Justification: This deferral withholds funds available for international assistance pending the development of country-specific plans that assure that aid is provided in an efficient manner. Funds also are reserved for unanticipated program needs. This action is taken pursuant to the Antideficiency Act (31 U.S.C. 1512).

The President is authorized by the Foreign Assistance Act of 1961, as amended, to furnish assistance to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability. Section 531(b) of the Act makes the Secretary of State, in cooperation with the Administrator of the Agency for International Development, responsible for policy decisions and justifications for economic support programs, including whether there will be an economic support program for a country and the amount of the program for each country. This deferral of funds for the Economic Support Fund has no effect on the availability of funds for the International Fund for Ireland.

Estimated programmatic effect: None.

Deferral No. D99–3

Deferral of Budget Authority

Report Pursuant to Section 1013 of P.L. 93–344

Agency: International Assistance Programs.

Bureau: Agency for International Development.

Account: International disaster assistance [1] (72X1035).

New budget authority: $200,000,000.
Other budgetary resources: $14,000,000.
Total budgetary resources: $214,000,000.
Amount deferred for entire year: [2] $185,000,000

Justification: The International disaster assistance account allows the President to respond to humanitarian disaster relief efforts throughout the world.

These funds have been deferred pending the development of country-specific plans to ensure that aid is provided in an efficient manner to those most in need. This deferral action is taken under the provisions of the Antideficiency Act (31 U.S.C. 1512).

Estimated programmatic effect: None.

[FR Doc. 99–3185 Filed 2–9–99; 8:45 am]

BILLING CODE 3110–01–P

[1] This account was the subject of a similar deferral in FY 1998 (D98–6).

[2] Subsequent releases have reduced the amount deferred to $92,000,000.

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23679; 812–11056]

The Charles Schwab Family of Funds, et al.; Notice of Application

February 4, 1999.

AGENCY: Securities and Exchange Commission (SEC).

ACTION: Notice of an application for an order pursuant to section 17(d) of the Investment Company Act of 1940 (''Act''') and rule 17d–1 under the Act.

SUMMARY OF THE APPLICATION: Applicants request an order to permit certain registered management investment companies to deposit their uninvested cash balances, cash held for investment purposes, and cash collateral from securities lending transactions into one or more joint accounts to be used to enter into short-term investments.

APPLICANTS: The Charles Schwab Family of Funds (''Family of Funds''), Schwab Investments (''Investments''), Schwab Capital Trust (''Capital Trust''), and Schwab Annuity Portfolios (''Annuity Portfolios'') (each a ''Trust'' and collectively, the ''Trusts''); and Charles Schwab Investment Management, Inc. (''Investment Manager'').

FILING DATES: The application was filed on March 9, 1998 and was amended on October 16, 1998 and February 1, 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 Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on March 1, 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 by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC. 20549. Applicants, Attn: Koji Felton, 101 Montgomery Street, San Francisco, CA 94104.

FOR FURTHER INFORMATION CONTACT: Rachel H. Graham, Senior Counsel, at (202) 942–0583, or Christine Y. Greenlees, Branch 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 from the SEC's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549 (telephone (202) 942–8090).

Applicants' Representations

1. The Trusts are open-end management investment companies registered under the Act. Each Trust currently offers multiple series (each a ''Fund'' and, collectively, the ''Funds''). The assets of the Funds are held by two bank custodians, neither of which is an affiliated person of any of the Funds or of the Investment Manager.

2. The Investment Manager is registered under the Investment Advisers Act of 1940 and serves as investment adviser for each of the Funds. The Investment Manager is a wholly-owned subsidiary of the Charles Schwab Corporation.

3. Applicants request that any relief granted pursuant to the application also apply to (i) future series of the Trusts and (ii) all other registered management investment companies for which the Investment Manager (or a person controlling, controlled by, or under common control with the Investment Manager) may now or in the future act as investment adviser (collectively, the ''Future Funds'').[1]

4. At the end of each trading day, each Fund has, or may have, uninvested cash balances representing proceeds from sales of portfolio securities and/or cash awaiting investment (''Cash Balances''). The Cash Balance of each Fund is invested by the Investment Manager in short-term investments authorized by the Fund's investment policies. Currently, the Investment Manager must make these investments separately on behalf of each Fund. Applicants assert that these separate purchases result in certain inefficiencies, a limitation on the return that some or all of the Funds could otherwise achieve, and higher costs.

5. Several of the Funds are authorized to engage in securities lending transactions, for which the Funds. custodians may serve as lending agent. In connection with these transactions, the Funds may receive collateral in the form of either cash (''Cash Collateral'') or certain securities. When Cash Collateral is received, it is expected to be invested in a manner consistent with (i) the Fund's investment objectives and

[1] Each Fund that currently intends to rely on the requested order is named as an applicant. Any Future Fund that relies on the requested relief will do so only in compliance with the terms and conditions of the application.

restrictions and (ii) SEC and staff guidelines concerning the investment of Cash Collateral.

6. Applicants propose that the Funds establish joint accounts (''Joint Accounts'') with one or both of the Funds' custodians into which the Funds may deposit some or all of their Cash Balances and Cash Collateral. The daily balances in the Joint Accounts would be invested in: (1) Repurchase agreements ''collateralized fully,'' as defined in rule 2a–7 under the Act; (ii) interest-bearing or discounted commercial paper, including dollar-denominated commercial paper of foreign issuers; and (iii) any other short-term taxable or tax-exempt money market instruments, including variable rate demand notes, that constitute ''eligible securities,'' as defined in rule 2a–7 under the Act (collectively, ''Short-Term Investments'').

7. Any repurchase agreements entered into through the Joint Accounts will comply with the terms of Investment Company Act Release No. 13005 (Feb. 2, 1983). The participating Funds will not enter into ''hold-in-custody'' repurchase agreements in which the counterparty or one of its affiliated persons may have possession of, or control over, the collateral subject to the agreement except in instances when cash is received very late in the business day or would otherwise be unavailable for investment.

8. Applicants acknowledge that they have a continuing obligation to monitor the SEC's and the staff's published statements on repurchase agreements, and they represent that repurchase agreement transactions entered into through a Joint Account will comply with future positions of the SEC and the staff to the extent that such positions set forth different or additional requirements regarding repurchase agreements. In the event that the SEC or the staff sets forth guidelines with respect to other Short-Term Investments, all such investments made through the Joint Accounts will comply with those guidelines. All purchases through the Joint Accounts also will comply with all present and future SEC and staff positions concerning the investment of Cash Collateral in connection with securities lending activities.

9. Each Fund's decision to invest through a Joint Account would be based on the same factors as its decision to make any other short-term liquid investment consistent with its investment objectives, policies, and restrictions. The Joint Accounts will only be used to aggregate what otherwise would be one or more daily transactions by some or all participating Funds to manage their respective daily Cash Balances and Cash Collateral.

10. The Investment Manager will be responsible for investing the cash held in the Joint Accounts, establishing accounting and control procedures, and ensuring fair treatment of the participating Funds. The Investment manager will not charge any additional or separate fees for administering or advising the Joint Accounts and will have no monetary participation in the Joint Accounts.

Applicants' Legal Analysis

1. Section 17(d) of the Act and rule 17d–1 prohibit an affiliated person of a registered investment company, or an affiliated person of such a person, acting as principal, from participating in any joint enterprise or arrangement in which that investment company is a participant, unless the SEC has issued an order authorizing the arrangement. In determining whether the grant such an order, the SEC may consider whether to 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 such participation is on a basis different from or less advantageous than that of other participants in the arrangement.

2. Under section 2(a)(3)(C) of the Act, each Fund may be deemed to be an ''affiliated person'' of each other Fund if the Investment Manager were deemed to control each Fund. Applicants state that each Fund participating in a Joint Account and the Investment Manager, by managing that Joint Account, may be deemed to be ''joint participants'' in a transaction within the meaning of section 17(d) of the Act. Applicants further state that each Joint Account may be deemed to be a ''joint enterprise or other joint arrangement'' within the meaning of rule 17d–1.

3. Applicants assert that no Fund would be in a less favorable position than any other Fund as a result of its participation in one or more Joint Accounts. Applicants also assert that the proposed operation of the Joint Accounts will not result in any conflicts of interest among any of the Funds and the Investment Manager. Each Fund's liability on any Short-Term Investment invested in through the Joint Accounts will be limited to its interest in such Short-Term Investment.

4. Applicants state that operation of the Joint Accounts could result in certain benefits to the Fund. The Funds may earn a higher rate of return on investments through the Joint Accounts relative to the returns they could earn individually. Under most market conditions, applicants assert, it is generally possible to negotiate a rate of return on larger investments that is higher than that available on smaller investments. Applicants also contend that the enhanced purchasing power available through a Joint Account may permit the Funds to enter into Short-Term Investments with a greater number of dealers and issuers and may reduce the possibility of the Funds' Cash Balances and Cash Collateral remaining uninvested. In addition, the Joint Accounts may result in certain administrative efficiencies and lessen the potential for error by reducing the number of trade tickets and cash wires that the counterparties to each Short-Term Investment, the Funds' custodians, and the Investment Manager must process.

5. Applicants submit that the proposed Joint Accounts meet the criteria of rule 17d–1 for issuance of an order. Applicants state that although the Investment Manager may realize some benefit through administrative convenience and reduced clerical costs, the Funds would be the primary beneficiaries of the Joint Accounts.

Applicants' Conditions

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

1. One or more Joint Accounts will be established on behalf of the Funds as separate cash accounts into which a Fund may deposit daily all or a portion of its uninvested Cash Balances and Cash Collateral. The Joint Accounts may be established with one or both custodians, and more than one Joint Account may be established with either custodian. The Joint Accounts will not be distinguishable from any other accounts maintained by the Funds at their custodians except that monies from the Funds will be deposited in the Joint Accounts on a commingled basis. The Joint Accounts will not have a separate existence and will not have indicia of a separate legal entity. The sole function of the Joint Accounts will be to provide a convenient way of aggregating individual transactions that would otherwise require daily management by the Investment Manager of uninvested Cash Balances and Cash Collateral.

2. If a Fund wishes to participate in a Joint Account that will be maintained by a custodian other than its regular custodian, the Fund would appoint that custodian as its sub-custodian for the limited purpose of: (a) Receiving and disbursing cash; (b) holding any Short-Term Investments purchased by the

Joint Account; and (c) holding any collateral received from a transaction effected through the joint Account. Any Fund that appoints a sub-custodian will have taken all necessary actions to authorize that entity as its legal custodian, including all actions required under the Act.

3. Assets in the Joint Accounts will be invested in one or more of the following Short-Term Investments, as determined by the Investment Manager (or, in the case of Cash Collateral, the custodian, in its role as securities leading agent): (a) Repurchase agreements ''collateralized fully'' (as defined in rule 2a–7 under the Act); (b) interest-bearing or discounted commercial paper, including dollar-denominated commercial paper of foreign issuers; and (c) any other short-term taxable and tax-exempt money market instruments, including variable rate demand notes, that constitute ''eligible securities'' (as defined in rule 2a–7 under the Act). Short-Term Investments that are repurchase agreements would have a remaining maturity of 60 days or less and other Short-Term Investments would have a remaining maturity of 90 days or less, each as calculated in accordance with rule 2a–7 under the Act. Cash Collateral in a Joint Account would be invested in Short-Term Investments that have a remaining maturity of 397 days or less, as calculated in accordance with rule 2a–7 under the Act. No Fund will be permitted to invest in a Joint Account unless the Short-Term Investments in that Joint Account will comply with the investment policies and guidelines of that Fund.

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

5. Each participating Fund valuing its net assets in reliance on rule 2a–7 under the Act will the average maturity of the instruments in the Joint Account in which the Fund 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.

6. In order to ensure that there will be no opportunity for any Fund to use any part of a balance of a Joint Account credited to another Fund, no Fund will be allowed to create a negative balance in any Joint Account for any reason. Each Fund would be permitted to draw down its entire balance in a Joint Account at any time, provided that the Investment Manager determines that such draw-down would have no significant adverse impact on any other Fund participating in that Joint Account. Each Fund's decision to invest in a Joint Account would be solely at its option, and no Fund will be obligated to invest in a Joint Account or to maintain any minimum balance in a Joint Account. In addition, each Fund will retain the sole rights of ownership to any of its assets invested in a Joint Account, including interest payable on such assets invested in the Joint Account.

7. The Investment Manager will administer, manage, and invest the cash in the Joint Accounts in accordance with, and as part of, its duties under existing or future investment advisory contracts with the Trusts and/or the Funds and will not collect any additional or separate fee for advising any Joint Account.

8. The administration of the Joint Accounts would 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 of each Fund will adopt procedures pursuant to which the Joint Accounts will operate, which will be reasonably designed to provide that the requirements of this application will be met. Each board of directors will make and approve such changes as it deems necessary to ensure that such procedures are followed. In addition, the board of directors of each Fund will determine, no less frequently than annually, that the Joint Accounts have been operated in accordance with the adopted procedures and will only permit a Fund to continue to participate therein if it determines that there is a reasonable likelihood that the Fund and its shareholders will benefit from the Fund's continued participation.

10. Each Fund will participate in a Joint Account on the same basis as any other Fund in conformity with its respective fundamental investment objectives, policies, and restrictions. Any Future Fund that participates in a Joint Account would be required to do so on the same terms and conditions as the existing Funds.

11. Any Short-Term Investments made through the Joint Account will satisfy the investment criteria of all Funds participating in that investment.

12. Each Fund's investment in a Joint Account will be documented daily on its books and on the books of its custodian. The Investment Manager and the custodian of each participating Fund will maintain records documenting, for any given day, each Fund's aggregate investment in a Joint Account and each Fund's *pro rata* share of each investment made through such Joint Account. The records for each such Fund shall be maintained in conformity with section 31 of the Act and the rules and regulations thereunder.

13. Every Fund participating in the Joint Accounts will not necessarily have its cash invested in every Short-Term Investment. However, to the extent that a Fund's case is applied to a particular Short-Term Investment, the Fund 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 monies contributed by the Fund.

14. Short-Term Investments held in a Joint Account generally will not be sold prior to maturity unless: (a) The Investment Manager believes the investment no longer presents minimal credit risk; (b) the investment no longer satisfies the investment criteria of all Funds participating in the investment because of a credit downgrading or otherwise; or (c) in the case of a repurchase agreement, the counterparty defaults. The Investment Manager may, however, sell any Short-Term Investment (or a fractional portion thereof) on behalf of some or all participating Funds prior to the maturity of the investment if the cost of such transactions will be borne solely by the selling Funds and the transaction will not adversely affect other Funds participating in that Joint Account. In no case would an early termination by less than all participating Funds be permitted if it would reduce the principal amount or yield received by other Funds in a particular Joint Account or otherwise adversely affect the other participating Funds. Each Fund participating in a Joint Account will be deemed to have consented to such sale and partition of the investments in the Joint Account.

15. Short-Term Investments held through a Joint Account with a remaining maturity of more than seven days, as calculated pursuant to rule 2a–7 under the Act, will be considered illiquid and subject to the restriction that the Fund may not invest more than 15%, or in the case of a money market fund, more than 10% (or such other percentage as set forth by the SEC from time to time) of its net assets in illiquid securities, if the Investment manager cannot sell the instrument, or the Fund's fractional interest in such instrument, pursuant to the preceding condition.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–3175 Filed 2–9–99; 8:45 am]

BILLING CODE 8010–01–M