

in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants believe that their requested relief meets this standard for the reasons discussed below.

7. By investing in a Series, shareholders will in effect hire OFI to manage the Series' assets through monitoring and evaluation of Subadvisers rather than by hiring its own employees to directly manage assets. Applicants contend that requiring shareholder approval of Subadvisory Agreements would impose unnecessary costs and delays on the Series and may preclude OFI from acting promptly in a manner considered advisable by the Board. Applicants note that each Advisory Agreement will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that many Subadvisers charge their customers for advisory services according to a "posted" rate schedule. Applicants state that while Subadvisers are willing to negotiate fees lower than those posted in the schedule, particularly with large institutional clients, they are reluctant to do so when the fees are disclosed to other prospective and existing customers. Applicants submit that the relief will encourage Subadvisers to negotiate lower subadvisory fees with OFI, the benefits of which are likely to be passed on to the Series' shareholders.

Applicants' Conditions

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

1. OFI will provide general management and administrative services to each Series, including overall supervisory responsibility of the general management and investment of the Series' assets and, subject to review and approval of the Board, will (i) set the Series' overall investment strategies, (ii) evaluate, select and recommend Subadvisers to manage all or a portion of a Series' assets, (iii) allocate and, when appropriate, reallocate the Series' assets among multiple Subadvisers, (iv) monitor and evaluate Subadviser performance, and (v) implement procedures reasonably designed to ensure that Subadvisers comply with the relevant Series' investment objective, policies and restrictions.

2. Before a Series may rely on the order requested herein, the operation of the Series in the manner described in the application will be approved by a majority of each Series' outstanding voting securities as defined in the Act,

or, in the case of a Series whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 3 below, by the initial shareholder before such Series' shares are offered to the public.

3. The prospectus for each Series will disclose the existence, substance and effect of any order granted pursuant to the application. In addition, each Series will hold itself out to the public as employing the "Manager of Managers" structure described in the application. The prospectus will prominently disclose that OFI has ultimate responsibility, subject to oversight by the Board, to oversee the Subadvisers and recommend their hiring, termination and replacement.

4. Within ninety days of the hiring of a new Subadviser, OFI will furnish shareholders of the applicable Series all information about the new Subadviser that would be included in a proxy statement, except as modified to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of a new Subadviser. To meet this obligation, OFI will provide shareholders of the applicable Series, within ninety days of the hiring of a new Subadviser, with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the 1934 Act, except as modified by the order to permit Aggregate Fee Disclosure.

5. No trustee or officer of the Series nor director or officer of OFI will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person) any interest in a Subadviser except for (i) ownership of interests in OFI or any entity that controls, is controlled by or is under common control with OFI; or (ii) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either a Subadviser or an entity that controls, is controlled by or is under common control with a Subadviser.

6. At all times, a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be placed within the discretion of the then-existing Independent Trustees.

7. When a Subadviser change is proposed for a Series with an Affiliated Subadviser, the Series' Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the applicable Board minutes, that such change is in the best interests of

the Series and its shareholders and does not involve a conflict of interest from which OFI or the Affiliated Subadviser derives an inappropriate advantage.

8. Each Series will disclose in its registration statement the Aggregate Fee Disclosure.

9. At all times, independent counsel knowledgeable about the Act and the duties of Independent Trustees will be engaged to represent each Series' Independent Trustees. The selection of such counsel will be placed within the discretion of the Independent Trustees.

10. OFI will provide the Board, no less frequently than quarterly, with information about OFI's profitability on a per-Series basis. This information will reflect the impact on profitability of the hiring or termination of any Subadvisers during the applicable quarter.

11. When a Subadviser is hired or terminated, OFI will provide the Board with information showing the expected impact on OFI's profitability.

12. OFI will not enter into a Subadvisory Agreement with any Affiliated Subadviser without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Series.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 03-3489 Filed 2-11-03; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47319]

Order Exempting Options Specialists From Section 11(b) of the Securities Exchange Act of 1934 When Accepting Certain Types of Complex Orders

February 5, 2003.

I. Background

Section 11(b) of the Securities Exchange Act of 1934 ("Exchange Act")¹ prohibits a specialist² effecting as broker any transaction except upon a market or limited price order. Section 11(b) was designed, in part, to address potential conflicts of interest that may arise as a result of the specialist's dual

¹ 15 U.S.C. 78k(b).

² For purposes of this order, the term "specialist" includes Designated Primary Market Makers on the Chicago Board Options Exchange, Lead Market Makers on the Pacific Exchange, and Primary Market Makers on the International Securities Exchange.