

## 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 31a-2; SEC File No. 270-174; OMB Control No. 3235-0179.

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 collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

Section 31(a)(1) of the Investment Company Act of 1940 (the "Act") (15 U.S.C. 80a-30(a)(1)) requires registered investment companies ("funds") and certain underwriters, broker-dealers, investment advisers, and depositors to maintain and preserve records as prescribed by Commission rules. Rule 31a-1 under the Act (17 CFR 270.31a-1) specifies the books and records that each of these entities must maintain. Rule 31a-2 under the Act (17 CFR 270.31a-2), which was adopted on April 17, 1944, specifies the time periods that entities must retain certain books and records, including those required to be maintained under rule 31a-1.

Rule 31a-2 requires the following:

1. Every fund must preserve permanently, and in an easily accessible place for the first two years, all books and records required under rule 31a-1(b)(1)-(4).<sup>1</sup>

2. Every fund must preserve for at least six years, and in an easily accessible place for the first two years:

a. All books and records required under rule 31a-1(b)(5)-(12);<sup>2</sup>

<sup>1</sup> These include, among other records, journals detailing daily purchases and sales of securities, general and auxiliary ledgers reflecting all asset, liability, reserve, capital, income and expense accounts, separate ledgers reflecting separately for each portfolio security as of the trade date all "long" and "short" positions carried by the fund for its own account, and corporate charters, certificates of incorporation, by-laws and minute books.

<sup>2</sup> These include, among other records, records of each brokerage order given in connection with purchases and sales of securities by the fund, records of all other portfolio purchases or sales, records of all puts, calls, spreads, straddles or other options in which the fund has an interest, has granted, or has guaranteed, records of proof of money balances in all ledger accounts, files of all advisory material received from the investment

b. All vouchers, memoranda, correspondence, checkbooks, bank statements, canceled checks, cash reconciliations, canceled stock certificates, and all schedules evidencing and supporting each computation of net asset value of fund shares, and other documents required to be maintained by rule 31a-1(a) and not enumerated in rule 31a-1(b);

c. Any advertisement, pamphlet, circular, form letter or other sales literature addressed or intended for distribution to prospective investors;

d. Any record of the initial determination that a director is not an interested person of the fund, and each subsequent determination that the director is not an interested person of the fund, including any questionnaire and any other document used to determine that a director is not an interested person of the company;

e. Any materials used by the disinterested directors of a fund to determine that a person who is acting as legal counsel to those directors is an independent legal counsel; and

f. Any documents or other written information considered by the directors of the fund pursuant to section 15(c) of the Act (15 U.S.C. 80a-15(c)) in approving the terms or renewal of a contract or agreement between the fund and an investment advisor.<sup>3</sup>

3. Every underwriter, broker, or dealer that is a majority-owned subsidiary of a fund must preserve records required to be preserved by brokers and dealers under rules adopted under section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q) ("section 17") for the periods established in those rules.

4. Every depositor of a fund, and every principal underwriter of a fund (other than a closed-end fund), must preserve for at least six years records required to be maintained by brokers and dealers under rules adopted under section 17 to the extent the records are necessary or appropriate to record the entity's transactions with the fund.

5. Every investment adviser that is a majority-owned subsidiary of a fund must preserve the records required to be preserved by investment advisers under rules adopted under section 204 of the

adviser, and memoranda identifying persons, committees, or groups authorizing the purchase or sale of securities for the fund.

<sup>3</sup> Section 15 of the Act requires that fund directors, including a majority of independent directors, annually approve the fund's advisory contract and that the directors first obtain from the adviser the information reasonably necessary to evaluate the contract. The information request requirement in section 15 provides fund directors, including independent directors, a tool for obtaining the information they need to represent shareholder interests.

Investment Advisers Act of 1940 (15 U.S.C. 80b-4) ("section 204") for the periods specified in those rules.

6. Every investment adviser that is not a majority-owned subsidiary of a fund must preserve for at least six years records required to be maintained by registered investment advisers under rules adopted under section 204 to the extent the records are necessary or appropriate to reflect the adviser's transactions with the fund.

The records required to be maintained and preserved under this part may be maintained and preserved for the required time by, or on behalf of, a fund on (i) micrographic media, including microfilm, microfiche, or any similar medium, or (ii) electronic storage media, including any digital storage medium or system that meets the terms of rule 31a-2(f). The fund, or person that maintains and preserves records on its behalf, must arrange and index the records in a way that permits easy location, access, and retrieval of any particular record.<sup>4</sup>

We periodically inspect the operations of all funds to ensure their compliance with the provisions of the Act and the rules under the Act. Our staff spends a significant portion of its time in these inspections reviewing the information contained in the books and records required to be kept by rule 31a-1 and to be preserved by rule 31a-2.

There are 3,484 funds currently operating as of March 31, 2012, all of which are required to comply with rule 31a-2. Based on conversations with representatives of the fund industry and past estimates, our staff estimates that each fund currently spends 220 total hours per year complying with rule 31a-2. Our staff estimates that the 220 hours spent by a typical fund would be split evenly between administrative and

<sup>4</sup> In addition, the fund, or person who maintains and preserves records for the fund, must provide promptly any of the following that the Commission (by its examiners or other representatives) or the directors of the fund may request: (A) A legible, true, and complete copy of the record in the medium and format in which it is stored; (B) a legible, true, and complete printout of the record; and (C) means to access, view, and print the records; and must separately store, for the time required for preservation of the original record, a duplicate copy of the record on any medium allowed by rule 31a-2(f). In the case of records retained on electronic storage media, the fund, or person that maintains and preserves records on its behalf, must establish and maintain procedures: (i) To maintain and preserve the records, so as to reasonably safeguard them from loss, alteration, or destruction; (ii) to limit access to the records to properly authorized personnel, the directors of the fund, and the Commission (including its examiners and other representatives); and (iii) to reasonably ensure that any reproduction of a non-electronic original record on electronic storage media is complete, true, and legible when retrieved.

computer operation personnel,<sup>5</sup> with 110 hours spent by a general clerk and 110 hours spent by a senior computer operator. Based on these estimates, our staff estimates that the total annual burden for all funds to comply with rule 31a-2 is 766,480 hours.<sup>6</sup>

The hour burden estimates for retaining records under rule 31a-2 are based on our experience with registrants and our experience with similar requirements under the Act and the rules under the Act. The number of burden hours may vary depending on, among other things, the complexity of the fund, the issues faced by the fund, and the number of series and classes of the fund.

Based on conversations with representatives of the fund industry and past estimates, our staff estimates that the average cost of preserving books and records required by rule 31a-2 is approximately \$70,000 annually per fund. As discussed previously, there are 3,484 funds currently operating, for a total cost of preserving records as required by rule 31a-2 of approximately \$243,880,000 per year.<sup>7</sup> Our staff understands, however, based on previous conversations with representatives of the fund industry, that funds would already spend approximately half of this amount (\$121,940,000) to preserve these same books and records, as they are also necessary to prepare financial statements, meet various state reporting requirements, and prepare their annual federal and state income tax returns. Therefore, we estimate that the total annual cost burden for all funds as a result of compliance with rule 31a-2 is approximately \$121,940,000 per year.

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

The collection of information under rule 31a-2 is mandatory for all funds. 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 Commission, including whether the information will have practical utility; (b) the accuracy of the Commission'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, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312; or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: August 22, 2012.

**Kevin M. O'Neill,**

*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:*

Form N-3, SEC File No. 270-281, OMB Control No. 3235-0316.

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 collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

The title for the collection of information is "Form N-3 (17 CFR 239.17a and 274.11b) under the Securities Act of 1933 (15 U.S.C. 77) and under the Investment Company Act of 1940 (15 U.S.C. 80a), Registration Statement of Separate Accounts Organized as Management Investment Companies." Form N-3 is the form used by separate accounts offering variable annuity contracts which are organized as management investment companies to register under the Investment

Company Act of 1940 ("Investment Company Act") and/or to register their securities under the Securities Act of 1933 ("Securities Act"). Form N-3 is also the form used to file a registration statement under the Securities Act (and any amendments thereto) for variable annuity contracts funded by separate accounts which would be required to be registered under the Investment Company Act as management investment companies except for the exclusion provided by Section 3(c)(11) of the Investment Company Act (15 U.S.C. 80a-3(c)(11)). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a separate account to register as an investment company.

Form N-3 also permits separate accounts offering variable annuity contracts which are organized as investment companies to provide investors with a prospectus and a statement of additional information covering essential information about the separate account when it makes an initial or additional offering of its securities. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities. The form also may be used by the Commission in its regulatory review, inspection, and policy-making roles.

Commission staff estimates that there are zero initial registration statements and 7 post-effective amendments to initial registration statements filed on Form N-3 annually and that the average number of portfolios referenced in each post-effective amendment is 2. The Commission further estimates that the hour burden for preparing and filing a post-effective amendment on Form N-3 is 155.2 hours per portfolio. The total annual hour burden for preparing and filing post-effective amendments is 2172.8 hours (7 post-effective amendments × 2 portfolios × 155.2 hours per portfolio). The estimated annual hour burden for preparing and filing initial registration statements is 0 hours. The total annual hour burden for Form N-3, therefore, is estimated to be 2172.8 hours (2172.8 hours + 0 hours).

The information collection requirements imposed by Form N-3 are mandatory. Responses to the collection of information will not be kept confidential. An agency may not conduct or sponsor, and a person is not

<sup>5</sup> However, the hour burden may be incurred by a variety of fund staff, and the type of staff position used for compliance with the rule may vary widely from fund to fund.

<sup>6</sup> This estimate is based on the following calculations: 3,484 funds × 220 hours = 766,480 total hours.

<sup>7</sup> This estimate is based on the following calculation: 3,484 funds × \$70,000 = \$243,880,000.