

CFR 270.30e-2] require registered unit investment trusts ("UITs") that invest substantially all of their assets in securities of a management investment company<sup>2</sup> ("fund") to send to shareholders at least semi-annually a report containing certain financial statements and other information. Specifically, rule 30e-2 requires that the report contain the financial statements and other information that rule 30e-1 under the Act [17 CFR 270.30e-1] requires to be included in the report of the underlying fund for the same fiscal period. Rule 30e-1 requires that the underlying fund's report contain, among other things, the financial statements and other information that is required to be included in such report by the fund's registration form. Preparing and sending the above-described reports under rule 30e-2 are collections of information under the Paperwork Reduction Act.

Rule 30e-2, however, permits, under certain conditions, delivery of a single shareholder report to investors who share an address ("householding"). The purpose of the householding provisions of the rule is to reduce the amount of duplicative reports delivered to investors sharing the same address. Specifically, rule 30e-2 permits householding of annual and semi-annual reports by UITs to satisfy the delivery requirements of rule 30e-2 if, in addition to the other conditions set forth in the rule, the UIT has obtained from each applicable investor written or implied consent to the householding of shareholder reports at such address. The rule requires UITs that wish to household shareholder reports with implied consent to send a notice to each applicable investor stating that the investors in the household will receive one report in the future unless the investors provide contrary instructions. In addition, at least once a year, UITs relying on the rule for householding must explain to investors who have provided written or implied consent how they can revoke their consent. Preparing and sending the initial notice and the annual explanation of the right to revoke consent are collections of information under the Paperwork Reduction Act.

The purpose of the requirement that UITs that invest substantially all of their

assets in securities of a fund transmit to shareholders at least semi-annually reports containing financial statements and certain other information is to apprise current shareholders of the operational and financial condition of the UIT. Absent the requirement to disclose all material information in reports, investors would be unable to obtain accurate information upon which to base investment decisions and consumer confidence in the securities industry might be adversely affected. Requiring the submission of these reports to the Commission permits us to verify compliance with securities law requirements.

The purpose of the notice and annual explanation requirements associated with the householding provisions of the rule is to ensure that investors who wish to receive individual copies of shareholder reports are able to do so.

The Commission estimates that as of April 2003, approximately 733 UITs were subject to the provisions of rule 30e-2. The Commission further estimates that the annual burden associated with rule 30e-2 is 121 hours for each UIT, including an estimated 20 hours associated with the notice requirement for householding and an estimated 1 hour associated with the explanation of the right to revoke consent to householding, for a total of 88,693 burden hours.

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

In addition to the burden hours, the Commission estimates that the cost of contracting for outside services associated with complying with rule 30e-2 is \$12,000 per respondent (80 hours times \$150 per hour for independent auditor services), for a total of \$8,796,000 (\$12,000 per respondent times 733 respondents).

An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid control number.

Please direct general comments regarding the above information to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503; and (ii) R. Corey Booth, Director/Chief Information Officer, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW.,

Washington, DC 20549. Comments must be submitted to OMB within 30 days after this notice.

Dated: February 2, 2004.

**Margaret H. McFarland,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

**[Investment Company Act Release No. 26346; 812-12610]**

### FFTW Funds, Inc. et al.; Notice of Application

February 4, 2004.

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

**ACTION:** Notice of an application under section 12(d)(1)(J) of the Investment Company Act of 1940 ("Act") for an exemption from section 12(d)(1)(G)(i)(II) of the Act.

**SUMMARY OF APPLICATION:** Applicants request an order to permit funds of funds relying on section 12(d)(1)(G) of the Act to invest in securities and other financial instruments.

**APPLICANTS:** FFTW Funds, Inc. (the "Fund") and Fischer Francis Trees & Watts, Inc. (the "Manager").

**FILING DATES:** The application was filed on August 15, 2001, and amended on February 3, 2004.

**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 applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on March 1, 2004, 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 Commission's Secretary.

**ADDRESSES:** Secretary, Commission, 450 5th Street, NW., Washington, DC 20549-0609; Applicants, c/o Robin Meister, Chief Risk and Legal Officer, Fischer Francis Trees & Watts, Inc., 200 Park Ave., New York, NY 10166.

**FOR FURTHER INFORMATION CONTACT:** Marilyn Mann, Senior Counsel, at (202) 942-0582, or Mary Kay Frech, Branch

Rel. No. 7932; Exchange Act Rel. No. 43786; Investment Company Act Rel. No. 24816 (Jan. 2, 2001) [66 FR 3734 (Jan. 16, 2001)].

<sup>2</sup>Management investment companies are defined in section 4(3) of the Investment Company Act as any investment company other than a face-amount certificate company or a unit investment trust, as those terms are defined in sections 4(1) and 4(2) of the Investment Company Act. See 15 U.S.C. 80a-4.

Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

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

#### Applicants' Representations

1. The Fund is registered under the Act as an open-end management investment company and is organized as a Maryland corporation. The Fund consists of the following nine active portfolios ("Portfolios"): U.S. Short-Term Portfolio, Limited Duration Portfolio, Mortgage-Backed Portfolio, Worldwide Portfolio, Worldwide Core Portfolio, International Portfolio, Emerging Markets Portfolio, U.S. Inflation-Indexed Portfolio, and Global Inflation-Indexed Hedged Portfolio. It is expected that Worldwide Portfolio, Worldwide Core Portfolio, International Portfolio and Limited Duration Portfolio (the "Acquiring Portfolios") would each acquire shares of one or more of the following Portfolios: U.S. Short-Term Portfolio, Emerging Markets Portfolio, Mortgage-Backed Portfolio, U.S. Inflation-Indexed Portfolio and Global Inflation-Indexed Hedged Portfolio (the "Underlying Funds"). The Acquiring Portfolios would also invest in certain debt and equity securities or other financial instruments ("Other Securities").<sup>1</sup>

2. The Manager is registered as an investment adviser under the Investment Advisers Act of 1940, and is a wholly-owned subsidiary of Charter Atlantic Corporation. The Manager serves as investment adviser for each Portfolio. Applicants request that each registered open-end management investment company, or series thereof, that, currently or in the future, is part of the same "group of investment companies" as the Fund, as defined in section 12(d)(1)(G)(ii) of the Act, and is advised by the Manager or any entity controlling, controlled by or under common control with the Manager, be permitted to rely on the order (included in the terms "Acquiring Portfolios" and "Underlying Funds").

3. Applicants believe that the proposed structure will provide a more efficient way for each Acquiring Portfolio to allocate investment risk of portions of a particular index by

investing a portion of its assets in an Underlying Fund that focuses on that asset class.<sup>2</sup>

#### Applicants' Legal Analysis

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

2. Section 12(d)(1)(G) of the Act provides that section 12(d)(1) will not apply to securities of an acquired company purchased by an acquiring company if: (i) the acquiring company and the acquired company are part of the same group of investment companies; (ii) the acquiring company holds only securities of acquired companies that are part of the same group of investment companies, government securities, and short-term paper; (iii) the aggregate sales loads and distribution-related fees of the acquiring company and the acquired company are not excessive under rules adopted pursuant to section 22(b) or section 22(c) of the Act by a securities association registered under section 15A of the Securities Exchange Act of 1934 or by the Commission; and (iv) the acquired company has a policy that prohibits it from acquiring securities of registered open-end management investment companies or registered unit investment trusts in reliance on section 12(d)(1)(F) or (G). Applicants state that the proposed arrangement would

comply with the provisions of section 12(d)(1)(G), but for the fact that each Acquiring Portfolio may invest a portion of its assets directly in securities other than those specified in section 12(d)(1)(G)(i)(II).

3. Section 12(d)(1)(F) of the Act provides that the Commission may exempt persons or transactions from any provision of section 12(d)(1) if, and to the extent that, the exemption is consistent with the public interest and the protection of investors. Applicants request an order under section 12(d)(1)(F) exempting them from section 12(d)(1)(G)(i)(II). Applicants assert that permitting the Acquiring Portfolios to invest in Other Securities as described in the application would not raise any of the concerns that the requirements of section 12(d)(1)(G) were designed to address.

#### Applicants' Conditions

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

1. Before approving any advisory contract under section 15 of the Act, the board of directors of the Fund, with respect to an Acquiring Portfolio, including a majority of the directors who are not "interested persons" as defined in section 2(a)(19) of the Act, will find that advisory fees, if any, charged under the contract to the Acquiring Portfolio are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to any Underlying Fund's advisory contract. Such finding, and the basis upon which it was made, will be recorded fully in the minute books of the Acquiring Portfolio.

2. Applicants will comply with all provisions of section 12(d)(1)(G), except for section 12(d)(1)(G)(i)(II) to the extent that it restricts any Acquiring Portfolio from investing in Other Securities as described in the application.

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

**Margaret H. McFarland,**  
*Deputy Secretary.*

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<sup>1</sup> These investments will not include shares of any registered investment companies that are not in the same group of investment companies as the Acquiring Portfolios.

<sup>2</sup> Applicants state that in the event an Underlying Fund is organized in a master-feeder structure, the Acquiring Portfolio would not invest in shares of the feeder fund, but in shares of the master portfolio. In all such cases, the master portfolio would be part of the same group of investment companies as the Acquiring Portfolio. Such master portfolio is included in the term Underlying Fund. All existing entities that currently intend to rely on the order are named as applicants. Any Acquiring Portfolio and any Underlying Fund that may rely on the order in the future will do so only in accordance with the terms and conditions of the application.