Securities and Exchange Commission

§ 270.17g–1 Bonding of officers and employees of registered management investment companies.

(a) Each registered management investment company shall provide and maintain a bond which shall be issued by a reputable fidelity insurance company, authorized to do business in the place where the bond is issued, against larceny and embezzlement, covering each officer and employee of the investment company, who may singly, or jointly with others, have access to securities or funds of the investment company, either directly or through authority to draw upon such funds or to direct generally the disposition of such securities, unless the officer or employee has such access solely through his position as an officer or employee of a bank (hereinafter referred to as “covered persons”).

(b) The bond may be in the form of (1) an individual bond for each covered person or a schedule or blanket bond covering such persons, (2) a blanket bond which names the registered management investment company as the only insured (hereinafter referred to as “single insured bond”) or (3) a bond which names the registered management investment company and one or more other parties as insureds (hereinafter referred to as “joint insured bond”), such other insured parties being limited to (i) persons engaged in the management or distribution of the shares of the registered investment company, (ii) other registered investment companies which are managed and/or whose shares are distributed by the same persons (or affiliates of such persons), (iii) persons who are engaged in the management and/or distribution of shares of companies included in paragraph (b)(3)(i) of this section, (iv) affiliated persons of any registered management investment company named in the bond, or of any person included in paragraph (b)(3)(i) or paragraph (b)(3)(ii) of this section, who are covered persons, and (v) any other person as the Commission may permit.

(2) Primary Custodian means a U.S. Bank or Qualified Foreign Bank that contracts directly with a Fund to provide custodial services related to maintaining the Fund’s assets outside the United States.

Note to §270.17g–7: When a Fund’s (or its custodian’s) custody arrangement with an Eligible Securities Depository involves one or more Eligible Foreign Custodians (as defined in §270.17f–5) through which assets are maintained with the Eligible Securities Depository, §§270.17f–5 will govern the Fund’s (or its custodian’s) use of each Eligible Foreign Custodian, while §§270.17f–7 will govern an Eligible Foreign Custodian’s use of the Eligible Securities Depository.

[65 FR 25638, May 3, 2000]
(b)(3)(iii) of this section who are engaged in the administration of any registered management investment company named as insured in the bond, and (v) any trust, pension, profit-sharing or other benefit plan for officers, directors or employees of persons named in the bond.

(c) A bond of the type described in paragraph (b)(1) or (b)(2) of this section shall provide that it shall not be cancelled, terminated or modified except after written notice shall have been given by the acting party to the affected party and to the Commission not less than sixty days prior to the effective date of cancellation, termination or modification. A joint insured bond described in paragraph (b)(3) of this section shall provide, that (1) it shall not be cancelled terminated or modified except after written notice shall have been given by the acting party to the affected party, and by the fidelity insurance company to all registered investment companies named as insureds and to the Commission, not less than sixty days prior to the effective date of cancellation, termination, or modification and (2) the fidelity insurance company shall furnish each registered management investment company named as an insured with (i) a copy of the bond and any amendment thereto promptly after the execution thereof, and (ii) a copy of each formal filing of a claim under the bond by any other named insured promptly after the receipt thereof, and (iii) notification of the terms of the settlement of each such claim prior to the execution of the settlement.

(d) The bond shall be in such reasonable form and amount as a majority of the board of directors of the registered management investment company who are not “interested persons” of such investment company as defined by section 2(a)(19) of the Act shall approve as often as their fiduciary duties require, but not less than once every twelve months, with due consideration to all relevant factors including, but not limited to, the value of the aggregate assets of the registered management investment company to which any covered person may have access, the type and term of the arrangements made for the custody and safekeeping of such assets, and the nature of the securities in the company’s portfolio: Provided, however, That (1) the amount of a single insured bond shall be at least equal to an amount computed in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Minimum amount of bond (in dollars)</th>
<th>Amount of registered management investment company gross assets—at the end of the most recent fiscal quarter prior to date (in dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 2,000,000,000</td>
<td>1,500,000 plus</td>
</tr>
<tr>
<td>2,500,000,000 to 5,000,000,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>1,000,000,000 to 2,500,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>500,000,000 to 1,000,000,000</td>
<td>750,000</td>
</tr>
<tr>
<td>250,000,000 to 500,000,000</td>
<td>500,000</td>
</tr>
<tr>
<td>125,000,000 to 250,000,000</td>
<td>350,000</td>
</tr>
<tr>
<td>62,500,000 to 125,000,000</td>
<td>300,000</td>
</tr>
<tr>
<td>31,250,000 to 62,500,000</td>
<td>250,000</td>
</tr>
<tr>
<td>15,625,000 to 31,250,000</td>
<td>200,000</td>
</tr>
<tr>
<td>7,812,500 to 15,625,000</td>
<td>175,000</td>
</tr>
<tr>
<td>3,906,250 to 7,812,500</td>
<td>150,000</td>
</tr>
<tr>
<td>1,953,125 to 3,906,250</td>
<td>125,000</td>
</tr>
<tr>
<td>976,562 to 1,953,125</td>
<td>100,000</td>
</tr>
<tr>
<td>488,281 to 976,562</td>
<td>75,000</td>
</tr>
<tr>
<td>244,140 to 488,281</td>
<td>50,000</td>
</tr>
<tr>
<td>Up to 244,140</td>
<td>50,000</td>
</tr>
</tbody>
</table>

(2) A joint insured bond shall be in an amount at least equal to the sum of (i) the total amount of coverage which each registered management investment company named as an insured would have been required to provide and maintain individually pursuant to the schedule hereinabove had each such registered management investment company not been named under a joint insured bond, plus (ii) the amount of each bond which each named insured other than a registered management investment company would have been required to provide and maintain pursuant to federal statutes or regulations had it not been named as an insured under a joint insured bond.

(e) No premium may be paid for any joint insured bond or any amendment thereto unless a majority of the board of directors of each registered management investment company named as an insured therein who are not “interested persons” of such company shall approve the portion of the premium to be paid by such company, taking all
relevant factors into consideration including, but not limited to, the number of the other parties named as insured, the nature of the business activities of such other parties, the amount of the joint insured bond, and the amount of the premium for such bond, the ratable allocation of the premium among all parties named as insureds, and the extent to which the share of the premium allocated to the investment company is less than the premium such company would have had to pay if it had provided and maintained a single insured bond.

(f) Each registered management investment company named as an insured in a joint insured bond shall enter into an agreement with all of the other named insureds providing that in the event recovery is received under the bond as a result of a loss sustained by the registered management investment company and one or more other named insureds, the registered management investment company shall receive an equitable and proportionate share of the recovery, but at least equal to the amount which it would have received had it provided and maintained a single insured bond with the minimum coverage required by paragraph (d)(1) of this section.

(g) Each registered management investment company shall:

(1) File with the Commission (i) within 10 days after receipt of an executed bond of the type described in paragraph (b)(1) or (2) of this section or any amendment thereof, (a) a copy of the bond, (b) a copy of the resolution of a majority of the board of directors who are not “interested persons” of the registered management investment company approving the form and amount of the bond, and (c) a statement as to the period for which premiums have been paid; (ii) within 10 days after receipt of an executed joint insured bond, or any amendment thereof, (a) a copy of the bond, (b) a copy of the resolution of a majority of the board of directors who are not “interested persons” of the registered management investment company approving the amount of the bond, and (c) a statement showing the amount of the single insured bond which the investment company would have provided and maintained had it not been named as an insured under a joint insured bond, (d) a statement as to the period for which premiums have been paid, and (e) a copy of each agreement between the investment company and all of the other named insureds entered into pursuant to paragraph (f) of this section; and (iii) a copy of any amendment to the agreement entered into pursuant to paragraph (f) of this section within 10 days after the execution of such amendment.

(2) File with the Commission, in writing, within five days after the making of any claim under the bond by the investment company, a statement of the nature and amount of the claim.

(3) File with the Commission, within five days of the receipt thereof, a copy of the terms of the settlement of any claim made under the bond by the investment company, and

(4) Notify by registered mail each member of the board of directors of the investment company at his last known residence address of (i) any cancellation, termination or modification of the bond, not less than forty-five days prior to the effective date of the cancellation or termination or modification, (ii) the filing and of the settlement of any claim under the bond by the investment company, at the time the filings required by paragraph (g) (2) and (3) of this section are made with the Commission, and (iii) the filing and of the proposed terms of settlement of any claim under the bond by any other named insured, within five days of the receipt of a notice from the fidelity insurance company.

(h) Each registered management investment company shall designate an officer thereof who shall make the filings and give the notices required by paragraph (g) of this section.

(i) Where the registered management investment company is an unincorporated company managed by a depositor, trustee or investment adviser, the terms “officer” and “employee” shall include, for the purposes of this rule, the officers and employees of the depositor, trustee, or investment adviser.

(j) Any joint insured bond provided and maintained by a registered management investment company and one
or more other parties shall be a trans-
action exempt from the provisions of
section 17(d) of the Act (15 U.S.C. 80a–
17(d)) and the rules thereunder, if:
  (1) The terms and provisions of the
bond comply with the provisions of this
section;
  (2) The terms and provisions of any
agreement required by paragraph (f) of
this section comply with the provisions
of that paragraph; and
  (3) The board of directors of the in-
vestment company satisfies the fund
management standards defined in §270.1–
1(a)(7).

(k) At the next anniversary date of
an existing fidelity bond, but not later
than one year from the effective date
of this rule, arrangements between reg-
istered management investment com-
panies and fidelity insurance compa-
ies and arrangements between reg-
istered management investment com-
panies and other parties named as in-
sured under joint insured bonds which
would not permit compliance with the
provisions of this rule shall be modified
by the parties so as to effect such com-
pliance.

[39 FR 10579, Mar. 21, 1974, as amended at 66
FR 3759, Jan. 16, 2001; 69 FR 46390, Aug. 2,
2004]

§270.17j–1 Personal investment activi-
ties of investment company per-
sonnel.

(a) Definitions. For purposes of this
section:

(1) Access person means:
(i) Any Advisory Person of a Fund or
of a Fund’s investment adviser. If an
investment adviser’s primary business
is advising Funds or other advisory cli-
ents, all of the investment adviser’s di-
rectors, officers, and general partners
are presumed to be Access Persons of
any Fund advised by the investment
adviser. All of a Fund’s directors, offi-
cers, and general partners are pre-
sumed to be Access Persons of the
Fund.

(ii) Any director, officer or general
partner of a principal underwriter who,
in the ordinary course of business, makes, participates in or obtains in-
formation regarding, the purchase or sale
of Covered Securities by the Fund for
which the principal underwriter acts,
or whose functions or duties in the or-
dinary course of business relate to the
making of any recommendation to the
Fund regarding the purchase or sale of
Covered Securities.

(2) Advisory person of a Fund or of a
Fund’s investment adviser means:
(i) Any director, officer, general part-
er or employee of the Fund or invest-
ment adviser (or of any company in a
control relationship to the Fund or in-
vestment adviser) who, in connection
with his or her regular functions or du-
ties, makes, participates in, or obtains
information regarding, the purchase or
sale of Covered Securities by a Fund,
or whose functions relate to the making
of any recommendations with re-
spect to such purchases or sales; and

(ii) Any natural person in a control
relationship to the Fund or investment
adviser who obtains information con-
cerning recommendations made to the
Fund with regard to the purchase or
sale of Covered Securities by the Fund.

(3) Control has the same meaning as
80a–2(a)(9)].

(4) Covered security means a security
as defined in section 2(a)(36) of the Act
[15 U.S.C. 80a–2(a)(36)], except that it
does not include:
(i) Direct obligations of the Govern-
ment of the United States;

(ii) Bankers’ acceptances, bank cer-
tificates of deposit, commercial paper
and high quality short-term debt in-
struments, including repurchase agree-
ments; and

(iii) Shares issued by open-end Funds.

(5) Fund means an investment com-
pany registered under the Investment
Company Act.

(6) An initial public offering means an
offering of securities registered under
77a], the issuer of which, immediately
before the registration, was not subject
to the reporting requirements of sec-
tions 13 or 15(d) of the Securities Ex-
change Act of 1934 [15 U.S.C. 78m or
78o(d)].

(7) Investment personnel of a Fund or
of a Fund’s investment adviser means:
(i) Any employee of the Fund or in-
vestment adviser (or of any company in
a control relationship to the Fund or in-
vestment adviser) who, in connection
with his or her regular functions or du-
ties, makes or participates in making