

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23915; 812-11012]

IDS Bond Fund, Inc., et al.; Notice of Application

July 21, 1999.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of an application for an order under section 17(d) of the Investment Company Act of 1940 (the "Act") and rule 17d-1 under the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain registered management investment companies to deposit their uninvested cash balances in joint accounts investing in short-term investments.

APPLICANTS: IDS Bond Fund, Inc., IDS Discover Fund, Inc., IDS Equity Select Fund, Inc., IDS Global Series, Inc., IDS International Fund, Inc., IDS Market Advantage Series, Inc., IDS Money Market Series, Inc., IDS Precious Metals Fund, Inc., IDS Progressive Fund, Inc., IDS Strategy Fund, Inc., IDS Tax-Exempt Bond Fund, Inc., IDS Tax-Free Money Fund, Inc., IDS Utilities Income Fund, Inc., IDS California Tax-Exempt Trust, IDS Special Tax-Exempt Series Trust, Growth Trust, Growth and Income Trust, Income Trust, Tax-Free Income Trust, orld Trust, IDS Life Investment Series, Inc., IDS Life Managed Fund, Inc., IDS Life Moneyshare Fund, Inc., IDS Life Special Income Fund, Inc., IDS Life Series Fund, Inc., IDS Life Variable Annuity Fund A, and IDS Life Variable Annuity Fund B (the "investment Companies"), and American Express Financial Corporation ("AEFC").

FILING DATES: The application was filed on February 18, 1998 and amended on October 26, 1998 and June 28, 1999.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on August 16, 1999, and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW, Washington, DC 20549-0609. Applicants: c/o Christopher R. Long, AEFC, IDS Tower 10, Law Department, T-27/52 Minneapolis, MN 55440-0010.

FOR FURTHER INFORMATION CONTACT: John K. Forst, Attorney Advisor, at (202) 942-0569, or Mary Kay Frech, Branch Chief, at (202) 942-0564 (Office of Investment Company Regulation, Division of Investment Management).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (tel. 202-942-8090).

Applicant's Representations

1. Each Investment Company is registered under the Act as an open-end management investment company. AEFC, registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"), serves as investment adviser to the Investment Companies. AEFC also provides investment advisory services to other clients, including employee benefit plans and accounts (collectively, with any account advised by another registered investment adviser controlling, controlled by, or under common control with AEFC ("AEFC Adviser"), the "Private Accounts").¹

2. At the end of each trading day, applicants expect that the Investment Companies and the Private Accounts (collectively, the "Participants") will have uninvested cash balances in their accounts with their custodians that would not otherwise be invested in portfolio securities. Applicants propose to deposit these uninvested cash balances into one or more joint trading accounts ("Joint Accounts") and to invest the daily balance of the Joint Accounts in repurchase agreements, commercial paper, and/or other short term investments that will have, with rare exceptions, an overnight, over-the-weekend or over-the-holiday maturity, and in no event will have a maturity of more than seven days ("Short Term investments"). Repurchase agreements will be "collateralized fully," as defined in rule 2a-7 under the Act.² A Joint

¹ Applicants request that the relief also apply to all other registered management investment companies that in the future are advised or sub-advised by an AEFC Adviser ("Future Funds"). Any Future Fund and Private Account that relies on the requested order will do so only in accordance with the terms and conditions of the application.

² A Joint Account will not enter into hold-in-custody repurchase agreements, whereby the counterparty retains custody of the securities that are the subject of the repurchase transaction.

Account would consist of a separate cash custodial account established at a custodian bank.

3. Participants would only invest through a Joint Account to the extent that the investments made through the Joint Account are consistent with their respective investment objectives, policies, and restrictions. A Participant's decision to use the Joint Accounts will be based on the same factors as its decision to make any short-term investment.

4. AEFC will administer the investment of the cash balances in and operation of the Joint Accounts as part of its duties under the general terms of each Participant's investment management agreement and will not collect any additional or separate fees for the management of the Joint Account. AEFC will be responsible for investing amounts in the Joint Account, establishing accounting and control procedures, and ensuring the equal treatment of each Participant.

5. Any repurchase agreements entered into through the Joint Accounts will comply with the standards and guidelines of Investment Company Act Release No. 13005 (February 2, 1983) and any other applicable future positions of the SEC or its staff regarding repurchase agreements. In the event the SEC or its staff sets forth guidelines with respect to other Short Term Investments, all such investments made through the Joint Accounts will company with those guidelines.

Applicants' Legal Analysis

1. Section 17(d) of the Act and rule 17d-1 under the Act prohibit an affiliated person of a registered investment company, or an affiliated person of such person, from participating in any joint enterprise or arrangement in which such investment company is a participant, unless an application regarding the joint arrangement has been filed with and approved by the SEC. In passing on such applications, the SEC considers whether the participation of the registered investment company in the proposed joint arrangement is consistent with the provisions, policies, and purposes of the Act and the extent to which the participation is on a basis different from or less advantageous than that of other participants.

2. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include any person directly or indirectly owing, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person, as well as any person directly or indirectly controlling,

controlled by, or under common control with, the other person, and in the case of an investment company, its investment adviser. Applicants state that, under section 2(a)(3) of the Act, the Participants may be deemed "affiliated persons" because they may be deemed to be under the common control of AEFC. Applicants state that the Participants, by participating in the Joint Accounts, and AEFC, by managing the Joint Accounts, could be deemed to be "joint participants" in a transaction within the meaning of section 17(d)(1) of the Act. In addition, applicants state that the Joint Accounts could be deemed to be a "joint enterprise or other joint arrangement" within the meaning of rule 17d-1 under the Act.

3. Applicants believe that no Participant will receive fewer relative benefits from the operation of the Joint Accounts than any other Participant. Applicants also believe that the operation of the Joint Accounts will not result in any conflicts of interest among Participants. Applicants state that each Participant's liability on any Short Term Investment held in a Joint Account will be several in proportion to its pro rata interest in the total assets in the Joint Account and not joint.

4. Applicants believe that the proposed Joint Accounts could result in certain benefits to Participants. The Participants may earn a higher return on investments through the Joint Accounts relative to the returns they could earn individually. Applicants state that, under most market conditions, it is possible to negotiate a higher rate of return on larger Short Term Investments than the rate available on smaller Short Term Investments. Applicants also assert that each Participant will have the opportunity to benefit from the fact that an institution entering into a larger investment transaction is more likely to be able and willing to increase the amount covered by the transaction near the end of the day, thus reducing the possibility a Participant might have cash uninvested, which possibly may not exist with smaller transactions. Applicants state that the Joint Accounts also may result in savings in transaction fees.

5. For the reasons set forth above, applicants submit that the proposed Joint Accounts meet the criteria of rule 17d-1 for issuance of an order.

Applicants' Conditions

Applicants will comply with the following as conditions to any order granted by the SEC:

1. A separate custodial account will be established for each Joint Account into which a participant may transfer

some or all of its uninvested cash balances after the conclusion of its daily trading activity. In the event that any Participant has a custodian different from the custodian at which the Joint Account is maintained and elects to participate, the Participant will appoint the custodian of the Joint Account as a sub-custodian. Each Investment Company that appoints such a custodian will have taken all necessary actions to authorize the custodian as its legal custodian, including all actions required under the Act. The Joint Accounts will be the same as other custodial accounts maintained by the Participant except that monies of the Participant will be deposited on a commingled basis. The Joint Accounts will be structured to avoid any indicia of separate legal existence. The sole function of the Joint Accounts will be to provide a convenient way to manage uninvested cash balances.

2. Cash in a Joint Account will be invested in one or more Short Term Investments that will have, with rare exceptions, an overnight, over-the-weekend or over-the-holiday maturity and in no event will have a maturity of more than seven days as calculated in accordance with rule 2a-7 under the Act.

3. Each Participant will participate in a Joint Account only to the extent consistent with its investment objectives, policies, and restrictions.

4. Each Participant, through AEFC Adviser and/or custodian, will document daily its investments through such Joint Accounts. Such records will be maintained in conformity with section 31 of the Act and the rules and regulations thereunder documenting, for any given day, such Participant's aggregate investment in a joint account and its pro rata share of each investment made through the joint account. Each Participant that is not a registered investment company or registered investment adviser will make available to the SEC, upon request, such books and records with respect to its participation in a Joint Account.

5. Repurchase agreements in the Joint Account will be "collateralized fully" as defined in rule 2a-7 under the Act.

6. No Participant will be allowed to create a negative balance in a Joint Account for any reason, although it will be permitted to draw down its entire balance at any time. No Participant will be obligated either to invest in the Joint Accounts or to maintain any minimum balance in the Joint Accounts. In addition, each Participant will retain the sole rights of ownership to any of its assets invested in the Joint Accounts,

including interest payable on such assets invested in the Joint Accounts.

7. AEFC will administer the investment of the cash balances in and operation of the Joint Accounts as part of its duties under the general terms of each Participant's existing or any future investment management agreement and will not collect any additional or separate fees for the management of the Joint Accounts.

8. The administration of the Joint Accounts will be within the fidelity bond coverage required by section 17(g) of the Act and rule 17g-1 under the Act.

9. The board of directors or trustees of each Investment Company (the "Board") participating in a Joint Account will adopt procedures pursuant to which the Joint Account will operate. The procedures will be consistent with the requirements of the application and no change shall be made in the procedures without prior approval of the Board. AEFC will be responsible for operating the Joint Account in accordance with such procedures and shall provide to the Board such reports as are necessary for the Board to determine that the procedures have been followed. In addition, each Board will determine, no less frequently than annually, that the Joint Accounts have been operated in accordance with the procedures adopted and will only permit an Investment Company to continue to participate therein if it determines that there is a reasonable likelihood that the Investment Company and its shareholders will benefit from continued participation.

10. All assets held in the Joint Accounts will be valued on an amortized cost basis to the extent permitted by applicable SEC releases, rules or orders.

11. Each Participant valuing its net assets in reliance on rule 2a-7 under the Act will use the average maturity of the instruments in the Joint Accounts in which such Participant has an interest (determined on a dollar weighted basis) for the purpose of computing its average portfolio maturity with respect to its portion of the assets held in a Joint Account on that day.

12. Every Participant in the Joint Accounts will not necessarily have its cash invested in every Short Term Investment. However, to the extent that a Participant's cash is applied to a particular Short Term Investment, the Participant will participate in and own its proportionate share of such Short Term Investment, and any income earned or accrued thereon, based upon the percentage of such investment purchased with money contributed by the Participant.

13. Each Short Term Investment held in a Joint Account generally will be held to maturity, except if: (i) AEFC believes the investment no longer presents minimal credit risks; (ii) the investment no longer satisfies the investment criteria of all Participants in the investment because of a credit downgrade or otherwise; or (iii) the counterparty to a repurchase agreement defaults. AEFC may, however, sell any Short Term Investment (or any fractional portion thereof) on behalf of some or all Participants prior to the maturity of the Short Term Investment if the cost of such transaction will be borne solely by the selling Participants and the transaction will not adversely affect other Participants participating in that Joint Account. In no case will an early termination by less than all Participants be permitted if it would reduce the principal amount or yield received by other Participants in a particular Joint Account or otherwise adversely affect the other Participants. Each Participant in a Joint Account will be deemed to have consented to such sale and partition of the investment in the Joint Account.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 99-19224 Filed 7-27-99; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23916; 812-11542]

Nuveen Unit Trusts and John Nuveen & Co., Inc.; Notice of Application

July 21, 1999.

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

ACTION: Notice of an application under section 12(d)(1)(J) of the Investment Company Act of 1940 (the "Act") for an exemption from section 12(d)(1) of the Act, and under sections 6(c) and 17(b) of the Act for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants Nuveen Unit Trusts ("Trust") and John Nuveen & Co., Inc. (the "Sponsor") request an order (a) under section 12(d)(1)(J) of the Act that would permit each series of the Trust and any future trusts sponsored by the Sponsor ("Series") to offer its shares to the public with a sales load that exceeds the 1.5% limit of section 12(d)(1)(F)(ii) and

(b) under sections 6(c) and 17(b) of the Act for an exemption from section 17(a) of the Act to permit the Trust to invest in affiliated registered investment companies within the limits of section 12(d)(1)(F) of the Act.

APPLICANTS: Nuveen Unit Trusts and John Nuveen & Co., Inc.

FILING DATES: The application was filed on December 4, 1998, and amended on June 16, 1999.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on August 16, 1999 and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 5th Street NW, Washington, DC 20549-0609. Applicants, 333 West Wacker Drive, Chicago, IL 60606.

FOR FURTHER INFORMATION CONTACT: Janet M. Grossnickle, Attorney-Adviser, at (202) 942-0526, or Mary Kay Frech, Branch Chief at (202) 942-0564, Office of Investment Company Regulation, Division of Investment Management.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 5th Street NW, Washington, DC 20549-0102 (tel. 202-942-8090).

Applicants' Representations

1. The Trust is a unit investment trust ("UIT") registered under the Act. The Sponsor, a broker-dealer registered under the Securities Exchange Act of 1934 and member of the National Association of Securities Dealers, Inc. ("NASD"), is the sponsor for each Series. Each Series will be created under state law pursuant to a trust agreement that will contain information specific to that Series, and will incorporate by reference a master trust agreement between the Sponsor and a financial institution that satisfies the criteria in section 26(a) of the Act (the "Trustee"). The trust agreement and the master trust agreement are referred to collectively as the "Trust Agreement."

2. Each Series will contain a portfolio of shares of registered investment companies or series thereof (the "Funds"). Applicants anticipate that certain of the Funds selected may be advised and/or distributed by the Sponsor or one of its affiliates ("Affiliated Funds"). However, applicants anticipate that most of the Funds selected will be unaffiliated with the Sponsor ("Unaffiliated Funds"). Applicants state that the Trust's investments in Affiliated Funds and Unaffiliated Funds will comply with section 12(d)(1)(F) of the Act in all respects except for the sales load restriction in section 12(d)(1)(F)(ii). Applicants believe that the proposed structure of the Series will provide investors with a cost-effective means of investing in a diversified pool of securities of registered investment companies that has been professionally selected by the Sponsor.

3. Each of the Funds will be registered as a closed-end investment company, an open-end investment company, or a UIT. In addition, certain of the Funds may be either an open-end investment company or a UIT that has received exemptive relief under the Act to sell its shares at negotiated prices on an exchange ("Exchange Funds"). The shares of the Funds will be deposited in each Series at net asset value,¹ or, if the Fund shares are listed on a national securities exchange or traded on the Nasdaq National Market System ("Nasdaq-NMS"), at their market value.² Market value will be determined by an evaluator, and will be based on the closing sale prices (or, if unavailable, the closing ask prices) for the securities traded on an exchange or on the Nasdaq-NMS.

4. Simultaneously with the deposit of Fund shares into a Series, the Trustee will deliver to the Sponsor registered certificates for units ("Units") that represent the entire ownership of the Series. During the initial public offering, these Units will be offered at prices based on the aggregate underlying value of the Fund shares, plus a sales charge. The sales charge (either a front end or a deferred sales load, or a combination thereof)³ shall not, when aggregated

¹ Funds eligible for inclusion in a Series will either be no-load Funds or Funds which, although they offer shares with a front-end sales charge to the public, agree to waive any otherwise applicable front-end sales load with respect to all shares sold or deposited in any Series.

² Applicants state that a Series will purchase and sell shares of Exchange Funds through market transactions on a securities exchange or on the Nasdaq-NMS.

³ The Trust has received exemptive relief to assess a sales load on a deferred basis. See *John*