

Order Protection features will provide market participants with additional protection from anomalous executions, in addition to LULD protections. Thus, the Exchange does not believe the proposal creates any significant impact on competition. The Exchange believes that offering these protections to the PSX will not impose any undue burden on intra-market competition, rather, it would permit equities and options members to be protected in a similar manner from erroneous executions.

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were either solicited or received.

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2016-12 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2016-12. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's

Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2016-12 and should be submitted on or before February 26, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Robert W. Errett,**  
Deputy Secretary.

[FR Doc. 2016-02197 Filed 2-4-16; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 31976; File No. 812-14530]

### PNC Funds, et al.; Notice of Application

February 1, 2016.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice of an application for an order pursuant to: (a) Section 6(c) of the Investment Company Act of 1940 ("Act") granting an exemption from sections 18(f) and 21(b) of the Act; (b) section 12(d)(1)(f) of the Act granting an exemption from section 12(d)(1) of the Act; (c) sections 6(c) and 17(b) of the Act granting an exemption from sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Act; and (d) section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions.

### SUMMARY OF THE APPLICATION:

Applicants request an order that would permit certain registered open-end management investment companies to participate in a joint lending and borrowing facility.

**APPLICANTS:** PNC Funds and PNC Advantage Funds (each a "Trust" and collectively the "Trusts"); the series thereof, and any registered open-end management investment company or series thereof in the future (each a "Fund" and, collectively, the "Funds"); and PNC Capital Advisors LLC (the "Adviser").

**FILING DATES:** The application was filed on August 10, 2015, and amended on January 11, 2016.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on February 26, 2016 and should be accompanied by proof of service on the applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Pursuant to Rule 0-5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Brent J. Fields, Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090; Applicants: c/o Todd P. Zerega, Esq., Perkins Coie LLP, 700 13th Street NW., Washington, DC 20005.

**FOR FURTHER INFORMATION CONTACT:** James D. McGinnis, Attorney-Advisor, at (202) 551-3025 or Sara Crovitz, Assistant Chief Counsel, at (202) 551-6720 (Division of Investment Management, Chief Counsel's Office).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission's Web site by searching for the file number, or an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

### Applicants' Representations

1. Each Trust is organized as a Delaware statutory trust and is registered under the Act as an open-end, management investment company. Each

<sup>16</sup> 17 CFR 200.30-3(a)(12).

Trust has issued one or more series, each of which has shares having a different investment objective and different investment policies. Certain of the Funds<sup>1</sup> either are or may be money market funds that comply with rule 2a-7 under the Act (each a “Money Market Fund” and collectively, the “Money Market Funds”). The Adviser is a Delaware limited liability company that is registered as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”). The Adviser is an indirect subsidiary of The PNC Financial Services Group, Inc., a publicly traded company incorporated in Delaware. The Adviser will, to the extent applicable, oversee the activities of any sub-adviser to a Fund (a “Sub-Adviser”).

2. The Funds may lend cash to banks or other entities by entering into repurchase agreements or purchasing other short-term instruments. The Funds may also need to borrow money from the same or similar banks for temporary purposes, to cover unanticipated cash shortfalls such as a trade “fail” or for other temporary purposes. The Funds may in the future establish a line of credit with one or more banks; currently, the Funds are not parties to any credit facilities with banks (“Bank Borrowings”).

3. The Funds seek to enter into a master interfund lending agreement (“Interfund Lending Agreement”) with each other that would permit each Fund<sup>2</sup> to lend money directly to and borrow money directly from other Funds for temporary purposes through the Interfund Lending Program (an “Interfund Loan”). The Money Market Funds will not participate as borrowers. Applicants state that the requested will relief enable the Funds to access an available source of money and reduce costs incurred by the Funds that need to obtain loans for temporary purposes and permit those Funds that have cash available to: (i) Earn a return on the money that they might not otherwise be able to invest; or (ii) earn a higher rate

<sup>1</sup> Applicants request that the relief apply to each existing and future series of the Trusts, any other registered open-end investment company or series thereof for which the Adviser, including any successor entity thereto, or a person controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with the Adviser serves as investment adviser. The term “successor” is limited to entities that result from a reorganization into another jurisdiction or a change in the type of business organization. All entities that currently intend to rely on the requested relief are named as applicants. Any other entity that relies on the order in the future will comply with the terms and conditions set forth in the application.

<sup>2</sup> Applicants state that the Interfund Lending Program will be limited to Funds whose investment policies allow participation in the program.

of interest on investment of their short-term balances. Although the proposed Interfund Lending Program would reduce the Funds’ need to draw through custodian drafts, the Funds would be free to establish committed lines of credit or other borrowing arrangements with banks.

4. Applicants anticipate that the proposed Interfund Lending Program would provide a borrowing Fund with significant savings at times when the cash position of the Fund is insufficient to meet temporary cash requirements. This situation could arise when shareholder redemptions exceed anticipated cash volumes and certain Funds have insufficient cash on hand to satisfy such redemptions. When the Funds liquidate portfolio securities to meet redemption requests, they often do not receive payment in settlement for up to three days (or longer for certain foreign transactions and/or fixed income instruments). However, redemption requests normally are effected on the day following the trade date. The proposed Interfund Lending Program would provide a source of immediate, short-term liquidity pending settlement of the sale of portfolio securities.

5. Applicants also anticipate that a Fund could use the Interfund Lending Program when a sale of securities “fails” due to circumstances beyond the Fund’s control, such as a delay in the delivery of cash to the Fund’s custodian or improper delivery instructions by the broker effecting the transaction. “Sales fails” may present a cash shortfall if the Fund has undertaken to purchase a security using the proceeds from securities sold. Alternatively, the Fund could: (i) “fail” on its intended purchase due to lack of funds from the previous sale, resulting in additional cost to the Fund; or (ii) sell a security on a same-day settlement basis, earning a lower return on the investment. Use of the Interfund Lending Program under these circumstances would enable the Fund to have access to immediate, short-term liquidity.

6. While custodian overdrafts generally could supply Funds with needed cash to cover unanticipated redemptions and sales fails, under the proposed Interfund Lending Program, a borrowing Fund would pay lower interest rates than those that would be typically payable under an overdraft with the custodian. In addition, Funds making short-term cash loans directly to other Funds would earn interest at a rate higher than they otherwise could obtain from investing their cash in overnight repurchase agreements or other substantially equivalent short-term instruments. Thus, applicants assert that

the proposed Interfund Lending Program would benefit both borrowing and lending Funds.

7. The interest rate to be charged to the Funds on any Interfund Loan (the “Interfund Loan Rate”) would be the average of the “Repo Rate” and the “Bank Loan Rate,” both as defined below. The Repo Rate would be the highest or best (after giving effect to factors such as the credit quality of the counterparty) current overnight repurchase agreement rate available to a lending Fund. The Bank Loan Rate for any day would be calculated by the Interfund Lending Program Team, as defined below, on each day an Interfund Loan is made according to a formula established by each Fund’s board of trustees (each a “Board”) intended to approximate the lowest interest rate at which a bank short-term loan would be available to the Fund. The formula would be based upon a publicly available rate (e.g., Federal funds rate and/or LIBOR) plus an additional spread of basis points and would vary with this rate so as to reflect changing bank loan rates. The initial formula and any subsequent modifications to the formula would be subject to the approval of each Board. In addition, each Board would periodically review the continuing appropriateness of reliance on the formula used to determine the Bank Loan Rate, as well as the relationship between the Bank Loan Rate and current bank loan rates that would be available to the Fund.

8. Certain members of the Adviser’s administrative personnel (other than investment advisory personnel) (the “Interfund Lending Program Team”) would administer the Interfund Lending Program. No portfolio manager of any Fund will serve as a member of the Interfund Lending Program. Under the proposed Interfund Lending Program, the portfolio managers for each participating Fund could provide standing instructions to participate daily as a borrower or lender. The Interfund Lending Program Team on each business day would collect data on the uninvested cash and borrowing requirements of all participating Funds. Once the Interfund Lending Program Team has determined the aggregate amount of cash available for loans and borrowing demand, the Interfund Lending Program Team would allocate loans among borrowing Funds without any further communication from the portfolio managers of the Funds. Applicants anticipate that there typically will be far more available uninvested cash each day than borrowing demand. Therefore, after the Interfund Lending Program Team has

allocated cash for Interfund Loans, the Interfund Lending Program Team will invest any remaining cash in accordance with any standing instruction of the relevant portfolio manager, or such remaining amounts will be invested directly by the portfolio managers of the Funds.

9. The Interfund Lending Program Team would allocate borrowing demand and cash available for lending among the Funds on what the Interfund Lending Program Team believes to be an equitable basis, subject to certain administrative procedures applicable to all Funds, such as the time a Fund files a request to participate, minimum loan lot sizes, and the need to minimize the number of transactions and associated administrative costs. To reduce transaction costs, each Interfund Loan normally would be allocated in a manner intended to minimize the number of participants necessary to complete the loan transaction. The method of allocation and related administrative procedures would be approved by the Boards of the Funds, including a majority of the Board members who are not "interested persons," as defined in section 2(a)(19) of the Act ("Independent Trustees"), to ensure that both borrowing and lending Funds participate on an equitable basis.

10. The Interfund Lending Program Team would: (i) Monitor the Interfund Loan Rate and the other terms and conditions of the Interfund Loans; (ii) limit the borrowings and loans entered into by each Fund to ensure that they comply with the Fund's investment policies and limitations; (iii) ensure equitable treatment of each Fund; and (iv) make quarterly reports to the Board of each Fund concerning any transactions by the applicable Fund under the Interfund Lending Program and the Interfund Loan Rate charged.

11. The Adviser or Sub-Adviser, as applicable, through the Interfund Lending Program Team, would administer the Interfund Lending Program as a disinterested fiduciary as part of its duties under the investment management and administrative agreements with each Fund and would receive no additional fee as compensation for its services in connection with the administration of the Interfund Lending Program.

12. No Fund may participate in the Interfund Lending Program unless: (i) The Fund has obtained shareholder approval for its participation, if such approval is required by law; (ii) the Fund has fully disclosed all material information concerning the Interfund Lending Program in its registration statement on form N-1A; and (iii) the

Fund's participation in the Interfund Lending Program is consistent with its investment objectives, limitations and organizational documents.

13. In connection with the Interfund Lending Program, applicants request an order under section 6(c) of the Act exempting them from the provisions of sections 18(f) and 21(b) of the Act; under section 12(d)(1)(j) of the Act exempting them from section 12(d)(1) of the Act; under sections 6(c) and 17(b) of the Act exempting them from sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Act; and under section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions.

### Applicants' Legal Analysis

1. Section 17(a)(3) of the Act generally prohibits any affiliated person of a registered investment company, or affiliated person of an affiliated person, from borrowing money or other property from the registered investment company. Section 21(b) of the Act generally prohibits any registered management company from lending money or other property to any person, directly or indirectly, if that person controls or is under common control with that company. Section 2(a)(3)(C) of the Act defines an "affiliated person" of another person, in part, to be any person directly or indirectly controlling, controlled by, or under common control with, such other person. Section 2(a)(9) of the Act defines "control" as the "power to exercise a controlling influence over the management or policies of a company," but excludes circumstances in which "such power is solely the result of an official position with such company." Applicants state that the Funds may be under common control by virtue of having common investment advisers and/or by having common trustees, managers and/or officers.

2. Section 6(c) of the Act provides that an exemptive order may be granted where an exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 17(b) of the Act authorizes the Commission to exempt a proposed transaction from section 17(a) provided that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable and do not involve overreaching on the part of any person concerned, and the transaction is consistent with the policy of the investment company as recited in its registration statement and with the

general purposes of the Act. Applicants believe that the proposed arrangements satisfy these standards for the reasons discussed below.

3. Applicants assert that sections 17(a)(3) and 21(b) of the Act were intended to prevent a party with strong potential adverse interests to, and some influence over the investment decisions of, a registered investment company from causing or inducing the investment company to engage in lending transactions that unfairly inure to the benefit of such party and that are detrimental to the best interests of the investment company and its shareholders. Applicants assert that the proposed transactions do not raise these concerns because: (i) The Advisers, through the Interfund Lending Program Team members, would administer the Interfund Lending Program as disinterested fiduciaries as part of their duties under the investment management and administrative agreements with each Fund; (ii) all Interfund Loans would consist only of uninvested cash reserves that the Fund otherwise would invest in short-term repurchase agreements or other short-term investments; (iii) the Interfund Loans would not involve a greater risk than such other investments; (iv) the lending Fund would receive interest at a rate higher than it could otherwise obtain through such other investments; and (v) the borrowing Fund would pay interest at a rate lower than otherwise available to it under its bank loan agreements or through custodian overdrafts. Moreover, applicants assert that the other terms and conditions that applicants propose also would effectively preclude the possibility of any Fund obtaining an undue advantage over any other Fund.

4. Section 17(a)(1) of the Act generally prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, from selling securities or other property to the investment company. Section 17(a)(2) of the Act generally prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, from purchasing securities or other property from the investment company. Section 12(d)(1) of the Act generally prohibits a registered investment company from purchasing or otherwise acquiring any security issued by any other investment company except in accordance with the limitations set forth in that section.

5. Applicants state that the obligation of a borrowing Fund to repay an Interfund Loan could be deemed to constitute a security for the purposes of sections 17(a)(1) and 12(d)(1) of the Act.

Applicants also state that any pledge of securities to secure an Interfund Loan by the borrowing Fund to the lending Fund could constitute a purchase of securities for purposes of section 17(a)(2) of the Act. Section 12(d)(1)(f) of the Act provides that the Commission may exempt persons or transactions from any provision of section 12(d)(1) if and to the extent that such exemption is consistent with the public interest and the protection of investors. Applicants contend that the standards under sections 6(c), 17(b), and 12(d)(1)(f) are satisfied for all the reasons set forth above in support of their request for relief from sections 17(a)(3) and 21(b) and for the reasons discussed below. Applicants state that the requested relief from section 17(a)(2) of the Act meets the standards of section 6(c) and 17(b) because any collateral pledged to secure an Interfund Loan would be subject to the same conditions imposed by any other lender to a Fund that imposes conditions on the quality of or access to collateral for a borrowing (if the lender is another Fund) or the same or better conditions (in any other circumstance).

6. Applicants state that section 12(d)(1) was intended to prevent the pyramiding of investment companies in order to avoid imposing on investors additional and duplicative costs and fees attendant upon multiple layers of investment companies. Applicants submit that the proposed Interfund Lending Program does not involve these abuses. Applicants note that there will be no duplicative costs or fees to the Funds or their shareholders, and that each Adviser will receive no additional compensation for its services in administering the Interfund Lending Program. Applicants also note that the purpose of the proposed Interfund Lending Program is to provide economic benefits for all the participating Funds and their shareholders. Section 18(f)(1) of the Act prohibits open-end investment companies from issuing any senior security except that a company is permitted to borrow from any bank, provided, that immediately after the borrowing, there is asset coverage of at least 300 per centum for all borrowings of the company. Under section 18(g) of the Act, the term "senior security" generally includes any bond, debenture, note or similar obligation or instrument constituting a security and evidencing indebtedness. Applicants request exemptive relief under section 6(c) from section 18(f)(1) to the limited extent necessary to implement the Interfund Lending Program (because the lending Funds are not banks).

7. Applicants believe that granting relief under section 6(c) is appropriate because the Funds would remain subject to the requirement of section 18(f)(1) that all borrowings of a Fund, including combined Interfund Loans and bank borrowings, have at least 300% asset coverage. Based on the conditions and safeguards described in the application, applicants also submit that to allow the Funds to borrow from other Funds pursuant to the proposed Interfund Lending Program is consistent with the purposes and policies of section 18(f)(1).

8. Section 17(d) of the Act and rule 17d-1 under the Act generally prohibit an affiliated person of a registered investment company, or any affiliated person of such a person, when acting as principal, from effecting any joint transaction in which the investment company participates, unless, upon application, the transaction has been approved by the Commission. Rule 17d-1(b) under the Act provides that in passing upon an application filed under the rule, the Commission will consider whether the participation of the registered investment company in a joint enterprise, joint arrangement or profit sharing plan on the basis proposed is consistent with the provisions, policies and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of the other participants.

9. Applicants assert that the purpose of section 17(d) is to avoid overreaching by and unfair advantage to insiders. Applicants assert that the Interfund Lending Program is consistent with the provisions, policies and purposes of the Act in that it offers both reduced borrowing costs and enhanced returns on loaned funds to all participating Funds and their shareholders. Applicants note that each Fund would have an equal opportunity to borrow and lend on equal terms consistent with its investment policies and fundamental investment limitations. Applicants assert that each Fund's participation in the proposed Interfund Lending Program would be on terms that are no different from or less advantageous than that of other participating Funds.

#### Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. The Interfund Loan Rate will be the average of the Repo Rate and the Bank Loan Rate.

2. On each business day, when an interfund loan is to be made, the Interfund Lending Program Team will

compare the Bank Loan Rate with the Repo Rate and will make cash available for Interfund Loans only if the Interfund Loan Rate is: (i) More favorable to the lending Fund than the Repo Rate; and (ii) more favorable to the borrowing Fund than the Bank Loan Rate.

3. If a Fund has outstanding Bank Borrowings, any Interfund Loan to the Fund will: (i) Be at an interest rate equal to or lower than the interest rate of any outstanding bank loan; (ii) be secured at least on an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding bank loan that requires collateral; (iii) have a maturity no longer than any outstanding bank loan (and in any event not over seven days); and (iv) provide that, if an event of default occurs under any agreement evidencing an outstanding bank loan to the Fund, that the event of default by the Fund, will automatically (without need for action or notice by the lending Fund) constitute an immediate event of default under the Interfund Lending Agreement which both (aa) entitles the lending Fund to call the Interfund Loan immediately and exercise all rights with respect to any collateral and (bb) causes the call to be made if the lending bank exercises its right to call its loan under its agreement with the borrowing Fund.

4. A Fund may borrow on an unsecured basis through the Interfund Lending Program only if the relevant borrowing Fund's outstanding borrowings from all sources immediately after the interfund borrowing total 10% or less of its total assets, provided that if the borrowing Fund has a secured loan outstanding from any other lender, including but not limited to another, the lending Fund's Interfund Loan will be secured on at least an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding loan that requires collateral. If a borrowing Fund's total outstanding borrowings immediately after an Interfund Loan would be greater than 10% of its total assets, the Fund may borrow through the Interfund Lending Program only on a secured basis. A Fund may not borrow through the Interfund Lending Program or from any other source if its total outstanding borrowings immediately after the borrowing would be more than 33 1/3% of its total assets or any lower threshold provided for by a Fund's fundamental restriction or non-fundamental policy.

5. Before any Fund that has outstanding interfund borrowings may, through additional borrowings, cause its outstanding borrowings from all sources to exceed 10% of its total assets, it must

first secure each outstanding Interfund Loan to a Fund by the pledge of segregated collateral with a market value at least equal to 102% of the outstanding principal value of the loan. If the total outstanding borrowings of a Fund with outstanding Interfund Loans exceed 10% of its total assets for any other reason (such as a decline in net asset value or because of shareholder redemptions), the Fund will within one business day thereafter either: (i) Repay all its outstanding Interfund Loans to Funds; (ii) reduce its outstanding indebtedness to Funds to 10% or less of its total assets; or (iii) secure each outstanding Interfund Loan to other Funds by the pledge of segregated collateral with a market value at least equal to 102% of the outstanding principal value of the loan until the Fund's total outstanding borrowings cease to exceed 10% of its total assets, at which time the collateral called for by this condition 5 shall no longer be required. Until each Interfund Loan that is outstanding at any time that a Fund's total outstanding borrowings exceed 10% of its total assets is repaid or the Fund's total outstanding borrowings cease to exceed 10% of its total assets, the Fund will mark the value of the collateral to market each day and will pledge such additional collateral as is necessary to maintain the market value of the collateral that secures each outstanding Interfund Loan to Funds at least equal to 102% of the outstanding principal value of the Interfund Loans.

6. No Fund may lend to another Fund through the Interfund Lending Program if the loan would cause its aggregate outstanding loans through the Interfund Lending Program to exceed 15% of its current net assets at the time of the loan.

7. A Fund's Interfund Loans to any one Fund shall not exceed 5% of the lending Fund's net assets.

8. The duration of Interfund Loans will be limited to the time required to receive payment for securities sold, but in no event more than seven days. Loans effected within seven days of each other will be treated as separate loan transactions for purposes of this condition.

9. A Fund's borrowings through the Interfund Lending Program, as measured on the day when the most recent loan was made, will not exceed the greater of 125% of the Fund's total net cash redemptions for the preceding seven calendar days or 102% of the Fund's sales fails for the preceding seven calendar days.

10. Each Interfund Loan may be called on one business day's notice by a lending Fund and may be repaid on any day by a borrowing Fund.

11. A Fund's participation in the Interfund Lending Program must be consistent with its investment objectives, policies, limitations and organizational documents.

12. The Interfund Lending Program Team will calculate total Fund borrowing and lending demand through the Interfund Lending Program, and allocate Interfund Loans on an equitable basis among the Funds, without the intervention of any portfolio manager. The Interfund Lending Program Team will not solicit cash for the Interfund Lending Program from any Fund or prospectively publish or disseminate loan demand data to portfolio managers. The Interfund Lending Program Team will invest all amounts remaining after satisfaction of borrowing demand in accordance with the standing instructions of the relevant portfolio manager or such remaining amounts will be invested directly by the portfolio managers of the Funds.

13. The Interfund Lending Program Team will monitor the Interfund Loan Rate and the other terms and conditions of the Interfund Loans and will make a quarterly report to the Boards concerning the participation of the Funds in the Interfund Lending Program and the terms and other conditions of any extensions of credit under the Interfund Lending Program.

14. Each Board, including a majority of the Independent Trustees, will:

(i) Review, no less frequently than quarterly, the participation of each Fund's it oversees in the Interfund Lending Program during the preceding quarter for compliance with the conditions of any order permitting such participation;

(ii) establish the Bank Loan Rate formula used to determine the interest rate on Interfund Loans;

(iii) review, no less frequently than annually, the continuing appropriateness of the Bank Loan Rate formula; and

(iv) review, no less frequently than annually, the continuing appropriateness of the participation in the Interfund Lending Program by each Fund it oversees.

15. Each Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which any transaction by it under the Interfund Lending Program occurred, the first two years in an easily accessible place, written records of all such transactions setting forth a description of the terms of the transaction, including the amount, the maturity and the Interfund Loan Rate, the rate of interest available at the time each Interfund Loan is made on overnight

repurchase agreements and Bank Borrowings, and such other information presented to the Boards of the Funds in connection with the review required by conditions 13 and 14.

16. In the event an Interfund Loan is not paid according to its terms and the default is not cured within two business days from its maturity or from the time the lending Fund makes a demand for payment under the provisions of the Interfund Lending Agreement, the Adviser to the lending Fund promptly will refer the loan for arbitration to an independent arbitrator selected by the Board of any Fund involved in the loan who will serve as arbitrator of disputes concerning Interfund Loans. If the dispute involves Funds that do not have a common Board, the Board of each Fund will select an independent arbitrator that is satisfactory to each Fund. The arbitrator will resolve any dispute promptly, and the arbitrator's decision will be binding on both Funds. The arbitrator will submit, at least annually, a written report to the Board of each Fund setting forth a description of the nature of any dispute and the actions taken by the Funds to resolve the dispute.

17. The Adviser will prepare and submit to the Board for review an initial report describing the operations of the Interfund Lending Program and the procedures to be implemented to ensure that all Funds are treated fairly. After the commencement of the Interfund Lending Program, the Adviser will report on the operations of the Interfund Lending Program at the Board's quarterly meetings. Each Fund's chief compliance officer, as defined in rule 38a-1(a)(4) under the Act, shall prepare an annual report for its Board each year that the Fund participates in the Interfund Lending Program, that evaluates the Fund's compliance with the terms and conditions of the application and the procedures established to achieve such compliance. Each Fund's chief compliance officer will also annually file a certification pursuant to Item 77Q3 of Form N-SAR as such Form may be revised, amended or superseded from time to time, for each year that the Fund participates in the Interfund Lending Program, that certifies that the Fund and its Adviser have implemented procedures reasonably designed to achieve compliance with the terms and conditions of the order. In particular, such certification will address procedures designed to achieve the following objectives:

(a) That the Interfund Loan Rate will be higher than the Repo Rate but lower than the Bank Loan Rate;

(b) compliance with the collateral requirements as set forth in the application;

(c) compliance with the percentage limitations on interfund borrowing and lending;

(d) allocation of interfund borrowing and lending demand in an equitable manner and in accordance with procedures established by the Board; and

(e) that the Interfund Loan Rate does not exceed the interest rate on any third party borrowings of a borrowing Fund at the time of the Interfund Loan.

Additionally, each Fund's independent public accountants, in connection with their audit examination of the Fund, will review the operation of the Interfund Lending Program for compliance with the conditions of the application and their review will form the basis, in part, of the auditor's report on internal accounting controls in Form N-SAR.

18. No Fund will participate in the Interfund Lending Program, upon receipt of requisite regulatory approval, unless it has fully disclosed in its registration statement on Form N-1A (or any successor form adopted by the Commission) all material facts about its intended participation.

For the Commission, by the Division of Investment Management, under delegated authority.

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2016-02199 Filed 2-4-16; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 31977; 812-14458]

### Medallion Financial Corp.; Notice of Application

February 1, 2016.

**AGENCY:** Securities and Exchange Commission (the "Commission").

**ACTION:** Notice of an application for an order under section 61(a)(3)(B) of the Investment Company Act of 1940 (the "Act").

**SUMMARY OF APPLICATION:** Applicant, Medallion Financial Corp., requests an order approving a proposal to grant certain stock options to directors who are not also employees or officers of Applicant (the "Eligible Directors") under its 2015 Non-Employee Director Stock Option Plan (the "Director Plan").

**FILING DATES:** The application was filed on May 12, 2015, and amended on

September 25, 2015 and January 14, 2016.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on February 26, 2016, and should be accompanied by proof of service on Applicant, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to rule 0-5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090; Applicant, 437 Madison Avenue, 38th Floor, New York, New York 10022.

**FOR FURTHER INFORMATION CONTACT:** Deepak T. Pai, Senior Counsel, at (202) 551-6876, or Mary Kay Frech, Branch Chief, at (202) 551-6821 (Division of Investment Management, Office of Chief Counsel).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained via the Commission's Web site by searching for the file number, or an applicant using the Company name box, at <http://www.sec.gov/search/search.htm> or by calling (202) 551-8090.

### Applicant's Representations

1. Applicant, a Delaware corporation, is a business development company ("BDC") within the meaning of section 2(a)(48) of the Act.<sup>1</sup> Applicant is a specialty finance company that has a leading position in originating, acquiring and servicing loans that finance taxicab medallions and various types of commercial businesses. Applicant operates its businesses through four wholly-owned subsidiaries, Medallion Funding LLC, Medallion Capital, Inc., Freshstart Venture Capital Corp., and Medallion

<sup>1</sup> Section 2(a)(48) defines a BDC to be any closed-end investment company that operates for the purpose of making investments in securities described in sections 55(a)(1) through 55(a)(3) of the Act and makes available significant managerial assistance with respect to the issuers of such securities.

Bank.<sup>2</sup> Applicant is managed by its executive officers under the supervision of its board of directors ("Board"). Applicant's investment decisions are made by its executive officers under authority delegated by the Board. Applicant does not have an external investment adviser within the meaning of section 2(a)(20) of the Act. Applicant's common stock is listed on the NASDAQ Global Select Market.

2. Applicant requests an order under section 61(a)(3)(B) of the Act approving its proposal to grant certain stock options under the Director Plan to its Eligible Directors.<sup>3</sup> Applicant has an eight member Board, six of whom are Eligible Directors. Five of the six Eligible Directors on the Board are not "interested persons" (as defined in section 2(a)(19) of the Act) of Applicant. The Board approved the Director Plan at a meeting held on March 12, 2015, and Applicant's stockholders approved the Director Plan at the annual meeting of stockholders held on June 5, 2015. The Director Plan will become effective on the date on which the Commission issues an order on the application (the "Order Date").<sup>4</sup>

3. Applicant's Eligible Directors currently are eligible to receive stock options under the 2006 Amended Director Plan and will be eligible to receive options under the Director Plan on the Order Date. Under the Director Plan, a maximum of 300,000 shares of Applicant's common stock, in the aggregate, may be issued to Eligible Directors and there is no limit on the number of shares of Applicant's common stock that may be issued to any one Eligible Director. The Director Plan provides for automatic grants of stock options to Eligible Directors. At each annual meeting of Applicant's stockholders after the Order Date, each Eligible Director elected or re-elected at such meeting to a three-year term will automatically be granted an option to purchase 12,000 shares of Applicant's common stock. Upon the election, reelection or appointment of an Eligible Director to the Board other than at the

<sup>2</sup> Applicant also conducts business through its asset-based lending division, Medallion Business Credit, an originator of loans to small businesses for the purpose of financing inventory and receivables.

<sup>3</sup> The Eligible Directors receive a \$39,655 per year retainer payment, \$3,965 for each Board meeting attended, \$1,130 for each telephonic Board meeting, from \$1,700 to \$3,965 for each committee meeting attended, and reimbursement for related expenses.

<sup>4</sup> Applicant previously obtained similar relief for its Amended and Restated 1996 Non-Employee Director Stock Option Plan (the "1996 Director Plan"), the 2006 Non-Employee Director Stock Option Plan (the "2006 Director Plan"), and the First Amended and Restated 2006 Non-Employee Director Stock Option Plan (the "2006 Amended Director Plan").