

Applicant asserts that the legislative history of section 15(f) indicates that Congress intended the SEC to deal flexibly with situations where the imposition of the 75 percent requirement might pose an unnecessary obstacle or burden on a fund. Applicant also states that section 15(f)(1)(A) was designed primarily to address the types of biases and conflicts of interest that might exist where the board of an investment company is influenced by a substantial number of interested directors to approve a transaction because the directors have an economic interest in the adviser. Because these circumstances do not exist in the present case, applicant believes that the SEC should be willing to exercise flexibility.

Applicant's Condition

Applicant agrees that any order of the SEC granting the requested relief with respect to a particular Company will be subject to the following condition:

If, within three years of the completion of the Transaction, it becomes necessary to replace any director of the Company, that director will be replaced by a director who is not an "interested person" of SBAM or SBAM Limited within the meaning of section 2(a)(19)(B) of the Act, unless at least 75% of the directors at that time, after giving effect to the order granted pursuant to the application, are not interested persons of SBAM or SBAM Limited, provided that this condition will not preclude replacements with or additions of directors who are interested persons of SBAM or SBAM Limited solely by reason of being affiliated persons of brokers or dealers who are affiliated persons of another investment adviser to a Company, provided that the brokers or dealers are not affiliated persons of SBAM or SBAM Limited.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-29471 Filed 11-6-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39291]

Order Denying Exemption From Broker-Dealer Registration to Investors Direct Empowerment Association, Inc.

November 3, 1997.

AGENCY: Securities and Exchange Commission.

ACTION: Denial of exemption.

SUMMARY: The Securities and Exchange Commission is denying an exemption from broker-dealer registration pursuant

to Section 15(a) of the Securities Exchange Act of 1934 to Investors Direct Empowerment Association, Inc.

FOR FURTHER INFORMATION CONTACT: Catherine McGuire, Chief Counsel, or Lourdes Gonzalez, Special Counsel, (202) 942-0073, Office of Chief Counsel, Division of Market Regulation, Mail Stop 5-10, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549.

SUPPLEMENTARY INFORMATION:

I. Background

Investors Direct Empowerment Association, Inc. ("IDEA"), a not-for-profit corporation, has requested an exemption, pursuant to Section 15(a)(2) of the Securities Exchange Act of 1934 ("Exchange Act"), from the broker-dealer registration requirement of Section 15(a)(1) of the Exchange Act.

Under IDEA's proposed program, IDEA would purchase one share of stock from various corporations with dividend reinvestment and stock purchase plans ("DRSPPs") and then would join each corporation's DRSP. An investor interested in joining a corporation's DRSP would send funds to IDEA, made payable to an unaffiliated escrow agent, for the purchase of specified securities. IDEA would aggregate investors' funds, then forward them to the appropriate DRSP to purchase shares of that corporation in IDEA's name as nominee. IDEA then would allocate the shares purchased among participating investors. IDEA would charge a fee per order received.

IDEA maintains that its proposed program is similar to a program operated since 1979 by another not-for-profit corporation, the National Association of Investors Corporation (formerly the National Association of Investment Clubs) ("NAIC"), for which the Commission granted an exemption pursuant to Section 15(a)(2) of the Exchange Act. In granting the NAIC's exemption in 1979, the Commission stated that "it would be in the public interest to grant the NAIC a conditional exemption with respect to registration as a broker or dealer. The NAIC proposes to offer brokerage services to a potentially large number of customers through an unusual and novel program."¹

II. Discussion

The Commission cannot find that exempting IDEA from the broker-dealer registration requirement would be consistent with the public interest and the protection of investors. Although

¹ See *Letter re the National Association of Investment Clubs* (June 1, 1979).

IDEA's goal of providing small investors with a means of buying securities at fees lower than those charged by broker-dealers is laudable, IDEA's proposed program presents significant investor protection concerns. These concerns are among the primary reasons the Exchange Act normally requires broker-dealer registration. In particular, IDEA's control over investors' funds and securities would expose investors to the same types of risks as those inherent in dealing with a registered broker-dealer. IDEA's status as a not-for-profit corporation does not mitigate these concerns.

While only a limited number of DRSPs currently permit direct investment by first time investors, this number is increasing rapidly. In response to investor concerns with respect to T+3 settlement, the Commission took several steps in December 1994 to permit investors to buy securities directly from issuers through "open availability" direct registration programs and to permit investors to leave these securities with transfer agents.² These initiatives were designed, in part, to facilitate investors' access to issuer DRSPs. IDEA's program, therefore, is not so unusual or novel, and does not present any other compelling justifications, as to mitigate the investor protection concerns raised by IDEA's handling of investors' funds and securities.

It is therefore ordered, pursuant to Section 15(a)(2) of the Exchange Act, that IDEA's request for an exemption from broker-dealer registration pursuant to Section 15(a)(1) of the Exchange Act is denied.

By the Commission.

Jonathan G. Katz,

Secretary.

[FR Doc. 97-29419 Filed 11-6-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-22870]

Notice of Applications for Deregistration Under Section 8(f) of the Investment Company Act of 1940

October 31, 1997.

The following is a notice of applications for deregistration under section 8(f) of the Investment Company

² Securities Exchange Act Release No. 35058 (December 1, 1994); Securities Exchange Act Release No. 35040 (December 1, 1994); *Letter re: The Securities Transfer Association* (December 1, 1994); *Letter re: First Chicago Trust Company of New York* (December 1, 1994).