



## **PAPERWORK REDUCTION ACT SUPPORTING STATEMENT**

for the Extension of  
Rule 17a-7

OMB Control Number 3235-0214

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**

Section 17(a) of the Investment Company Act of 1940 (the “Act”) generally prohibits an affiliated person<sup>1</sup> (“first-tier affiliate”) of a registered investment company (“fund”) or an affiliated person of that first-tier affiliate (“second-tier affiliate”) from engaging in a purchase, sale, or loan transaction with the fund (or any company controlled by the fund). Section 17(b) of the Act authorizes the Commission to exempt proposed transactions from the prohibitions of section 17(a) when it finds that the terms of the transaction are fair and reasonable and do not involve overreaching on the part of any person involved, the transaction is consistent with the policy of each fund, and the transaction is consistent with the purposes of the Act.

In 1966, the Commission exercised its exemptive rulemaking authority by adopting rule 17a-7 [17 CFR 270.17a-7].<sup>2</sup> Rule 17a-7, as subsequently amended on several occasions, provides an exemption from section 17(a) of the Act for purchases and sales of securities between funds that are first- or second-tier affiliates, or between a fund and a first- or second-tier affiliate other than another fund, when the affiliation arises solely because of a common investment adviser (or advisers that are affiliated persons of each other), director, or officer. The exemption is subject to conditions intended to eliminate the likelihood of overreaching. The rule permits funds and other companies under common management to trade securities with each other and thus to avoid brokerage commissions.<sup>3</sup> The rule

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<sup>1</sup> Under section 2(a)(3) of the Act, “a affiliated person” of another person means:

“(A) any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting securities of such other person; (B) any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person; (C) any person directly or indirectly controlling, controlled by, or under common control with, such other person; (D) any officer, director, partner, copartner, or employee of such other person; (E) if such other person is an investment company, any investment adviser thereof or any member of an advisory board thereof; and (F) if such other person is an unincorporated investment company not having a board of directors, the depositor thereof.”

<sup>2</sup> See Exemption of Certain Purchase or Sale Transactions Between Affiliated Registered Investment Companies; Investment Company Act Release No. 4697 (Sept. 8, 1966) [31 FR 12092 (Sept. 16, 1966)].

<sup>3</sup> See rule 17a-7(d).

also limits the prices at which purchase and sale transactions may occur, to prevent inequitable pricing practices that could harm a participating fund.<sup>4</sup>

Rule 17a-7(e) requires the board of directors of a fund to make, adopt, and approve changes to procedures reasonably designed to ensure that the conditions of the rule have been satisfied for purchases and sales effected in reliance on the rule. In addition, the rule requires that the fund maintain and preserve permanently a written copy of the procedures adopted by the board. Under the rule, the board is required to determine, at least on a quarterly basis, that all affiliated transactions effected during the preceding quarter in reliance on the rule were made in compliance with these established procedures. The rule requires the fund to maintain written records of this board determination and each rule 17a-7 transaction for a period of not less than six years.<sup>5</sup>

In order to rely on the rule, the fund also must comply with certain fund governance standards – including requirements that independent directors must select and nominate other independent directors, independent directors must be affirmatively authorized to hire their own staff, and any person who acts as legal counsel for the independent directors must be an independent legal counsel.<sup>6</sup>

## **2. Purpose and Use of Information Collection**

The records maintained under the rule (including procedures reasonably designed to provide that cross trades comply with the rule’s conditions) are not submitted to the Commission but may be reviewed by Commission staff on request to ensure compliance with the rule. Fund directors use the records to evaluate procedures and transactions executed pursuant to the rule.

If maintenance of these records were not required, the Commission and fund directors could not readily monitor or evaluate potentially unfair or unreasonable transactions between funds and their affiliates. The rule’s requirement to maintain such records avoids the need for potentially more burdensome requirements such as mandatory filings of similar information with the Commission.

## **3. Use and Consideration of Information Technology**

Rule 17a-7 does not require the filing of any documents with the Commission. Under rule 31a-2(f) [17 CFR 270.31a-2(f)], the Commission permits funds to maintain (and produce as necessary) on electronic storage media, many types of records, including records like those required to be maintained under rule 17a-7.

## **4. Identifying and Minimizing Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates those requirements whenever it proposes a rule or form or a change in either. Section 31(a) of the Act [15 U.S.C. 80a-30(a) and rules 31a-1 and 31a-2 thereunder [17 CFR 270.31a-1, 17 CFR 270.31a-2]] require funds to maintain and preserve records similar to those required to be kept

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<sup>4</sup> See rule 17a-7(b).

<sup>5</sup> Rule 17a-7(g) requires the written record of the affiliated transaction to include the following information: a description of the security purchased or sold, the identity of the person on the other side of the transaction, the terms of the purchase or sale transaction, and the information or materials upon which the board determined that the purchase or sale complied with the procedures set by the board.

<sup>6</sup> See rule 17a-7(f); see also rule 0-1(a)(7) [17 CFR 270.0-1(a)(7)].

pursuant to rule 17a-7. Rule 17a-7 does not require that duplicate records be kept but reiterates the requirement to maintain and preserve such records as they relate to the rule. Similarly, rule 38a-1 under the Act [17 CFR 270.38a-1] requires funds to adopt and implement policies and procedures reasonably designed to prevent violations of the Federal securities laws, which includes policies and procedures related to rule 17a-7. Rule 17a-7 does not require duplicate procedures but reiterates the requirement to adopt and implement procedures related to the rule.

## **5. Effect on Small Entities**

The recordkeeping requirements of rule 17a-7 are the same for all funds subject to the rule, including small entities. The Commission believes that compliance with rule 17a-7 is not unduly burdensome for large or small entities, and that the minimal costs of complying with the rule are justified by the benefits it affords.

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

Rule 17a-7 requires fund directors to establish and maintain written procedures for review of pertinent transactions and requires funds to maintain records concerning each transaction undertaken pursuant to the rule. Less frequent collection of this information would make it difficult for fund directors to evaluate transactions executed pursuant to the rule and could hamper the ability of the Commission's examination staff to ensure compliance with the rule.

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

Rule 17a-7 requires funds to retain certain records for more than three years. The fund must maintain and preserve permanently a written copy of the procedures (and any modifications thereto) established by the board of directors to ensure that all conditions of the rule have been satisfied. Additionally, the fund must maintain and preserve for a period of six years from the end of the fiscal year in which any transactions occurred a written record of each such transaction setting forth a description of the security purchased or sold, the identity of the person on the other side of the transaction, the terms of the purchase or sale transaction, and the information or materials upon which the board of directors' determination that the transaction was in compliance with the procedures was made.

The long-term retention of records required under rule 17a-7 is necessary to carry out the Commission's examination and enforcement responsibilities, and its mandate to ensure that the Act's provisions are legally enforceable. The Commission periodically inspects the operations of funds to ensure compliance with the rules and regulations under the Act. Each fund, however, may only be inspected at intervals of several years due to the Commission's limited resources. For this reason, the Commission often needs information relating to events or transactions which occurred years ago. Moreover, in section 31(a) of the Act, Congress specifically empowered the Commission to require funds to "maintain and preserve" books and records "for such period or periods as the Commission may prescribe by rules." Electronic record storage has made long-term retention of records less burdensome.

## **8. Public Comment and Consultations Outside the Agency**

The Commission requested public comment on the collection of information requirements in rule 17a-7 before it submitted this request for extension and approval to the Office of Management and Budget. The SEC did not receive public comment during the 60-day notice and comment period. The Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the fund industry through public conferences, meetings, and informal exchanges.

These forums provide the Commission and the staff useful means to identify and address paperwork burdens that may affect the industry.

## 9. Payment or Gift to Respondents

Not applicable.

## 10. Assurance of Confidentiality and Privacy

The Information Collection does not collect information about individuals, therefore, a PIA, SORN, and PAS are not required.

## 11. Collection Questions of a Sensitive Nature

Not applicable.

## 12. Estimated Time Burden and its Cost Equivalent

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995<sup>7</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with rule 17a-7 is required to obtain or retain benefits.

We estimate that approximately 446 funds use rule 17a-7 to make cross trades annually.<sup>8</sup> Based on conversations with fund representatives and the Commission’s experience with the use of rule 17a-7, we estimate that the recordkeeping burden of compliance with rule 17a-7 is approximately 5 hours per respondent. This time is spent, for example, maintaining various records of rule 17a-7 transactions and materials connected to the board’s determination of compliance.<sup>9</sup> Accordingly, we calculate the total estimated annual internal burden of complying with rule 17a-7 to be approximately 2,230 hours.

ICR Estimated Time Burden and its Cost Equivalent							
Information Collections (ICs)	Requirement Type	Number of Respondents	Frequency of Response (Number of Responses per Respondent per Time Period)	Time per Response	Equivalent Cost per Response (\$) <sup>1</sup>	Total Annual Time Burden (Hours)	Total Annual Cost Burden Equivalent (\$)
Rule 17a-7	Recordkeeping	446	1 Response per Respondent Annually	5 hours	\$2,393 <sup>1</sup>	2,230	\$5,336,390

<sup>7</sup> 44 U.S.C. 3501 *et seq.*

<sup>8</sup> This estimate is based on the average of the number of active registrants/trusts as of December 2023, 2024, and 2025 that indicated on Form N-CEN filings received through March 15, 2026 that at least one of their funds/series rely on rule 17a-7.

<sup>9</sup> We do not estimate burdens associated with the rule’s requirement that the board adopt procedures because fund boards must approve policies and procedures under rule 38a-1.

<b>TOTAL ICs:</b>	446	1	<b>ICR TOTAL:</b>	2,230	\$5,336,390
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<sup>1</sup> The \$2,393 wage rate reflects current estimates of 0.75 of the hourly rate for a lawyer (\$744 x 0.8 = \$595) and 0.25 of the hourly rate for a fund board of directors (assuming an average of 9 directors per board) (\$8,991 x 0.2 = \$1,798) in the securities industry. To calculate the occupational hourly rates, the Commission uses occupational mean hourly wage data from the Occupational Employment and Wage Statistics (OEWS) program of the Bureau of Labor Statistics (BLS) for “Securities, Commodity Contracts, and Other Financial Investments and Related Activities” (NAICS 523)]. See *Occupational Employment and Wage Statistics*, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/oes/>; see also *Standard Occupational Classification*, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/soc/> (describing occupational classification system used by BLS); EXEC. OFF. OF THE PRESIDENT, OFF. OF MGMT. & BUDGET, NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (2022), available at [https://www.census.gov/naics/reference\\_files\\_tools/2022\\_NAICS\\_Manual.pdf](https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf) (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. See *Employment Cost Index*, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/eci/>. The adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis’s annual gross output data for NAICS 523 to total annual wages across all occupations for NAICS 523 in the OEWS data. See *Gross Output by Industry*, U.S. BUREAU OF ECONOMIC ANALYSIS, <https://www.bea.gov/data/industries/gross-output-by-industry>; *Occupational Employment and Wage Statistics*, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/oes/>. The final product is the occupational hourly rate. See generally UPDATED METHODOLOGY FOR CALCULATING OCCUPATIONAL HOURLY RATES (Dec. 19, 2025), available at <https://www.sec.gov/files/method-occupational-hourly-rates.pdf>.

### 13. Estimated Additional Cost Burden

Cost burden is the cost of goods and services purchased to establish procedures under rule 17a-7, such as for the services of outside counsel. The cost burden does not include the hour burden discussed in Item 12 above. Estimates are based on the Commission’s experience with rule 17a-7.

ICR Estimated Additional Cost Burden				
Additional Information Collections (ICs)	Related Supporting Statement Question 12 IC	Requirement Type	Number of Respondents	Total Annual Additional Cost Burden (\$)
Rule 17a-7: external burden	Rule 17a-7	Recordkeeping	446 <sup>1</sup>	\$1,659,120
TOTAL ICs: 446			ICR TOTAL:	\$1,659,120

<sup>1</sup> This is based on 5 hours of time spent on rule 17a-7 records and an estimated \$744 per hour cost for outside legal services.

### 14. Annual Cost to the Federal Government

The SEC is in the process of revising its methodologies to estimate annualized costs to the Federal government for all its relevant collections of information. The SEC anticipates that future extensions of this collection of information will reflect the revised methodologies.

## 15. Reasons for Changes in Burden

The estimated total annual hour burden for rule 17a-7 has increased from 2,225 hours to 2,230 hours (an increase of 5 hours). The estimated annual external costs have increased from \$0 to \$1,659,120 (an increase of \$1,659,120).<sup>10</sup> These estimated increases in burden hours and external costs reflect changes in the calculation methodology, number of affected entities, and in the external cost associated with the information collection requirements.

Reasons for Changes in Burden Estimates		
Information Collections (ICs)	Area of Change	Reason for Change in Burden Estimates
Rule 17a-7	Annual Number of Responses for this IC	• Change Due to Adjustment in Agency Estimate
	Annual IC Time Burden (Hours)	• Change Due to Adjustment in Agency Estimate
	Annual IC Cost Burden (Dollars)	• Change Due to Adjustment in Agency Estimate

## 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

The following exceptions apply to rule 17a-7:

- Small entities (see explanation in Item 5): The Commission believes that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the registration statements.
- Statistical survey methodology: Rule 17a-7 does not employ statistical survey methods.

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<sup>10</sup> Due to an error in most recent rule 17a-7 PRA submission from 2023 (OMB Control No. 3235-0214), there is a discrepancy between the total annual additional cost burden that was calculated in the supporting statement of \$0 and the reported burden of \$4,065,050. The burden hour figures in this supporting statement are consistent with those the Commission estimated in 2023 supporting statement and thus correct the typographical error in the 2023 PRA submission.