

continuing to maintain assets with the eligible foreign custodian.

The collection of information requirements in rule 17f-5 are intended to provide protection for fund assets maintained with a foreign bank custodian whose use is not authorized by statutory provisions that govern fund custody arrangements,<sup>2</sup> and that is not subject to regulation and examination by U.S. regulators. The requirement that the fund board determine that it is reasonable to rely on each delegate is intended to ensure that the board carefully considers each delegate's qualifications to perform its responsibilities. The requirement that the delegate provide written reports to the board is intended to ensure that the delegate notifies the board of important developments concerning custody arrangements so that the board may exercise effective oversight. The requirement that the delegate agree to exercise reasonable care is intended to provide assurances to the fund that the delegate will properly perform its duties.

The requirements that the foreign custody manager determine that fund assets will be subject to reasonable care with the eligible foreign custodian and under the custody contract, and that each contract contain specified provisions or equivalent provisions, are intended to ensure that the delegate has evaluated the level of care provided by the custodian, that it weighs the adequacy of contractual provisions, and that fund assets are protected by minimal contractual safeguards. The requirement that the foreign custody manager establish a monitoring system is intended to ensure that the manager periodically reviews each custody arrangement and takes appropriate action if developing custody risks may threaten fund assets.

The Commission's staff estimates that each year, approximately 159 registrants<sup>3</sup> could be required to make an average of one response per registrant under rule 17f-5, requiring approximately 2 hours of board of director time per response, to make the necessary findings concerning foreign custody managers. The total annual burden associated with these requirements of the rule would be up to approximately 318 hours (159 registrants × 2 hours per registrant). The

staff further estimates that during each year, approximately 15 global custodians<sup>4</sup> would be required to make an average of 4 responses per custodian concerning the use of foreign custodians other than depositories. The staff estimates that each response would take approximately 262 hours, requiring approximately 1048 total hours annually per custodian. The total annual burden associated with these requirements of the rule would be approximately 15,720 hours (15 global custodians × 1048 hours per custodian). Therefore, the total annual burden of all collection of information requirements of rule 17f-5 is estimated to be up to 16,038 hours (318 + 15,720). The total annual cost of burden hours is estimated to be \$3,214,080 (318 hours × \$2000/hour for board of director's time, plus 15,720 hours × \$164/hour for a trust administrator's time).<sup>5</sup> Compliance with the collection of information requirements of the rule is necessary to obtain the benefit of relying on the rule's permission for funds to maintain their assets in foreign custodians.

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 and forms. Compliance with the collection of information requirements of the rule is necessary to obtain the benefit of relying on the rule's permission for funds to maintain their assets in foreign custodians.

Please direct general comments regarding the above information to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503 or e-mail to: [Kimberly\\_P\\_Nelson@omb.eop.gov](mailto:Kimberly_P_Nelson@omb.eop.gov); and (ii) Lewis W. Walker, Acting Director/Chief Information Officer, Securities and Exchange Commission, C/O Shirley Martinson, 6432 General Green Way, Alexandria, VA 22312; or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

<sup>4</sup> This estimate is based on staff research.

<sup>5</sup> The \$164/hour figure for a trust administrator is from SIFMA's Management & Professional Earnings in the Securities Industry 2007, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead. The \$2000/hr board of director time is from industry sources.

Dated: September 8, 2008.

**Florence E. Harmon,**

*Acting Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Submission for OMB Review; Comment Request

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

#### Extension:

Rule 17f-7; SEC File No. 270-470; OMB Control No. 3235-0529.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget ("OMB") a request for extension of the previously approved collection of information discussed below.

Rule 17f-7 (17 CFR 270.17f-7) permits funds to maintain their assets in foreign securities depositories based on conditions that reflect the operations and role of these depositories.<sup>1</sup> Rule 17f-7 contains some "collection of information" requirements. An eligible securities depository has to meet minimum standards for a depository. The fund or its investment adviser generally determines whether the depository complies with those requirements based on information provided by the fund's primary custodian (a bank that acts as global custodian). The depository custody arrangement has to meet certain risk limiting requirements. The fund can obtain indemnification or insurance arrangements that adequately protect the fund against custody risks. The fund or its investment adviser generally determines whether indemnification or insurance provisions are adequate. If the fund does not rely on indemnification or insurance, the fund's contract with its primary custodian is required to state that the custodian will provide to the fund or its investment adviser a custody risk analysis of each depository, monitor risks on a continuous basis, and promptly notify the fund or its adviser of material changes in risks. The primary custodian and other custodians

<sup>1</sup> Custody of Investment Company Assets Outside the United States, Investment Company Act Release No. IC-23815 (April 29, 1999) (64 FR 24489 (May 6, 1999)).

<sup>2</sup> See section 17(f) of the Investment Company Act [15 U.S.C. 80a-17(f)].

<sup>3</sup> This figure is an estimate of the number of new funds each year, based on data reported by funds in 2007 on Form N-1A and Form N-2 [17 CFR 274.101]. In practice, not all funds will use foreign custody managers, and the actual figure may be smaller.

also are required to agree to exercise reasonable care.

The collection of information requirements in rule 17f-7 are intended to provide workable standards that protect funds from the risks of using securities depositories while assigning appropriate responsibilities to the fund's primary custodian and investment adviser based on their capabilities. The requirement that the depository meet specified minimum standards is intended to ensure that the depository is subject to basic safeguards deemed appropriate for all depositories. The requirement that the custody contract state that the fund's primary custodian will provide an analysis of the custody risks of depository arrangements, monitor the risks, and report on material changes is intended to provide essential information about custody risks to the fund's investment adviser as necessary for it to approve the continued use of the depository. The requirement that the primary custodian agree to exercise reasonable care is intended to provide assurances that its services and the information it provides will meet an appropriate standard of care. The alternative requirement that the funds obtain adequate indemnification or insurance against the custody risks of depository arrangements is intended to provide another, potentially less burdensome means to protect assets held in depository arrangements.

The staff estimates that each of approximately 828 investment advisers<sup>2</sup> would make an average of 7 responses annually under the rule to address depository compliance with minimum requirements, any indemnification or insurance arrangements, and reviews of risk analyses or notifications. The staff estimates each response would take 5.5 hours, requiring a total of approximately 38.5 hours for each adviser. The total annual burden associated with these requirements of the rule would be approximately 31,878 hours (828 advisers × 38.5 hours per adviser). The staff further estimates that during each year, each of approximately 15 global custodians would make an average of 4 responses to analyze custody risks and provide notice of any material changes to custody risk under the rule. The staff estimates that each response would take 250.25 hours, requiring approximately 1001 hours annually per custodian.<sup>3</sup>

<sup>2</sup> At the start of 2008, there were more than 9,300 open-end (including ETFs) portfolios and closed-end funds. These entities were managed or sponsored by more than 828 investment advisers.

<sup>3</sup> These estimates are based on conversations with representatives of the fund industry and global custodians.

The total annual burden associated with these requirements of the new rule would be approximately 15,015 hours (15 custodians × 1001 hours). Therefore, the staff estimates that the total annual burden associated with all collection of information requirements of the rule would be 46,893 hours (31,878 + 15,015). The total annual cost of burden hours is estimated to be \$10,081,302 (31,878 × \$239 for a portfolio manager, plus 15,015 hours × \$164/hour for a trust administrator's time).<sup>4</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 and forms. Compliance with the collection of information requirements of the rule is necessary to obtain the benefit of relying on the rule's permission for funds to maintain their assets in foreign custodians.

Please direct general comments regarding the above information to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503 or e-mail to: [Kimberly\\_P\\_Nelson@omb.eop.gov](mailto:Kimberly_P_Nelson@omb.eop.gov); and (ii) Lewis W. Walker, Acting Director/CIO, Securities and Exchange Commission, C/O Shirley Martinson, 6432 General Green Way, Alexandria, VA 22312; or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: September 8, 2008.

**Florence E. Harmon,**  
*Acting Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Submission for OMB Review; Comment Request

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

#### Extension:

Rule 19b-1; SEC File No. 270-312; OMB  
Control No. 3235-0354.

<sup>4</sup> The salaries for a portfolio manager and a trust administrator are from SIFMA's Management & Professional Earnings in the Securities Industry 2007, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget ("OMB") a request for extension of the previously approved collection of information discussed below.

Section 19(b) of the Investment Company Act of 1940 (the "Act") (15 U.S.C. 80a-19(b)) authorizes the Commission to regulate registered investment company ("fund") distributions of long-term capital gains made more frequently than once every twelve months. Rule 19b-1 under the Act<sup>1</sup> prohibits funds from distributing long-term capital gains more than once every twelve months unless certain conditions are met. Rule 19b-1(c) (17 CFR 270.19b-1(c)) permits unit investment trusts ("UITs") engaged exclusively in the business of investing in certain eligible fixed-income securities to distribute long-term capital gains more than once every twelve months, if: (i) The capital gains distribution falls within one of several categories specified in the rule<sup>2</sup> and (ii) the distribution is accompanied by a report to the unitholder that clearly describes the distribution as a capital gains distribution (the "notice requirement").<sup>3</sup> Rule 19b-1(e) (17 CFR 270.19b-1(e)) permits a fund to apply to the Commission for permission to distribute long-term capital gains more than once a year if the fund did not foresee the circumstances that created the need for the distribution. The application must set forth the pertinent facts and explain the circumstances that justify the distribution.<sup>4</sup> An application that meets those requirements is deemed to be granted unless the Commission denies the request within 15 days after the Commission receives the application.

Commission staff estimates that, on average, each year five funds file an application under rule 19b-1(e). The staff understands that funds that file an application generally use outside counsel to prepare the application. The cost burden of using outside counsel is

<sup>1</sup> 17 CFR 270.19b-1.

<sup>2</sup> 17 CFR 270.19b-1(c)(1).

<sup>3</sup> The notice requirement in rule 19b-1(c)(2) (17 CFR 270.19b-1(c)(2)) supplements the notice requirement of section 19(a) [15 U.S.C. 80a-19(a)] and rule 19a-1 [17 CFR 270.19a-1], which requires any distribution in the nature of a dividend payment made by a fund to its investors to be accompanied by a notice disclosing the source of the distribution.

<sup>4</sup> Rule 19b-1(e) also requires that the application comply with rule 0-2 [17 CFR 270.02], which sets forth the general requirements for papers and applications filed with the Commission.