

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be 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. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication. The Commission request authorization to maintain an inventory of one burden hour for administrative purposes.

Please direct your written comments to R. Corey Booth, Director/Chief Information Officer, Office of Information Technology, Securities and Exchange Commission, 100 F Street, NE Washington, DC 20549.

Dated: March 2, 2006.

**Jill M. Peterson,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Proposed Collection; Comment Request

Upon written request, copies available from: Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549.

*Extension:* Rule 17f-1; File No. 270-236;

OMB Control No. 3235-0222.

Form N-17f-1; File No. 270-316; OMB Control No. 3235-0359.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (the "Commission") is soliciting comments on the collection of information summarized below. The Commission plans to submit these existing collections of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 17f-1 under the Investment Company Act of 1940 (the "Act") [17 CFR 270.17f-1] is entitled: "Custody of Securities with Members of National Securities Exchanges." Rule 17f-1 provides that any registered

management investment company ("fund") that wishes to place its assets in the custody of a national securities exchange member may do so only under a written contract that must be ratified initially and approved annually by a majority of the fund's board of directors. The written contract also must contain certain specified provisions. In addition, the rule requires an independent public accountant to examine the fund's assets in the custody of the exchange member at least three times during the fund's fiscal year. The rule requires the written contract and the certificate of each examination to be transmitted to the Commission. The purpose of the rule is to ensure the safekeeping of fund assets.

Commission staff estimates that each fund makes 1 response and spends an average of 3.5 hours annually in complying with the rule's requirements.<sup>1</sup> Commission staff estimates that on an annual basis it takes: (i) 0.5 hours for the board of directors at a total cost of approximately \$1000 to review and ratify the custodial contracts;<sup>2</sup> and (ii) 3 hours for the fund's controller at a total cost of approximately \$445 to assist the fund's independent public auditors in verifying the fund's assets.<sup>3</sup> Approximately 60 funds rely on the rule annually.<sup>4</sup> Thus, the total annual burden for rule 17f-1 is estimated to be approximately 210 hours.<sup>5</sup> Based on the total costs per fund listed above, the total cost of the rule 17f-1's collection

<sup>1</sup> The 1 response is the board's approval of the custodial contract.

<sup>2</sup> Estimates of the number of hours are based on conversations with individuals in the mutual fund industry. In preparing this submission, Commission staff randomly selected 9 funds from the pool of Form N-17f-1 filers. The actual number of hours may vary significantly depending on individual fund assets. The hour burden for rule 17f-1 does not include preparing the custody contract because that would be part of customary and usual business practice.

<sup>3</sup> This estimate is based on the following calculation:  $3 \times \$148.38$  (fund controller hourly rate) = \$445. This estimate is based on the following calculation:  $3 \times \$148.38$  (fund controller hourly rate) = \$445. The estimated costs for all fund professional and support staff time are based on the average annual salaries reported for employees in New York City in Securities Industry Association, *Management and Professional Earnings in the Securities Industry* (2003) and Securities Industry Association, *Office Salaries in the Securities Industry* (2003), which are adjusted to reflect additional overhead costs and employee benefits.

<sup>4</sup> Based on a review of Form N-17f-1 filings in 2004, the Commission staff estimates that 60 funds relied on rule 17f-1 in 2005.

<sup>5</sup> This estimate is based on the following calculation:  $60$  (respondents)  $\times$   $3.5$  (total annual hourly burden per respondent) =  $210$  hours. The annual burden for rule 17f-1 does not include time spent preparing Form N-17f-1. The burden for Form N-17f-1 is included in a separate collection of information.

of information requirements is estimated to be \$86,700.<sup>6</sup>

Form N-17f-1 is entitled: "Certificate of Accounting of Securities and Similar Investments of a Management Investment Company in the Custody of Members of National Securities Exchanges." Form N-17f-1 (17 CFR 274.219) is the cover sheet for accountant examination certificates filed under rule 17f-1 of the Act. Rule 17f-1 requires the accountant's certificate of each examination be attached to Form N-17f-1 and transmitted to the Commission promptly after each examination. The form facilitates the filing of the accountant's certificate, and increases the accessibility of the certificate to both Commission's staff and interested investors.

Commission staff estimates that on an annual basis it takes: (i) On average 1 hour of clerical time at a total cost of \$28 to prepare and file the Form N-17f-1; and (ii) 1 hour for the fund's chief compliance officer at a total cost of \$137 to review the Form N-17f-1 prior to filing with the Commission. As noted above, approximately 60 funds currently file Form N-17f-1 with the Commission, and each fund is required to make three filings annually for a total annual burden per fund of approximately 6 hours. The total annual hour burden for Form N-17f-1 is therefore estimated to be approximately 360 hours. Based on the total costs per fund listed above, the total cost of Form N-17f-1's collection of information requirements is estimated to be approximately \$59,400.<sup>7</sup>

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules. Compliance with the collections of information required by rule 17f-1 and Form N-17f-1 is mandatory for funds that place their assets in the custody of a national securities exchange member. Responses will not be kept confidential. 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 control number.

The Commission requests written comments on: (a) Whether the collections of information are necessary for the proper performance of the

<sup>6</sup> This estimate is based on the following calculation:  $60$  hours  $\times$   $\$1445$  (total annual cost per fund) =  $\$86,700$ .

<sup>7</sup> This estimate is based on the following calculation:  $360$  hours  $\times$   $\$165$  (total annual cost per fund) =  $\$59,400$ .

functions of the Commission, including whether the information has practical utility; (b) the accuracy of the Commission's estimate of the burdens of 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. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to R. Corey Booth, Director/Chief Information Officer, Office of Information Technology, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549.

Dated: March 2, 2006.

**Jill M. Peterson,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 34-53406; IA-2492]

### Notice of Broker-Dealer/Investment Adviser Study

On March 3, 2006, Chairman Christopher Cox announced that a study will be commenced to compare the levels of protection afforded retail customers of financial service providers under the Securities Exchange Act and the Investment Advisers Act and to address any investor protection concerns arising from material differences between the two regulatory regimes.

This study is part of the Commission's "commit[ment] to pursuing the most effective solutions to \* \* \* vital issues"<sup>1</sup> raised in the course of the promulgation in April 2005 of Rule 202(a)(11)-1 (the "IA/BD rule"). *Certain Broker-Dealers Deemed Not To Be Investment Advisers*, Investment Advisers Act Release No. 2376 (Apr. 12, 2005), 70 FR 20424 (Apr. 19, 2005). The IA/BD rule provides an exception from the Investment Advisers Act for broker-dealers receiving compensation other than commissions—such as fees that are fixed dollar amounts—for full-service brokerage programs that include advice about securities. Under the rule, when

a broker-dealer charges an asset-based or fixed fee, it is excepted from the Advisers Act so long as its advice is solely incidental to brokerage and it makes certain disclosures. The rule also provides guidance about the sort of advice that will not be considered solely incidental to brokerage—such as when a broker-dealer exercises investment discretion over an account.

The IA/BD rule was the subject of a large number of comments, but, as the Commission noted in the release adopting the rule, many of the concerns voiced by commenters went "well beyond the scope of the rulemaking"<sup>2</sup> and implicated matters that might "more appropriately fall under broker-dealer regulation."<sup>3</sup> Accordingly, the staff was directed to report on recommendations for a study to look into these issues.<sup>4</sup> After considering the staff's recommendations and consulting with the other Commissioners, Chairman Cox determined that a study will be conducted to address the issues specified in the IA/BD release.

Dated: March 3, 2006.

**Nancy M. Morris,**

*Secretary.*

[FR Doc. E6-3332 Filed 3-8-06; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53405; File No. SR-FICC-2005-22]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Provide for the Payment of Interest on Cash Clearing Fund Collateral Posted by Members of the Government Securities Division and to Provide for the Payment of Interest on the Basic Deposit Portion of the Participants' Fund Posted by Members of the Mortgage-Backed Securities Division

March 3, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 23, 2005, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") and on February 17, 2006, and February 27,

2006, amended<sup>2</sup> the proposed rule change described in Items I, II, and III below, which items have been prepared primarily by FICC. FICC filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder<sup>4</sup> whereby the proposal became effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FICC is amending (i) the rules of its Government Securities Division ("GSD") to provide for payment of interest on cash clearing fund collateral posted by members and (ii) the rules of its Mortgage-Backed Securities Division ("MBSD") to provide for the payment of interest on the Basic Deposit component of participants' fund collateral posted by members. FICC is also proposing technical changes to the provisions in the GSD's and MBSD's rules regarding the payment of interest on members' cash deposits.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FICC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FICC has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of these statements.<sup>5</sup>

##### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The proposed rule change provides for the payment of interest on cash clearing fund collateral posted by GSD members and payment of interest on the Basic Deposit component of participants' fund collateral posted by MBSD members.

The GSD requires that all netting members maintain a portion of their clearing fund deposit in cash.<sup>6</sup> FICC

<sup>2</sup> The amendments clarified the type of securities in which cash contained in the participants' fund may be invested.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(4).

<sup>5</sup> The Commission has modified the text of the summaries prepared by FICC.

<sup>6</sup> See GSD Rule 4, Section 4.

<sup>1</sup> *Certain Broker-Dealers Deemed Not To Be Investment Advisers*, Investment Advisers Act Release No. 2376 (Apr. 12, 2005), 70 FR 20424, 20442 (Apr. 19, 2005).

<sup>2</sup> *Id.* at 20442.

<sup>3</sup> *Id.* at 20424.

<sup>4</sup> *Id.* at 20442.

<sup>5</sup> 15 U.S.C. 78s(b)(1).