DEPARTMENT OF COMMERCE

International Trade Administration

15 CFR Part 303

DEPARTMENT OF THE INTERIOR

Office of Territorial and International Affairs

[Docket No. 980716178–8178–01]

RIN 0625–AA53

Proposed Limit on Duty-Free Insular Watches in Calendar Year 1999

AGENCIES: Import Administration, International Trade Administration, Department of Commerce; Office of Insular Affairs, Department of the Interior.

ACTION: Proposed rule and request for comments.

SUMMARY: This action invites public comment on a proposal to amend the Departments' ITA regulations governing duty-exemption allocations and duty-refund entitlements for watch producers in the United States' insular possessions (the Virgin Islands, Guam and American Samoa) and the Northern Mariana Islands. The proposed amendments would change the value limit for watches eligible for duty-exemption, update the creditable wage ceiling, modify the new entrant invitation language and establish the total quantity and respective territorial shares of insular watches and watch movements which would be allowed to enter the United States free of duty during calendar year 1999.

DATES: Comments must be received on or before August 27, 1998.

ADDRESSES: Address written comments to Faye Robinson, Program Manager, Statutory Import Programs Staff, Room 4211, U.S. Department of Commerce, Washington, DC 20230.

FOR FURTHER INFORMATION CONTACT: Faye Robinson, (202) 482–3526, same address as above.

SUPPLEMENTARY INFORMATION: The insular possessions watch industry provision in Sec. 110 of Pub. L. No. 97–446 (96 Stat. 2331) (1983) as amended by Sec. 602 of Pub. L. No. 103–465 (108 Stat. 4991) (1994) additional U.S. Note 5 to chapter 91 of the HTS requires the Secretary of Commerce and the Secretary of the Interior, acting jointly, to establish a limit on the quantity of watches and watch movements which may be entered free of duty during each calendar year. The law also requires the Secretaries to establish the shares of this limited quantity which may be entered from the Virgin Islands, Guam, American Samoa and the Northern Mariana Islands. Regulations on the establishment of these quantities and shares are contained in Sec. 303.3 and 303.4 of title 15, Code of Federal Regulations (15 CFR 303.3 and 303.4). The Departments propose to establish for calendar year 1999 a total quantity of 3,740,000 units and respective territorial shares as shown in the following table:

Virgin Islands	2,240,000
Guam	500,000
American Samoa	500,000
Northern Mariana Islands	500,000

Compared to the total quantity established for 1998 (63 FR 5887; February 5, 1998), this amount would be a decrease of 400,000 units. The proposed Virgin Islands territorial share would be reduced by 400,000 and the shares for Guam, American Samoa and the Northern Mariana Islands would not change. The amount we propose for the Virgin Islands is more than sufficient for the anticipated needs of all the existing producers.

We also propose raising the maximum value of components for duty-free treatment of watches from $200 to $500 by amending Sec. 303.14(b)(3). This change would relax the limitation on the value of imported components that may be used in the assembly of duty-free insular watches. The proposed value levels would provide the producers with a greater choice in the kinds of watches they assemble, thereby affording them an opportunity to increase shipments and raise territorial employment.

We propose raising from $35,000 to $38,650 the maximum dollar amount of wages creditable in the calculation of the value of the production incentive certificate by amending § 303.14(a)(1)(i). The increase in the maximum creditable wage limit is being proposed to keep pace with inflation. The ceiling was last raised in 1994.

Finally, we propose eliminating subparagraphs (1) and (2) of § 303.14(d) and consolidating provisions on new entrant invitations in a revised § 303.14(d). There is no longer a producer in Guam, leaving the Virgin Islands as the only territory with an active industry. The proposed change would remove the need to amend the regulations when such production shifts occur.

Regulatory Flexibility Act

In accordance with the Regulatory Flexibility Act, 5 U.S.C. 601 et seq., the Assistant General Counsel for Legislation and Regulation has certified to the Chief Counsel, Small Business Administration, that the proposed rule will not have a significant economic impact on a substantial number of small entities. This is because the rulemaking affects only the five watch companies currently participating in the insular possessions watch program, all of which are located in the Virgin Islands. Although a reduction of the 1999 Virgin Islands territorial share of duty-exemption is being proposed, the reduced amount would still represent more than twice the amount of duty-free shipments used in 1997. Accordingly, the proposed reduction for the 1999 annual duty-exemption for the Virgin Islands should not impose any cost or have any economic effect on these small companies. Similarly, updating the creditable wage ceiling, simplifying and updating the new entrant invitation language and raising the value limit for watches eligible for duty-exemption will not impose any cost or have any other adverse economic effect on the producers.

Paperwork Reduction Act

This proposed rulemaking involves information collection activities subject to the Paperwork Reduction Act of 1980, 44 U.S.C. 3501 *et seq.* which are currently approved by the Office of Management and Budget under control numbers 0625–0040 and 0625–0134. The amendments will not increase the information burden on the public.

Notwithstanding any other provision of the law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with a collection of information unless it displays a currently valid OMB Control Number.

It has been determined that the proposed rulemaking is not significant for purposes of Executive Order 12866.

List of Subjects in 15 CFR Part 303

Administrative practice and procedure, American Samoa, Customs duties and inspection, Guam, Imports, Marketing quotas, Northern Mariana Islands, Reporting and recordkeeping requirements, Virgin Islands, Watches and jewelry.

For reasons set forth above, we propose to amend 15 CFR part 303 as follows:

PART 303—[AMENDED]

1. The authority citation for 15 CFR part 303 continues to read as follows:

Authority: Pub. L. 94–241, 90 Stat. 263 (48 U.S.C. 1681, note); Pub. L. 97–446, 96 Stat. 2331 (19 U.S.C. 1202, note); Pub. L. 103–465, 108 Stat. 4991.

§ 303.14 [Amended]

2. Section 303.14(a)(1)(i) is amended by removing ''$35,000'' and adding ''$38,650'' in its place.

3. Section 303.14(b)(3) is amended by removing ''$200'' and adding ''$500'' in its place.

4. Section 303.14(d) is revised to read as follows:

§ 303.14 Allocation factors and miscellaneous provisions.

* * * * *

(d) New entrant invitations. Applications from new firms are invited for any unused portion of any territorial share.

* * * * *

5. Section 303.14(e) is amended by removing ''2,640,000'' and adding ''2,240,000'' in its place.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

Allen Stayman,

Director, Office of Insular Affairs.

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 270

[Release Nos. IC–23325, IA–1736; File No. S7–22–98]

RIN 3235–AH02

Temporary Exemption for Certain Investment Advisers

AGENCY: Securities and Exchange Commission.

ACTION: Proposed rule.

SUMMARY: The Commission is proposing for public comment amendments to the rule under the Investment Company Act of 1940 that permits an investment adviser, in certain circumstances, to advise an investment company temporarily under a contract that the investment company's shareholders have not approved. The proposed amendments would expand the exemption provided by the rule to include new advisory contracts entered into as a result of a merger or similar business combination involving the fund's adviser or a controlling person of the adviser, and would lengthen the period during which the adviser may serve under a contract without shareholder approval. The proposed amendments are intended to enable more investment advisers to rely on the rule rather than seek individual exemptions from the Commission, subject to conditions designed to protect the interests of investors pending the shareholder vote.

DATES: Comments must be received on or before September 30, 1998.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Mail Stop 6–9, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549. Comments also may be submitted electronically at the following E-mail address: rule-comments@sec.gov. All comment letters should refer to File No. S7–22–98; this file number should be included on the subject line if E-mail is used. Comment letters will be available for public inspection and copying in the Commission's Public Reference Room, 450 5th Street, NW., Washington, DC 20549. Electronically submitted comment letters also will be posted on the Commission's Internet web site (http://www.sec.gov).

FOR FURTHER INFORMATION CONTACT: Marilyn Mann, Senior Counsel, or Penelope W. Saltzman, Assistant Chief, (202) 942–0690, Office of Regulatory Policy, Division of Investment Management, Mail Stop 5–6, Securities and Exchange Commission, 450 5th Street, NW., Washington, DC 20549.

SUPPLEMENTARY INFORMATION: The Securities and Exchange Commission (the ''Commission'') today is requesting public comment on amendments to rule 15a–4 (17 CFR 270.15a–4) under the Investment Company Act of 1940 (15 U.S.C. 80a) (the ''Investment Company Act'' or the ''Act'').

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I. Executive Summary

The Commission is proposing for public comment amendments to rule 15a–4 under the Investment Company Act. Rule 15a–4 permits an investment adviser to an investment company (''fund'') to serve temporarily under a contract that has not been approved by the fund's shareholders. The proposed amendments would extend the rule to new advisory contracts entered into as a result of a merger or similar business combination involving the fund's adviser or a controlling person of the adviser, in connection with which the adviser or a controlling person of the adviser receives a benefit (collectively, ''adviser mergers''). The amendments also would increase the maximum number of days the investment adviser could serve under the rule and clarify the timing of board approval of the fund's advisory contract. The proposed amendments would enable more investment advisers to rely on the rule rather than seek an individual exemption from the Commission, subject to conditions designed to protect the interests of investors pending the shareholder vote.

II. Background

Section 15(a) of the Investment Company Act prohibits a person from serving as an investment adviser to a fund except under a written advisory contract that the fund's shareholders have approved.[1] Section 15(a) also requires that an advisory contract must provide for its automatic termination upon its assignment.[2] An advisory contract that continues in effect for more than two years must be approved annually by either the fund's board of directors or its shareholders.[3]

Section 15(a) is designed to give shareholders a voice in a fund's investment advisory contract and to prevent trafficking in fund advisory contracts.[4] One of section 15(a)'s unintended effects, however, is to leave a fund without an investment adviser if the fund's contract with the adviser is terminated before the fund's shareholders can vote on a new contract.[5] A fund could face this

[1] 15 U.S.C. 80a–15(a). Section 15(a) requires that a majority of the fund's outstanding voting securities approve the contract. Section 2(a)(42) of the Act (15 U.S.C. 80a–2(a)(42)) defines a vote of a majority of the outstanding voting securities of a fund to mean the vote of shareholders representing (a) 67 percent or more of the voting securities present at the meeting, if the holders of more than 50 percent of the fund's outstanding voting securities are present or represented by proxy, or (b) more than 50 percent of the outstanding voting securities of the fund, whichever is less.

[2] 15 U.S.C. 80a–15(a)(4). An ''assignment'' of an investment advisory contract includes a transfer of the contract to another investment adviser as well as a transfer of a controlling block of the investment adviser's voting securities. 15 U.S.C. 80a–2(a)(4).

[3] 15 U.S.C. 80a–15(a)(2).

[4] *Hearings on S. 3580 Before the Subcomm. of the Senate Comm. on Banking and Currency*, 76th Cong., 3d Sess. 253 (1940) (statement of David Schenker).

[5] If an investment advisory contract is terminated by a foreseeable assignment, an investment adviser may be required, under its fiduciary duty, to

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