U.S. Securities and Exchange Commission

PAPERWORK REDUCTION ACT SUPPORTING STATEMENT

for the Revision 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[1] ("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].[2] 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. These transactions are referred to as "cross trades." 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

---

[1] Under section 2(a)(3) of the Act, "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."

[2] *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)].

thus to avoid brokerage commissions.[3] The rule also limits the prices at which purchase and sale transactions may occur, to prevent inequitable pricing practices that could harm a participating fund.[4]

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.[5]

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.[6]

On October 9, 2026, the Commission proposed amendments to rule 17a-7 to: (1) expand the scope of securities eligible for cross trades; (2) modernize the rule's conditions, including those related to pricing and oversight of cross trades; and (3) amend the rule's recordkeeping requirements.[7] The proposed rule would remove from rule 17a-7 the requirement to maintain and preserve permanently a written copy of the registered fund's cross-trading procedures.[8] Consistent with the current rule, registered funds would be required to maintain and preserve written records of cross trades for at least six years and include records on each cross trade. A fund also would be required to keep records of the information or materials the CCO used to determine whether cross trades were effected in compliance with the conditions of the proposed rule as part of its quarterly review and whether any such transaction, or pattern of transactions, may have disadvantaged the fund relative to eligible affiliates as part of its annual review. That would include information or materials related to other transactions or information necessary to evaluate those cross trades, including, as is consistent with the oversight requirement in the proposal, documentation showing that the CCO considered the timing and price of any subsequent sale of a security purchased in a cross trade. Further, the proposed amendments would require the fund to

---

3 *See* rule 17a-7(d).

4 *See* rule 17a-7(b).

5 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.

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

7 *See* Investment Company Cross Trading, Investment Company Act Release No. 36358 (Oct. 9, 2026) [91 FR 65622 (Oct. 15, 2026)] ("2026 Release").

8 This change would remove duplication with the requirements of rule 38a-1, which requires registered funds to maintain a copy of their policies and procedures reasonably designed to prevent violation of the Federal securities laws that are in effect or were in effect at any time during the last five years. *See* rule 38a-1(d)(1) under the Investment Company Act.

keep records of the CCO's report to the fund's board on the results of the required reviews, with one type of report required at least quarterly, and the other type of report required at least annually.

2. Purpose and Use of Information Collection

The records maintained under the rule, including under the proposed amendments, are not submitted to the Commission but may be reviewed by Commission staff on request to ensure compliance with the rule. Fund directors and others use the records to evaluate procedures and transactions executed pursuant to the rule.

If maintenance of these records were not required, the Commission, fund directors, and others could not readily monitor or evaluate potentially unfair or unreasonable transactions between funds and their affiliates. The rule's requirement to maintain such records, including under the proposed amendments, 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 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.

The information proposed by the amendments in the 2026 Release would reduce these similar requirements.

5. Effect on Small Entities

The recordkeeping requirements of rule 17a-7, including the proposed amendments, 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 funds to maintain records concerning each transaction undertaken pursuant to the rule. In addition, the proposed amendments would require a fund CCO to report the results of its quarterly and annual reviews related to compliance with the rule to the fund's board of directors. 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 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, and the terms of the purchase or sale transaction. In addition, the proposed amendments would replace a requirement to maintain and preserve for a period of six years the information or materials upon which the board of directors' determination that the transaction was in compliance with the procedures was made with a requirement to maintain and preserve for a period of six years the information or materials used in the CCO's reviews and the reports the CCO provides to the board.

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. The information proposed by the amendments in the 2026 Release would eliminate the requirement to preserve records of procedures under rule 17a-7 permanently, which would reduce recordkeeping burdens.

8. Public Comment and Consultations Outside the Agency

On October 9, 2026, the Commission issued a proposing release soliciting comment on collections of information related to the proposed amendments to rule 17a-7.[9] The Commission's solicitation of public comments included estimating and requesting public comments on the burden estimates for all information collections under this OMB control number (*i.e.*, both changes associated with the rulemaking and other burden updates). Comments on the Commission's releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in an ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality and Privacy

This collection has no privacy impact and does not require a PIA, SORN or Privacy Act Statement.

11. Collection Questions of a Sensitive Nature

[9] *See* 2026 Release.

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[10] 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.

The respondents to these collections of information would be registered investment companies and business development companies that make cross trades in compliance with rule 17a-7. We estimate that there are 700 such registrants.[11]

In the most recent PRA submission for rule 17a-7, the Commission estimated the annual aggregate burden to comply with the current collection of information requirements is 2,230 burden hours and an external cost burden estimate of $1,659,120.

The Commission proposed to adjust upward the collection of information burden in connection with the proposed amendments. Under the proposed amendments, we estimate that the additional recordkeeping burden is approximately 7 hours per respondent. This time is spent, for example, maintaining various records of rule 17a-7 transactions and materials connected to the determination of compliance. Accordingly, we calculate the total estimated annual internal burden of complying with the proposed amendments to rule 17a-7 to be approximately 7,130 hours.

The table below summarizes the Commission's annual burden estimates associated with the proposed amendments to rule 17a-7. The figures reflect our estimates of burden hours and costs averaged across funds that are estimated to engage in cross trading, recognizing that a fund's burden hours and costs will depend on the frequency at which the fund engages in cross trading.

Table 1. Rule 17a-7 PRA Estimates

	Initial internal burden hours	Internal annual burden hours[1]		Wage rate[2]	Internal time costs	Annual external cost burden
PROPOSED AMENDMENTS TO RULE 17A-7						
Proposed amendments to rule 17a-7	12 hours	7 hours[3]	x	$1,889	$ 13,223	$1,548[4]

[10] 44 U.S.C. 3501 *et seq*.

[11] This estimate is based on the 674 registrants as of December 2020, before rule 2a-5 went into effect, that indicated on their Form N-CEN filings that at least one of their funds/series rely on rule 17a-7. We round this to 700 registrants to recognize that the estimate based on Form N-CEN may be under-inclusive (*e.g.*, it does not include BDCs that relied on rule 17a-7). In the most recent PRA submission for rule 17a-7, the Commission estimated that there are 446 registrants that relied on the current rule. We estimate that the proposed amendments would result in approximately an additional 254 registrants relying on the rule, resulting in the total estimate of 700. This figure reflects the number of registrants that we estimate would rely on proposed rule 17a-7. The number of funds/series that may rely on the rule would differ.

Number of registrants	× 700	× 700	x 700
Total new annual burden of amendments	4,900 hours	$9,256,100	$1,083,600
Total Estimated Burdens, Including Proposed Amendments			
Current burden estimates	2,230 hours		$1,659,120
Revised burden estimates	**7,130 hours**		**$2,742,720**

Certain products and sums do not tie due to rounding.

Notes:

1. Includes initial burden estimates annualized over a 3-year period.

2. The $1,889 wage rate reflects current estimates of 0.60 of the hourly rate for a financial manager ($730 x 0.6) = $438), 0.30 of the hourly rate for a lawyer ($774 x 0.3 = $232) and 0.10 of the hourly rate for a fund board of directors (assuming an average of 9 directors per board) ($12,186 x 0.1 = $1,219) in the securities industry. To estimate the $12,186 hourly rate for a fund board of directors, Commission staff used an occupational hourly rate of $1,354 for Chief Executives to estimate the hourly rate for a single director and assumed an average of 9 directors per board. To calculate the occupational hourly rates used in this release, the Commission uses the May 2025 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://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 (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is multiplied by an employment cost index (ECI) factor of 1.0227, calculated as one plus the percentage change in the seasonally adjusted ECI wages and salaries of private industry workers from the second quarter of 2025 (ECI=173.563), which contains the May 2025 OEWS reference period, to the first quarter of 2026 (ECI=177.498), which is the date of the most recently available ECI observations when the occupational hourly rates used in this release were calculated. *See Employment Cost Index*, U.S. Bureau of Labor Statistics, Seasonal Data 2001-Present, available at https://www.bls.gov/eci/tables.htm. The adjusted mean hourly wage is then multiplied by a nonwage cost adjustment factor of 5.734, which accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as the average over 2016-2025 of the ratio of the Bureau of Economic Analysis's gross output for the NAICS 523 to total wages across all occupations for the 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://wwww.bls.gov/oes/. For example, the $774 occupational hourly rate for lawyers is calculated as $131.91 × 1.0227 × 5.734, or approximately $774 (where $131.91 is the May 2025 mean hourly wage for lawyers in NAICS 523). 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.

3. Our proposed estimates reflect an increase in initial burden of 12 hours, annualized over a 3-year period, (12 hours / 3 = 4 hours), and an increase of ongoing annual burden of 3 hours.

4. The $1,548 external cost burden is based on 2 hours of time spent on rule 17a-7 records and an estimated $774 per hour cost for outside legal services.

13. Estimated Additional Cost Burden

Cost burden is the cost of goods and services purchased to comply with the information collection requirements 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. As discussed above, we estimate a total of $2,742,720 in costs to respondents. The proposed amendments to rule 17a-7 would increase the external costs by $1,083,600.

Table 2: 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	700	$2,742,720[1]
TOTAL ICs: 1			**ICR TOTAL:**	**$2,742,720**

[1] This is based on 2 hours of time spent on rule 17a-7 records and an estimated $774 per hour cost for outside legal services.

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

Table 3: 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 Discretion
	Annual IC Cost Burden (Dollars)	• Change Due to Adjustment in Agency Discretion

The proposed amendments to rule 17a-7 would increase burdens on reporting entities. The updated estimates also reflect an increase in the number of annual responses due to updates in the estimated number of registered funds that rely on the rule. As summarized in Table 1 above, the estimated hourly burden would increase from 2,230 to 7,130 (an increase of 4,900 hours). The annual external cost burden would increase from $1,659,120 to $2,742,720 (an increase of $1,083,600).

16. Plans for Publishing Results

Not applicable.

17. Approval to Omit Display of OMB Expiration Date

The Commission is seeking OMB approval to omit the expiration date because the public may find it confusing to see an expiration date on a form, especially when approaching the expiration date.

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.
- Statistical survey methodology: Rule 17a-7 does not employ statistical survey methods.