-DTC-96-21]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Relating to the Reversal of Reclamations by Issuing and Paying Agents

December 2, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on November 5, 1996, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-DTC-96-21) as described in Items I, II, and III below, which items have been prepared primarily by DTC. 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 purpose of the proposed rule change is to put in place a new service which will allow for Issuing and Paying Agents ("IPA") to direct DTC to reverse all matched reclamations for a particular program made after 3:00 p.m. which are attributable to issuer failure.

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

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments that it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

DTC filed the proposed rule change because it has identified a substantial potential risk to IPAs in connection with money market instruments ("MMIs") which DTC wants to eliminate as soon as possible. The risk is brought about by the interplay between two different services available to DTC participants which were developed in order to serve two different functions.

Under DTC's MMI program, IPAs act as agents for MMI issuers. As such, IPAs issue MMIs on the issuers' behalf, and DTC automatically processes income and maturity payments to the IPAs' accounts. Both the credits generated from the issuances and the debits generated from income and maturity payments are netted into the IPA's DTC settlement obligation. An IPA may issue MMIs and make periodic payments of income, redemption, or other proceeds on MMIs upon presentation throughout the day while also being able to reverse transactions for a particular program in the event of the "issuer failure" by giving notice to DTC by 3:00 p.m. of the IPA's "refusal to pay."

This reversal mechanism is designed to make the MMI market more efficient by allowing IPAs to make issuances and payments with respect to a particular MMI program throughout the day while still affording the IPAs the protection of being able to reverse these transactions until 3:00 p.m. in the event that it becomes apparent that the issuer will be unable to honor its obligations under the particular program due to insolvency of default under a particular program.³ If this mechanism were not in place, IPAs would have to wait until they had received funds from the issuers before making any payments or be at risk for the funds they had distributed throughout the day. In such a case, credits for payments on the MMIs would not be available to be used throughout the day by participants having positions in the MMIs as is currently the case.⁴

In anticipation of the conversion to the same day funds settlement ("SDFS"), DTC implemented a new processing schedule. As part of the new

processing schedule, DTC introduced an extended reclamation period that allowed participants to process reclaims of deliveries until 3:30 p.m.⁵ The reclamation procedure is designed to provide the recipient of a delivery with the opportunity to reject the delivery.

The potential risk to IPAs comes about in the situation where information regarding an issuer's insolvency becomes available after the 3:00 p.m. refusal to pay deadline but before the end of the reclamation period at approximately 3:30 p.m. Under these circumstances, participants could unwind through the reclamation process issuances previously made by the IPA. However, the IPA would be unable to unwind income and maturity payments since these transactions can only be unwound through the refusal to pay procedure. As a result, an IPA's settlement balance would be debited by an amount equal to the reclaimed issuances. Depending upon the settlement procedures in place between the issuer and the IPA, this situation could result in a direct exposure to the IPA.

The proposed rule change is designed to restore the IPA's refusal to pay opportunity with respect to reclamations made to its account between 3:00 p.m. and the end of the reclamation period. The proposed rule change will allow IPAs to instruct DTC to reverse those reclaims that are processed after 3:00 p.m. in the event that the IPA believes the reclaims are associated with the issuer's insolvency. The IPA will be able to request the reversal of these reclamations by giving DTC oral notice within fifteen minutes after the end of the reclamation period. Subsequently, the IPA will be required to provide DTC within thirty minutes after the end of the reclamation period with written notice on the basis of which DTC could treat the issuer as insolvent under its rules.⁶ A copy of the

⁵ The end of the reclamation period is approximately 3:30, but this deadline may vary slightly depending upon the timing of the release of other DTC controls.

⁶ DTC's Rule 12 which governs insolvency provides: "An issuer of MMI securities subject of any transaction in the MMI Program shall be treated by [DTC] in all respects as insolvent in the event that the issuer is determined to be insolvent by any agency which regulates such issuer or in the event of the entry of a decree or order by a court having jurisdiction in the premises adjudging the issuer a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the issuer under the Federal Bankruptcy Code or any other applicable Federal or State law or appointing a receiver, liquidator, assignee, trustee, sequester (or other similar official) of the issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs or the institution by the issuer of proceedings to be

¹ 15 U.S.C. 78s(b)(1) (1988).

² The Commission has modified the text of the summaries submitted by DTC.

³ The "refusal to pay" deadline was set at 3:00 p.m. by the industry during the period when deliveries of MMIs were made physically.

⁴ Currently, throughout the processing day a participant is allowed to use all payment credits it has received that day in connection with MMI programs, other than the single largest net payment, in order to meet its net debit cap and collateral monitor requirements.