



**SECURITIES AND EXCHANGE COMMISSION**

**[SEC File No. 270-232, OMB Control No. 3235-0225]**

**Submission for OMB Review; Comment Request; Extension: Rule 17f-4**

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) (the “Paperwork Reduction Act”), the Securities and Exchange Commission (the “Commission”) has submitted to the Office of Management and Budget a request for extension of the previously approved collection of information discussed below.

Section 17(f) (15 U.S.C. 80a-17(f)) under the Investment Company Act of 1940 (the “Act”)<sup>1</sup> permits registered management investment companies and their custodians to deposit the securities they own in a system for the central handling of securities (“securities depositories”), subject to rules adopted by the Commission.

Rule 17f-4 (17 CFR 270.17f-4) under the Act specifies the conditions for the use of securities depositories by funds<sup>2</sup> and their custodians.

The Commission staff estimates that 639 respondents (including an estimated 611 active funds that may deal directly with a securities depository, an estimated 15 custodians and sub-custodians (comprising 7 custodians and 8 sub-custodians), and 13 possible securities depositories)<sup>3</sup> are subject to the requirements in rule 17f-4. To the extent that Rule 17f-4(c)(4)

---

<sup>1</sup> 15 U.S.C. 80a.

<sup>2</sup> As amended in 2003, rule 17f-4 permits any registered investment company, including a unit investment trust or a face-amount certificate company, to use a security depository. *See Custody of Investment Company Assets With a Securities Depository*, Investment Company Act Release No. 25934 (Feb. 13, 2003) (68 FR 8438 (Feb. 20, 2003)). The term “fund” or “fund series” is used in this Notice to mean a registered investment company.

<sup>3</sup> The estimates regarding the number of funds that deal directly with a securities depository, and the number of custodians and sub-custodians, are derived from Form N-CEN filings received through September 30, 2024. In addition, the Commission staff estimates the number of possible securities depositories by adding the 12 Federal Reserve Banks and one active registered clearing agency. The Commission staff recognizes that not all these entities may currently be acting as a securities depository for fund securities.

provides that a sub-custodian can be qualified as a custodian for purposes of Rule 17f-4, sub-custodians are included as “custodians” in the estimates of burden hours and costs. While the rule is elective, most, if not all, funds use depository custody arrangements.<sup>4</sup>

Rule 17f-4 contains two general conditions. First, a fund’s custodian must be obligated, at a minimum, to exercise due care in accordance with reasonable commercial standards in discharging its duty as a securities intermediary to obtain and thereafter maintain financial assets. If the fund deals directly with a depository, the depository’s contract or written rules for its participants must provide that the depository will meet similar obligations. All funds that deal directly with securities depositories in reliance on rule 17f-4 should have either modified their contracts with the relevant securities depository, or negotiated a modification in the securities depository’s written rules when the rule was amended. Therefore, we estimate there is no ongoing burden associated with this collection of information.<sup>5</sup>

Second, the custodian must provide, promptly upon request by the fund, such reports as are available about the internal accounting controls and financial strength of the custodian. If a fund deals directly with a depository, the depository’s contract with or written rules for its participants must provide that the depository will provide similar financial reports. Custodians and depositories usually transmit financial reports to funds twice each year.<sup>6</sup> The Commission

---

<sup>4</sup> Based on the Commission staff’s historical experience, most, if not all funds use depository custody arrangements. For purposes of estimating the burden of the rule, we assume a fund’s custodian or sub-custodian will deal with a securities depository in those cases where a fund does not deal directly with a securities depository itself.

<sup>5</sup> The Commission staff assumes that new funds relying on 17f-4 would choose to use a custodian instead of directly dealing with a securities depository because of the high costs associated with maintaining an account with a securities depository. Thus, new funds would not be subject to this condition.

<sup>6</sup> Based on Form N-CEN data received as of September 30, 2024, the Commission staff estimates that there are 13,498 funds, 611 of which deal directly with a securities depository. Accordingly, the estimated 15 custodians would handle requests for reports from 12,887 funds (approximately 859 fund clients per custodian) and the depositories from the remaining 611 funds that choose to deal directly with a depository. It is our understanding based on staff conversations with industry representatives that custodians and depositories transmit these reports to clients in the normal course of their activities as a good business practice regardless of whether they are requested. Therefore, for purposes of this PRA estimate, the Commission staff assumes that custodians transmit the reports to all fund clients.

staff estimates that 15 custodians spend approximately 3,005 hours (by support staff) annually in transmitting such reports to funds.<sup>7</sup> In addition, approximately 611 funds deal directly with a securities depository and may request periodic reports from their depository. Commission staff estimates that depositories spend approximately 179 hours (by support staff) annually transmitting reports to the 611 funds.<sup>8</sup> The total annual burden estimate for compliance with rule 17f-4's reporting requirement is therefore 3,148 hours.<sup>9</sup>

If a fund deals directly with a securities depository, rule 17f-4 requires that the fund implement internal control systems reasonably designed to prevent an unauthorized officer's instructions (by providing at least for the form, content, and means of giving, recording, and reviewing all officers' instructions). All funds that seek to rely on rule 17f-4 should have already implemented these internal control systems when the rule was amended. Therefore, there is no ongoing burden associated with this collection of information requirement.<sup>10</sup>

Based on the foregoing, the Commission staff estimates that the total annual hour burden of the rule's collection of information requirements is 3,148 hours.

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

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number.

---

<sup>7</sup> (12,887 fund clients x 2 reports/year) = 25,754 transmissions per year. The staff estimates that each transmission would take approximately 7 minutes for a total of approximately 3,005 hours (7 minutes x 25,754 transmissions / 60 minutes/hour).

<sup>8</sup> (611 funds who may deal directly with a securities depository x 2 reports/year) = 1,222 transmissions per year. The staff estimates that each transmission would take approximately 7 minutes for a total of approximately 143 hours (7 minutes x 1,222 transmissions/60 minutes/hour).

<sup>9</sup> 3,005 hours for custodians and 143 hours for securities depositories.

<sup>10</sup> The Commission staff assumes that new funds relying on 17f-4 would choose to use a custodian instead of directly dealing with a securities depository because of the high costs associated with maintaining an account with a securities depository. Thus, new funds would not be subject to this condition.

Written comments are invited on: (a) whether this collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency's estimate of the burden imposed by the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.

The public may view and comment on this information collection request at:

[https://www.reginfo.gov/public/do/PRAViewICR?ref\\_nbr=202412-3235-009](https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202412-3235-009) or send an email comment to [MBX.OMB.OIRA.SEC\\_desk\\_officer@omb.eop.gov](mailto:MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov) within 30 days of the day after publication of this notice by **[INSERT DATE 31 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

Dated: February 24, 2025.

**Sherry Haywood,**

*Assistant Secretary.*

[FR Doc. 2025-03226 Filed: 2/27/2025 8:45 am; Publication Date: 2/28/2025]