



PAPERWORK REDUCTION ACT SUPPORTING STATEMENT

for the extension of
Rule 17f-5
OMB Control Number 3235-0269

The U.S. Securities and Exchange Commission (“Commission” or SEC) submits this information collection request (ICR) pursuant to the Paperwork Reduction Act of 1995 (PRA), 44 U.S.C. Section 3501 et seq., with the following justification.

1. Necessity of Information Collection

Rule 17f 5 (17 CFR 270.17f5) under the Investment Company Act of 1940 [15 U.S.C. 80a] (the “Act”) governs the custody of the assets of registered management investment companies (“funds”) with custodians outside the United States. Under rule 17f 5, a fund or its foreign custody manager (as delegated by the fund’s board) may maintain the fund’s foreign assets in the care of an eligible fund custodian under certain conditions. If the fund’s board delegates to a foreign custody manager authority to place foreign assets, the fund’s board must find that it is reasonable to rely on each delegate the board selects to act as the fund’s foreign custody manager. The delegate must agree to provide written reports that notify the board when the fund’s assets are placed with a foreign custodian and when any material change occurs in the fund’s custody arrangements. The delegate must agree to exercise reasonable care, prudence, and diligence, or to adhere to a higher standard of care, in performing the delegated services. When the foreign custody manager selects an eligible foreign custodian, it must determine that the fund’s assets will be subject to reasonable care if maintained with that custodian, and that the written contract that governs each custody arrangement will provide reasonable care for fund assets. The contract must contain certain specified provisions or others that provide at least equivalent care. The foreign custody manager must establish a system to monitor the performance of the contract and the appropriateness of continuing to maintain assets with the eligible foreign custodian.

2. Purpose and Use of Information Collection

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,¹ 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.²

¹ See section 17(f) of the Act. 15 U.S.C. 80a-17(f).

² The staff believes that subcustodian monitoring does not involve "collection of information" within the meaning of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 - 3520) ("Paperwork Reduction Act").

3. Use and Consideration of Information Technology

Rule 31a-2(f) under the Act permits investment companies to maintain many types of records on micrographic and electronic storage media.

4. Identifying and Minimizing Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes a rule or a change in a rule. Rule 17f-5 does not require duplicative reporting or recordkeeping. Other law generally does not require the board findings concerning delegation, foreign custody manager findings and monitoring systems, delegate reports, and risk analysis, monitoring, and notification systems required by these rules.

5. Effect on Small Entities

The effect of rule 17f-5 on small entities is not unduly burdensome. Rule 17f-5 affects, among other persons, the relatively small number of firms that act as foreign custody managers for funds under rule 17f-5. None of these foreign custody managers would likely qualify as a small entity, because each manager is assumed to be a major bank with a global branch network or global ties to other banks. Rule 17f-5 also affects the funds that invest in foreign markets, and the investment advisers to those funds. Few if any of the affected funds and advisers are small entities.³

6. Consequences of Not Conducting Collection and Obstacles to Reducing Burden

The internal board reporting requirements of rule 17f-5 do not recur periodically, but apply only upon the occurrence of certain events, such as when the fund board selects a delegate or the foreign

³ A fund is considered a small entity for purposes of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, if it, together with other investment companies in the same group of related investment companies, has net assets of \$50 million or less. 17 CFR 270.0-10. An adviser is considered a small entity if it has assets under management of less than \$25 million, has total assets of less than \$5 million, and is not in a control relationship with other advisers or persons that are not small entities. 17 CFR 275.0-7. Most funds that invest in foreign securities are part of a fund complex that has net assets of more than \$50 million, and are advised by advisers with assets under management of \$25 million or more.

custody manager selects a foreign custodian. These event-triggered requirements include the rule's provisions for board findings and custody contracts. Some custody arrangements, such as arrangements with less established foreign banks, or with reliable subcustodians in countries subject to economic or political turmoil, may require more frequent internal board reporting than other arrangements.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

Not applicable.

8. Public Comment and Consultations Outside the Agency

The SEC did not receive public comment during the 60-day notice and comment period.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality and Privacy

Not applicable.

11. Collection Questions of a Sensitive Nature

Not applicable.

12. Estimated Time Burden and its Cost Equivalent

Commission staff estimates that each year, approximately 55 registrants⁴ could be required to make an average of one response per registrant under rule 17f-5. A “response” may involve the fund’s directors making certain findings concerning foreign custody managers, and the review and ratification of custodial contracts. Commission staff estimates a response relating to these matters will require approximately 2.5 hours of board of director time per response, to make the necessary findings concerning foreign custody managers, and 1 hour of related compliance attorney time per response, to

⁴ This figure is an estimate of the number of new management investment company registrants each year, based on data reported on Form N-CEN as of December 2022, 2023, and 2024. Commission staff anticipates that the number of existing registrants that change their foreign custody managers is negligible and, therefore, the compliance burden of rule 17f-5 falls primarily on new registrants. In practice, not all registrants will use foreign custody managers. The actual figure therefore may be smaller.

assist the fund board.⁵ For registrants, the total annual burden associated with these requirements of the rule is up to approximately 192.5 hours (55 responses x 3.5 hours per response).

Foreign custody managers are also affected by the collection of information requirements under rule 17f-5. Commission staff estimate that, in connection with each registrant's board of directors making certain findings concerning a foreign custody manager, approximately 20 hours of trust administrator time from the applicable foreign custody manager will be required for initial considerations regarding custodial arrangements with each registrant and preparing reports to the fund board.⁶ Commission staff further estimate that annually, approximately 15 foreign custody managers will be required to make an average of 4 responses per manager concerning the use of foreign custodians other than depositories.⁷ This "response" may involve the foreign custody manager establishing bank custody arrangements, negotiating/renegotiating custodial contracts, preparing reports to fund boards, and establishing and/or amending the foreign custody manager's system for monitoring custody arrangements for its clients. The staff estimates that each response will take approximately 250 hours of trust administrator time, requiring approximately 1000 total hours annually per foreign custody manager (4 responses per foreign custody manager x 250 hours per response). Thus, the total annual burden for foreign custody managers associated with the requirements of the rule is approximately 16,100 hours ((55 responses by foreign custody managers to registrants for initial consideration x 20 hours) + ((15 foreign custody managers x 4 responses per manager) x 250 hours per response)).

Therefore, the total annual burden of all collection of information requirements of rule 17f-5 is estimated to be up to 16,292.5 hours (192.5 hours + 16,100 hours). The total monetized annual cost of

⁵ As discussed below, Commission staff estimate that a response from a registrant will also include a related burden for the applicable foreign custody manager chosen by the registrant's board of directors.

⁶ This estimate does not include burden hours related to the establishment and/or amendment of the foreign custody manager's system for monitoring custody arrangements for its clients, which is accounted for separately as discussed below.

⁷ This figure is based on the staff's estimate of the number of global custodians that may act as foreign custody managers under rule 17f-5.

burden hours is estimated to be \$5,344,500 ((192.5 hours x \$3,760/hour blended wage rate) + (16,100 hours x \$287/hour for a trust administrator’s time)).⁸ 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 with foreign custodians.

**Table 1:
Summary of Updated Estimated Annual Responses, Burden Hours,
and Burden-Hour Costs**

Information Collection	Annual Number of Responses	Burden Hours Per Response	Total Annual Burden Hours	Total Monetized Annual Burden-Hour Cost
Board Findings and Initial Consideration	55 ¹	3.5 hours	192.5 hours	\$723,800 ³
	55 ²	20 hours	1,100 hours	\$315,700 ⁴
Foreign Custodian Monitoring	60 ²	250 hours	15,000 hours	\$4,305,000 ⁵
Total:			16,292.5 hours	\$5,344,500

Notes:

¹ Represents responses from registered management investment companies.

² Represents responses for initial consideration from foreign custody managers.

³ 192.5 hours x \$3,760/hour for blended wage time. See footnote 9 for additional information regarding wage estimates.

⁴ 1,100 hours x \$287/hour for trust administrator time.

⁵ 15,000 hours x \$287/hour for trust administrator time.

⁸ The rates used to create the blended rate are as follow: board of director time - \$5,085 and compliance attorney time - \$449. Staff estimates concerning wage rates for the cost of board of director time are based on fund industry representations. Based on fund industry representations, the staff estimated in 2014 that the average cost of board of director time, for the board as a whole, was \$4,000 per hour. Adjusting for inflation, the staff estimates that the current average cost of board of director time is approximately \$5,085per hour. Estimates concerning wage rates for compliance attorneys and trust administrators are based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association and modified by Commission staff for 2025. The compliance attorney and trust administrator wage figures are based on published rates for each, modified to account for a 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

**Table 2:
Revisions to the Annual Responses, Burden Hours,
and Burden-Hour Costs⁹**

Information Collection	Annual No. of Responses			Annual Time Burden			Total Monetized Annual Burden Hour Cost		
	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>
Board Findings and Initial Consideration	124	110 ¹	14	1,457	1,292.5	-164.5	\$1,101,833	\$1,039,500 ²	-\$62,333
Foreign Custodian Monitoring	60	60		15,000	15,000	0	\$4,065,000	\$4,305,000 ³	\$240,000
Total	184	170	14	16,457	16,292.5	-164.5	\$5,166,833	\$5,344,500	\$177,667

Notes:

¹ Represents responses by registered management investment companies and initial consideration from foreign custody managers.

² (192.5 hours x \$3,760/hour for blended wage time) + (1,100 hours x \$287/hour for trust administrator time). See footnote 9 for additional information regarding wage estimates.

³ 15,000 hours x \$287/hour for trust administrator time.

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 representative survey or study of the costs of Commission rules and forms.

13. Estimated Additional Cost Burden

Rule 17f-5 does not impose any paperwork related cost burden not discussed in item 12 above.

⁹ All changes to the estimated burdens are due to an adjustment in agency estimates.
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14. Annual Cost to the Federal Government

Not applicable. There is no requirement to report the information collection(s) to the SEC.

15. Reasons for Changes in Burden Estimates

The increase in the estimated burden of rule 17f-5 by 32 burden hours results from changes in the estimated number of annual responses and estimated burden hours per response. The estimated number of new registrants with the Commission in a calendar year that might need to comply with rule 17f-5 dropped from 62 to approximately 55 while the estimated number of firms subject to rule 17-5 as foreign custody managers remained at 15. As discussed above, the staff anticipates that the number of existing funds that change their foreign custody managers is negligible and, therefore, the estimated compliance burden for funds under rule 17f-5 falls primarily on new registrants.

16. Plans for Publishing Results

Not applicable.

17. Approval to Omit Display of OMB Expiration Date

Not applicable.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

Not applicable.