

**SECURITIES AND EXCHANGE
COMMISSION****Proposed Collection; Comment
Request**

Upon written request, copies available from: Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549

Extension:

Rule 38a-1, SEC File No. 270-522, OMB Control No. 3235-0586.

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 summarized below. The Commission plans to submit these existing collections of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 38a-1 (17 CFR 270.38a-1) under the Investment Company Act of 1940 (15 U.S.C. 80a) ("Investment Company Act") is intended to protect investors by fostering better fund compliance with securities laws. The rule requires every registered investment company and business development company ("fund") to: (i) Adopt and implement written policies and procedures reasonably designed to prevent violations of the federal securities laws, (ii) obtain the fund board of director's approval of those policies and procedures, (iii) annually review the adequacy of those policies and procedures and the policies and procedures of each investment adviser, principal underwriter, administrator, and transfer agent of the fund and the effectiveness of their implementation, (iv) designate a chief compliance officer to administer the fund's policies and procedures and prepare an annual report to the board that addresses certain specified items relating to the policies and procedures, and (v) maintain for five years the compliance policies and procedures and the chief compliance officer's annual report to the board.

The rule contains certain information collection requirements that are designed to ensure that funds establish and maintain comprehensive, written internal compliance programs. The information collections also assist the Commission's examination staff in assessing the adequacy of funds' compliance programs.

While Rule 38a-1 requires each fund to maintain written policies and procedures, most funds are located within a fund complex. The experience

of the Commission's examination and oversight staff suggests that each fund in a complex is able to draw extensively from the fund complex's "master" compliance program to assemble appropriate compliance policies and procedures. Many fund complexes already have written policies and procedures documenting their compliance programs. Further, a fund needing to develop or revise policies and procedures on one or more topics in order to achieve a comprehensive compliance program can draw on a number of outlines and model programs available from a variety of industry representatives, commentators, and organizations.

There are approximately 4966 funds subject to Rule 38a-1. Among these funds, 149 were newly registered in the past year. These 149 funds, therefore, were required to adopt and document the policies and procedures that make up their compliance program. Commission staff estimates that the average annual hour burden for a fund to adopt and document these policies and procedures is 69 hours. Thus, we estimate that the aggregate annual burden hours associated with the adoption and documentation requirement is 10,281 hours.

The remaining 4817 funds would have adopted Rule 38a-1 compliance policies and procedures in previous years, and are required to conduct an annual review of the adequacy of their existing policies and procedures and the policies and procedures of each investment adviser, principal underwriter, administrator, and transfer agent of the fund, and the effectiveness of their implementation. In addition, each fund chief compliance officer is required to prepare an annual report that addresses the operation of the policies and procedures of the fund and the policies and procedures of each investment adviser, principal underwriter, administrator, and transfer agent of the fund, any material changes made to those policies and procedures since the date of the last report, any material changes to the policies and procedures recommended as a result of the annual review, and certain compliance matters that occurred since the date of the last report. The staff estimates that each fund spends 60 hours per year, on average, conducting the annual review and preparing the annual report to the board of directors. Thus, we estimate that the aggregate annual burden hours associated with the annual review and annual report requirement is 289,020 hours.

Finally, the staff estimates that each fund spends 8 hours annually, on

average, maintaining the records required by proposed Rule 38a-1. Thus, the aggregate annual burden hours associated with the recordkeeping requirement is 39,728 hours.

In total, the staff estimates that the aggregate annual information collection burden of Rule 38a-1 is 339,029 hours. 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 mandatory. Responses will not be kept 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 R. Corey Booth, Director/Chief Information Officer, Securities and Exchange Commission, C/O Shirley Martinson, 6432 General Green Way, Alexandria, Virginia 22312, or send an e-mail to: PRA_Mailbox@sec.gov.

Dated: August 1, 2006.

Nancy M. Morris,
Secretary.

[FR Doc. E6-13418 Filed 8-15-06; 8:45 am]

BILLING CODE 8010-01-P