

for which the subadviser does not provide investment advice.

To qualify for the exemptions in rule 17a-10, the subadvisory relationship must be the sole reason why section 17(a) prohibits the transaction. In addition, the advisory contracts of the subadviser entering into the transaction, and any subadviser that is advising the purchasing portion of the fund, must prohibit the subadvisers from consulting with each other concerning securities transactions of the fund, and limit their responsibility to providing advice with respect to discrete portions of the fund's portfolio.<sup>3</sup> Section 17(a) of the Investment Company Act of 1940 (the "Act"), generally prohibits affiliated persons of a registered investment company ("fund") from borrowing money or other property from, or selling or buying securities or other property to or from, the fund or any company that the fund controls. Section 2(a)(3) of the Act defines "affiliated person" of a fund to include its investment advisers. Rule 17a-10 permits (i) a subadviser of a fund to enter into transactions with funds the subadviser does not advise but that are affiliated persons of a fund that it does advise (*e.g.*, other funds in the fund complex), and (ii) a subadviser (and its affiliated persons) to enter into transactions and arrangements with funds the subadviser does advise, but only with respect to discrete portions of the subadvised fund for which the subadviser does not provide investment advice.

To qualify for the exemptions in rule 17a-10, the subadvisory relationship must be the sole reason why section 17(a) prohibits the transaction. In addition, the advisory contracts of the subadviser entering into the transaction, and any subadviser that is advising the purchasing portion of the fund, must prohibit the subadvisers from consulting with each other concerning securities transactions of the fund, and limit their responsibility to providing advice with respect to discrete portions of the fund's portfolio. This requirement regarding the prohibitions and limitations in advisory contracts of subadvisors relying on the rule constitutes a collection of information under the Paperwork Reduction Act of 1995 ("PRA").<sup>4</sup>

The staff assumes that all funds existing in 2003 amended their advisory contracts following the amendments to rule 17a-10 that year that conditioned certain exemptions upon these contractual alterations, and therefore there is no continuing burden for those

funds.<sup>5</sup> Staff also assumes that funds that came into existence after 2003 included the contractual requirements in rule 17a-10 in their subadvisory agreements and therefore there is no continuing burden for those funds.

Based on an analysis of fund filings, the staff estimates that approximately 252 fund portfolios enter into new subadvisory agreements each year.<sup>6</sup> Based on discussions with industry representatives, the staff estimates that it will require approximately 3 attorney hours to draft and execute additional clauses in new subadvisory contracts in order for funds and subadvisers to be able to rely on the exemptions in rule 17a-10. Because these additional clauses are identical to<sup>7</sup> the clauses that a fund would need to insert in their subadvisory contracts to rely on rules 10f-3, 12d3-1, and 17e-1, and because we believe that funds that use one such rule generally use all of these rules, we apportion this 3 hour time burden equally among all four rules. Therefore, we estimate that the burden allocated to rule 17a-10 for this contract change would be 0.75 hours.<sup>8</sup> Assuming that all 252 funds that enter into new subadvisory contracts each year include in their contract the provisions required by the rule, we estimate that the rule's contract requirement will result in 189 burden hours annually, with an associated cost of approximately \$59,724.<sup>9</sup>

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act. The estimate is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules. Complying with this collection of information requirement is necessary to obtain the benefit of relying on rule 17a-10. Responses will not be kept

<sup>5</sup> We assume that funds formed after 2003 that intended to rely on rule 17a-10 would have included the required provision as a standard element in their initial subadvisory contracts.

<sup>6</sup> Based on information in Commission filings, we estimate that 42.5 percent of funds are advised by subadvisers.

<sup>7</sup> 17 CFR 270.17a-10(a)(2).

<sup>8</sup> This estimate is based on the following calculation: 3 hours + 4 rules = 0.75 hours.

<sup>9</sup> These estimates are based on the following calculations: 0.75 hours × 252 portfolios = 189 burden hours; \$316 per hour × 189 hours = \$59,724 total cost. The Commission staff's estimates concerning the wage rates for attorney time are based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. The \$316 per hour figure for an attorney is from the Securities Industry and Financial Markets Association's *Management & Professional Earnings in the Securities Industry 2009*, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

confidential. 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.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Thomas Bayer, Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312; or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

December 20, 2010.

**Florence E. Harmon,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Proposed Collection; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Investor Education and Advocacy, Washington, DC 20549-0213.

*Extension:* Rule 17a-6, SEC File No. 270-506, OMB Control No. 3235-0564.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501), the Securities and Exchange Commission (the "Commission") is soliciting comments on the collections of information summarized below. The Commission plans to submit these existing collections of information to the Office of Management and Budget ("OMB") for extension and approval.

Section 17(a) of the Investment Company Act of 1940 (the "Act") generally prohibits affiliated persons of a registered investment company ("fund") from borrowing money or other property from, or selling or buying

<sup>3</sup> 17 CFR 270.17a-10(a)(2).

<sup>4</sup> 44 U.S.C. 3501.

securities or other property to or from, the fund or any company that the fund controls.<sup>1</sup> Rule 17a-6 (17 CFR 270.17a-6) permits a fund and a “portfolio affiliate” (a company that is an affiliated person of the fund because the fund controls the company, or holds five percent or more of the company’s outstanding voting securities) to engage in principal transactions that would otherwise be prohibited under section 17(a) of the Act under certain conditions. A fund may not rely on the exemption in the rule to enter into a principal transaction with a portfolio affiliate if certain prohibited participants (e.g., directors, officers, employees, or investment advisers of the fund) have a financial interest in a party to the transaction. Rule 17a-6 specifies certain interests that are not “financial interests,” including any interest that the fund’s board of directors (including a majority of the directors who are not interested persons of the fund) finds to be not material. A board making this finding is required to record the basis for the finding in its meeting minutes. This recordkeeping requirement is a collection of information under the Paperwork Reduction Act of 1995 (“PRA”).<sup>2</sup>

The rule is designed to permit transactions between funds and their portfolio affiliates in circumstances in which it is unlikely that the affiliate would be in a position to take advantage of the fund. In determining whether a financial interest is “material,” the board of the fund should consider whether the nature and extent of the interest in the transaction is sufficiently small that a reasonable person would not believe that the interest affected the determination of whether to enter into the transaction or arrangement or the terms of the transaction or arrangement. The information collection requirements in rule 17a-6 are intended to ensure that Commission staff can review, in the course of its compliance and examination functions, the basis for a board of director’s finding that the financial interest of an otherwise prohibited participant in a party to a transaction with a portfolio affiliate is not material.

Based on staff discussions with fund representatives, we estimate that funds currently do not rely on the exemption from the term “financial interest” with respect to any interest that the fund’s board of directors (including a majority of the directors who are not interested persons of the fund) finds to be not material. Accordingly, we estimate that

annually there will be no principal transactions under rule 17a-6 that will result in a collection of information.

The Commission requests authorization to maintain an inventory of one burden hour to ease future renewals of rule 17a-6’s collection of information analysis should funds rely on this exemption to the term “financial interest” as defined in rule 17a-6.

The estimate of burden hours is made solely for the purposes of the Paperwork Reduction Act. The estimate is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules. Complying with this collection of information requirement is necessary to obtain the benefit of relying on rule 17a-6. 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.

*Written comments are invited on:* (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency’s estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Thomas Bayer/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312; or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: December 20, 2010.

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Proposed Collection; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of Investor Education and Advocacy, Washington, DC 20549-0213.

*Extension:* Rule 27d-2; SEC File No. 270-

500; OMB Control No. 3235-0566.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (the “Commission”) is soliciting comments on the collections of information under the Investment Company Act of 1940 (15 U.S.C. 80a) (“Act”) summarized below. The Commission plans to submit these collections of information to the Office of Management and Budget for approval.

Rule 27d-2 (17 CFR 270.27d-2) is entitled “Insurance Company Undertaking in Lieu of Segregated Trust Account.” Rule 27d-1 (17 CFR 270.27d-1) under the Act requires the depositor or principal underwriter for an issuer of periodic payment plans to deposit funds into a segregated trust account to provide assurance of its ability to fulfill its refund obligations under sections 27(d) and 27(f) of the Act.<sup>1</sup> Rule 27d-2 provides an exemption from rule 27d-1 under the Act for depositors or principal underwriters for the issuers of periodic payments plans. In order to comply with the rule: (i) The depositor or principal underwriter must secure from an insurance company a written guarantee of the refund requirements; (ii) the insurance company must satisfy certain financial criteria; and (iii) the depositor or principal underwriter must file as an exhibit to the issuer’s registration statement, a copy of the written undertaking, an annual statement that the insurance company has met the requisite financial criteria on a monthly basis, and an annual audited balance sheet.

Rule 27d-2, which was explicitly authorized by statute, provides assurance that depositors and principal underwriters of issuers have access to sufficient cash to meet the demands of certificate holders who reconsider their decisions to invest in a periodic payment plan. The information collection requirement in rule 27d-2 enables the Commission to monitor compliance with insurance company undertaking requirements.

<sup>1</sup> The rule sets forth minimum reserve amounts and guidelines for the management and disbursement of the assets in the account. Rule 27d-1(j) directs depositors and principal underwriters annually to make an accounting of their segregated trust accounts on Form N-27D-1, which is filed with the Commission. The form requires depositors and principal underwriters to report deposits to a segregated trust account, including those made pursuant to paragraphs (c) and (e) of the rule. Withdrawals pursuant to paragraph (f) of the rule also must be reported. In addition, the form solicits information regarding the minimum amount required to be maintained under paragraphs (d) and (e) of rule 27d-1.

<sup>1</sup> 15 U.S.C. 80a-17(a).

<sup>2</sup> 44 U.S.C. 3501.