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Rule
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March 18, 1985

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Attention: Ms. Stephanie M. Monaco

Re: Drexel Series Trust - Government Securities Series (File No. 2-93538)

Gentlemen:

Drexel Series Trust (the "Trust") is an open-end, series investment company registered under the Investment Company Act of 1940, as amended (the "Act"). It was established as a business trust under the laws of the Commonwealth of Massachusetts by an Agreement and Declaration of Trust, dated September 20, 1984, as amended and restated November 26, 1984.

The Trust currently is offering shares in the following six investment portfolios ("Series"): (1) the Money Market Series, which seeks maximum current income consistent with the preservation of principal by investing in one or more types of money market instruments; (2) the Government Securities Series, which seeks a high current return by investing primarily in U.S. Government and agency securities; (3) the Bond-Debenture Series, which seeks a high rate of total return from interest income and trading activity, from a portfolio consisting principally of debt securities; (4) the Growth Series, which seeks maximum capital appreciation by investing in a diversified portfolio of common stocks and securities convertible into or exchangeable for common stocks; (5) the Emerging Growth Series, which seeks long-term capital appreciation by investing in a diversified portfolio of common stocks, or securities convertible into or exchangeable for common stocks, primarily of companies in the early stages of their development; and (6) the Option Series, which seeks a consistent high level of income by investing primarily in dividend-paying common stocks and writing listed covered call options on its portfolio securities.

A further description of the Trust and the investment policies of each Series may be found in the Prospectus and Statement of Additional Information, dated January 30, 1985, and supplements to such Prospectus and Statement of Additional Information, dated February 15, 1985, enclosed herewith. The Trust is advised by Drexel Management Corporation. Drexel Burnham Lambert Incorporated is the distributor of the Trust's shares.

Five of the six Series of the Trust currently do not intend to engage in futures and related options transactions. Subject to receipt of appropriate regulatory relief, the Government Securities Series intends to purchase and sell interest rate futures contracts, and purchase and sell (write) put and call options on futures contracts, as a means of hedging against changes in interest rates.

The Trust is seeking a no-action position from the Division of Trading and Markets that it will not recommend that the Commodity Futures Trading Commission (the "CFTC") take any enforcement action against the Trust if it does not register as a commodity pool operator ("CPO"), as defined in Section 2(a)(1)(A) of the Commodity Exchange Act, as amended ("CEA"), or does not comply with the provisions of Subpart B of Part 4 of the CFTC's regulations.

We are also seeking that the Division of Investment Management will not recommend that the Securities and Exchange Commission (the "Commission") take any enforcement action against the Trust under the provisions of Sections 18(f)(1) and 17(f) of the Act with respect to the Government Securities Series' proposed transactions in futures contracts and related options.

Unlike when the Government Securities Series purchases or sells a security, no consideration is paid or received by the Series upon the purchase or sale of a futures contract or upon the sale of a related put or call option. Initially, the Series will be required to deposit, for the account and in the name of the broker, in a segregated account with The Bank of New York, its Custodian, an amount of cash or United States Treasury bills equal to approximately 1-1/2% of the futures contract amount or, upon the sale of a related put or call option, the amount of the option premium plus a specific dollar amount for each written put or call option. This amount is known as initial margin. The nature of initial margin in futures transactions and in written options on futures is different from that of margin in security transactions in that futures contract and written options margin does not involve the borrowing of funds by the customer to finance the transactions. The initial margin is in the nature of a performance bond or good faith deposit on the contract which is returned to the Series upon termination of the futures contract, assuming all contractual obligations have been satisfied, or upon the closing of written put or call options. Subsequent payments, called maintenance margin, to and from the broker, a process known as "marking to market," will be made on a daily basis as the price of the underlying debt security fluctuates, thereby making the long and short positions in the futures contract more or less valuable or as the price of the written put or call option fluctuates. Maintenance margin does not represent a borrowing of or loan by the Series but is instead the daily settlement between the Series and the broker of the amount one would owe the other if on such day the contract expired or if the written option were exercised. The broker has access to the amount of initial margin on deposit only if the Series defaults in making payments of variation margin, and only after notice given by the broker to the Series accompanied by the broker's statement to the Custodian that all conditions precedent to its rights to reach initial margin have been satisfied.

The Trust undertakes that, on the occasions that the Government Securities Series has the right to receive maintenance margin payments from the broker, it will promptly demand payment by the broker of such amounts upon notification by the broker that such amounts are payable. Any such funds received by the Series will be held by its Custodian. At any time prior to expiration of the futures contract or the written option or the exercise of the written option, the Series may elect to close the position by taking an opposite position, which will operate to terminate the Series' position in the futures contract or the written option. A final determination of maintenance margin will then be made, and if additional cash is required to be paid by or released to the Series, the Series will realize a loss or a gain.

The Series also intends to purchase call and put options on futures contracts which are traded on a United States exchange or board of trade and may sell such options to terminate an existing position.

The Trust's futures and related options contracts are governed by the terms and conditions of such contracts determined by the exchanges on which such contracts are traded, and its futures and related option positions are evidenced by confirmations of transactions received from the executing broker. The Trust undertakes that its Custodian will have copies of such exchange terms and conditions and that its Custodian will have possession of such confirmations.

The Trust represents that, in connection with its request to the CFTC that such agency not take any enforcement action against the Trust for failure to register as a commodity pool operator ("CPO") or failure to comply with the provisions of Subpart B of Part 4 of the CFTC regulations, it has undertaken that its sales of futures contracts will be solely for purposes of protecting the Government Securities Series against declines in value. The Trust will not engage in transactions in futures contracts or related options for speculation but only as a hedge against changes resulting from market conditions in the values of debt securities held in the Trust's portfolio or which it intends to purchase. The Trust has undertaken that the Government Securities Series may not enter into futures contracts or related options if immediately thereafter the aggregate value of all obligations underlying futures contracts and related options exceeds 30% of the Series' net assets. In addition, the Series may not purchase or sell futures contracts or purchase or sell related options (other than offsetting existing positions) if immediately thereafter the sum of the amount of initial margin deposits on futures contracts and related options and premiums paid for related options would exceed 5% of the market value of the Series' total assets. In instances involving the purchase of futures contracts or the writing of put options thereon by the Series, an amount of cash and appropriate high grade debt obligations, equal to the market value of the futures contracts and options (less any related margin deposits), will be deposited in a segregated account with its Custodian to collateralize the position and thereby insure that the use of such futures contracts and options is unleveraged. Such segregated assets will not be used to support any other transactions in which the Series may engage. The restrictions on and collateralization of futures contracts and related options makes the use of such futures and related options consistent with reverse repurchase agreements, standby commitments and other similar arrangements discussed in Investment Company Act Release No. 10666 (April 18, 1979) ("Release 10666").

If, as assumed in previous interpretive releases, the Commission has jurisdiction over leveraged investments of registered investment companies generally pursuant to Section 18 of the Act, a futures contract or the sale of a related option may, because of the Trust's contingent obligation to pay maintenance margin during the life of the contract, be deemed to constitute a "senior security" as defined in Section 18(g) of the Act, for the purpose of Section 18(f). Since such an obligation would not run to a bank, the purchase or sale of a futures contract or the sale of a related option thereon by the Trust may be deemed to constitute the issuance of a senior security by the Trust in violation of Section 18(f)(1) of the Act. In addition, to the extent that maintenance margin payments to the Trust in connection with a financial futures contract or the sale of a related option are held overnight by a broker, the Trust may be unable to comply with the provisions of Section 17(f) of the Act.

In support of this requested "no-action" letter, the Trust believes that futures contracts and related options are not "securities" for the purpose of the Act, and thus, such contracts and options cannot constitute "senior securities" under Section 18(g) or be subject to regulation under Section 18(f)(1). Furthermore, even if such contracts and options are considered to be senior securities under the Act, the proposed use by and limitations on the Trust with respect to such contracts and options do not give rise to the speculative abuses which Section 18(f)(1) was designed to prevent. The limitations on the Trust's use of such contracts and options and the requirement, in connection with the purchase of futures contracts or the writing of put options thereon, that the Trust deposit in a segregated account with its Custodian cash or appropriate high grade debt obligations equal to the fluctuating market value of the futures contracts and options (less any related margin deposits) are, in fact, consistent with the procedures set forth in Release 10666 to minimize the speculative aspects of the leverage investments which were the subject of Release 10666.

The Trust does not believe that futures contracts and related options are "securities" or that the legislative intent of the term "similar investments" reaches such contracts and options. In addition, the Trust believes the agreement among the Trust, its Custodian and broker, pursuant to which the Trust's margin deposits will be held by the Custodian subject to disposition by the broker in accordance with the CFTC rules and the rules of the applicable commodities exchange, will be consistent with the provisions of Section 17(f).

Subject to the receipt of appropriate regulatory relief from the CFTC described above, the Trust requests your advice to the effect that the Division of Investment Management would not recommend enforcement action to the Commission under the provisions of Section 18(f)(1) and 17(f) of the Act with respect to the Government Securities Series' proposed transactions in futures contracts and related options.

Please contact the undersigned or Paul S. Schreiber of this office, collect, at (212) 715-9100 for any information that would assist your review with respect to the foregoing.

Kindly acknowledge receipt of this letter by signing the enclosed copy and returning it in the self-addressed, stamped envelope which has been provided for that purpose.

Very truly yours,

Nancy A. Petranto

Nancy A. Petranto

PUBLIC

MAR 26 1985

Our Ref. No. 85-134-CC
Drexel Series Trust -
Government Securities Series
File No. 811-4116

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

We would not recommend that the Commission take any enforcement action under sections 17(f) and 18(f) of the Investment Company Act of 1940 against the Drexel Series Trust - Government Securities Series ("Series") if the Series proceeds as described in your letter of March 18, 1985. Our postion is based on the facts and representations contained in your letter and on the oral representation made by Nancy Petranto of your office to me on March 26, 1985, that all references to "Series" in the letter refers to the Government Securities Series and not to the Drexel Series Trust's six investment portfolios.

Stephanie M. Monaco

Stephanie M. Monaco
Attorney