

THE LONG AND WINDING ROAD: IT'S TIME TO CROSS ONCE AGAIN

THE SEC PROPOSES TO FIX, IMPROVE, AND MODERNIZE MUTUAL FUND CROSS TRADING UNDER RULE 17A-7

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INTRODUCTION

At long last, the Securities and Exchange Commission (SEC) proposed amendments to Rule 17a-7 under the Investment Company Act of 1940 (1940 Act).¹ These amendments (the Proposed Amendments) would do many things, but most consequentially, the Proposed Amendments would fix the part of Rule 17a-7 that was broken with the adoption of the mutual fund valuation rule back in 2020: the effective exclusion of most fixed-income securities from the scope of Rule 17a-7.²

In addition, the Proposed Amendments would do the following:

- Allow cross trades at prices determined for net asset value (NAV) calculation purposes or current market prices based on unaffiliated pricing sources, including pricing vendors.
- Permit funds to make *de minimis* payments to unaffiliated parties for transaction-related operational services.
- Impose modernized oversight requirements, including pre-trade best-interest determinations, periodic pricing reviews, and annual reviews.
- Update associated recordkeeping and reporting requirements.

These Proposed Amendments are a welcome destination for the long and winding road that has been the regulation of cross trading by registered investment companies, but they would not deliver everything. Eligibility would remain tied to US generally accepted accounting principles (GAAP) valuation concepts, creating practical questions about how firms establish that a security qualifies when a trading opportunity arises. In addition, certain gaps remain. Illiquid investments whose valuations depend on significant unobservable inputs would still be excluded, and additional control affiliations would continue to block crosses between registered funds and many affiliated private funds. While the Proposed Amendments are certainly a win for the industry, these are issues that have been raised by the industry and will likely appear in the comment file. Comments are due by 14 December 2026.³

A TRIP THROUGH THE PROPOSED AMENDMENTS

Fixing Fixed-Income Securities Under Rule 17a-7

As noted above, most fixed-income securities have been effectively excluded from the scope of Rule 17a-7 since 8 September 2022 as a result of the SEC's adoption of Rule 2a-5, the fund valuation rule (Valuation Rule), in 2020.⁴ Rule 17a-7, by its terms, is available only for transactions in securities for which "market quotations are readily available."⁵ The Valuation Rule defined when market quotations are "readily available" using a standard consistent with a Level 1 input under GAAP: an unadjusted quoted price in an active market for an identical investment that the fund can access at the measurement date, provided that the quotation is reliable.⁶ The SEC also made clear at the time that this definition applies throughout the 1940 Act and its rules, including Rule 17a-7.⁷

This has been a problem. Owing to the nature of fixed-income markets, most fixed-income securities are valued using GAAP Level 2 inputs, such as evaluated prices from pricing services, rather than Level 1 inputs. As a result, with this definition and its express extension to Rule 17a-7, most fixed-income securities fell out of scope for the exemption.

The Proposed Amendments would fix that.

In sum, the Proposed Amendments would expand the scope of Rule 17a-7 to include not only securities "for which market quotations are readily available" (the existing standard) but also securities "that would be valued by the fund based on inputs that are observable, either directly or indirectly."⁸ The SEC is clear that this inclusion is intended to align with the current definition of Level 2 inputs under GAAP.⁹

As a result, under the Proposed Amendments, most fixed-income securities would be back in scope; however, securities whose valuations depend on unobservable inputs significant to the measurement as a whole, including many illiquid investments, would remain out of scope.¹⁰ In addition, investments that are "non-leveled" under GAAP (i.e., not categorized within the fair value hierarchy) would also remain out of scope.¹¹

Improving Rule 17a-7 Pricing

One challenge perennially associated with cross trading has been establishing the price for the transaction. Rule 17a-7 requires that any transaction be conducted at the "independent current market price" and include a specific, multi-prong definition. For most fixed-income securities, this definition required that the price be established based on "the average of the highest current independent bid and lowest current independent offer determined on the basis of reasonable inquiry."¹² This definition has been challenging to implement for certain securities, such as fixed income, because usable bids and offers can be difficult to obtain, and brokers and dealers have not always been willing to provide bids or offers in response to what they perceived to be a pricing exercise. This could result in either "accommodation quotes," which were not actually exercisable at scale, or dealers refusing to provide quotes for fixed-income securities at all. This was a significant industry challenge prior to the Valuation Rule's adoption in 2020.¹³

The Proposed Amendments would retain the condition that transactions be conducted at the "independent current market price," but they would overhaul how that price is determined.¹⁴ Specifically, the Proposed Amendments would adopt a new definition with two alternatives: the security's value in the fund's next NAV computation on the trade date (NAV Pricing), or a price that the adviser determines reasonably represents current market price, using

one or more unaffiliated pricing sources, subject to the adviser's periodic review of the reasonableness of those prices (Pricing Source Pricing).¹⁵ A fund could use different alternatives for different crosses.¹⁶

NAV Pricing

Under NAV Pricing, funds would effect cross trades based on the price used by the funds in their next calculation of NAV on the date of the trade.¹⁷ The SEC notes that this methodology would address pricing concerns because it utilizes an existing methodology with robust processes subject to the Valuation Rule.¹⁸ Funds participating in a cross trade based on NAV Pricing would be required to share the same valuation processes so that they would arrive at the same price using NAV Pricing.¹⁹ This addresses concerns around the same security being held at different prices by funds within a single fund family. But this requirement may create difficulties for funds that have different NAV pricing procedures, as in the case of funds from different fund families that are potentially affiliated through a shared subadviser.²⁰

One potential drawback to the NAV Pricing approach is that the execution price would not be known when the decision to cross is made, because it would be based on the fund's next NAV calculation that day. Advisers and traders will need to address this gap in their best-interest determinations required by other provisions of the Proposed Amendments.

Pricing Source Pricing

As an alternative to NAV Pricing, the Proposed Amendments would permit funds to effect cross trades based on Pricing Source Pricing, which effectively captures each of the prongs of the existing definition of "independent current market price" in Rule 17a-7. For securities traded and quoted in active markets, such as listed equity securities, the SEC notes that it would generally be appropriate for the fund to use, consistent with the requirements currently included in Rule 17a-7, either the last reported sale price or, if there are no reported transactions on that day, the average of the highest current independent bid and the lowest current independent offer.²¹

For eligible securities without "readily available market quotations"—those whose valuation measurements fall within Level 2—an investment adviser could use unaffiliated pricing sources, including broker-dealer quotations,²² electronic trading platforms, and pricing services.²³

The treatment of broker-dealer quotations for Pricing Source Pricing under the Proposed Amendments is largely consistent with the current requirements to establish "reasonable inquiry" under Rule 17a-7.²⁴ In practice (before most fixed-income cross trading fell out of Rule 17a-7), advisers commonly sought multiple broker quotes before crossing a fixed-income security, consistent with guidance from the SEC staff.²⁵ The proposing release takes a similar approach, noting that advisers relying on broker-dealer quotes generally should confirm with more than one broker-dealer that the quotes reflect current market conditions, are timely, are binding, and are verifiable (based on real transactions or other similar available quotes). Those checks would inform whether the average of the highest bid and lowest offer reasonably represents current market price.²⁶ The proposal further notes that "indications of interest" or "accommodation quotes" would not reasonably represent current market price for purposes of the proposed rule.²⁷

In addition to broker-dealer quotations, the Proposed Amendments would permit funds to effect cross trades based on prices provided by unaffiliated pricing services, subject to reasonable oversight of the unaffiliated pricing service by the adviser. The SEC does not prescribe a specific oversight program, but it does list several factors

that an adviser should consider in overseeing such a pricing service, including qualifications, pricing methodologies, data quality, challenge process, conflicts of interest, and the pricing service's own testing processes.²⁸ These factors largely mirror the factors the SEC recommended for review of pricing services for fair valuation.²⁹ The SEC also notes that periodic pricing review would be the adviser's responsibility, separate from the compliance reviews conducted by the fund's chief compliance officer (CCO).³⁰

Modernizing Other Provisions: Transaction Fees, Best Interest, Oversight, and Reporting

Customary Transaction Fees

Currently, Rule 17a-7 requires that no “brokerage commission, fee (except for customary transfer fees), or other remuneration is paid in connection with the transaction.”³¹ That restriction has become challenging as the mechanics of trading have evolved. Custodians, trading platforms, and other service providers may charge modest fees to process or settle a cross, but the rule does not clearly establish which charges qualify as “customary transfer fees,” especially as some of these fees may be relatively novel (and therefore not necessarily “customary”). The uncertainty can be particularly troublesome when the participating funds use different custodians and need third parties to coordinate settlement, such as where a subadviser seeks to cross securities between funds in different complexes.³²

The Proposed Amendments would provide guidance and welcome clarity on this point by replacing the customary transfer-fee exception with express permission for de minimis payments to unaffiliated parties for clearing, settlement, custody, recording, or reporting a transaction.³³ The SEC discusses qualifying administrative charges imposed by custodians, broker-dealers, and platforms; certain unavoidable foreign-market payments; and equivalent distributed-ledger charges.³⁴

“*De minimis*” would not have a fixed numerical definition. The SEC says the amount would depend on the circumstances and generally should be small relative to the transaction and below the costs of executing in the market.³⁵ The SEC notes that funds availing themselves of this exception should address in their cross trading policies and procedures how they will determine whether a fee is de minimis and whether it is incurred for a permitted purpose.³⁶

Best-Interest Determinations

The Proposed Amendments would expressly require a fund's investment adviser to determine, before each cross trade, that the transaction is in each participating registered fund's best interest, independently of benefits to the other party.³⁷ While this specific obligation would be new under the Proposed Amendments, the policy behind it is consistent with advisers' existing fiduciary obligations. Importantly, satisfying the pricing requirements discussed above would not, by itself, establish that a cross trade is in a fund's best interest. A security can have an appropriate price and still be the wrong investment (e.g., the fund could already be overweight the subject security such that any additional purchases at market price would not be consistent with the fund's investment strategy).

The SEC identifies several factors that advisers could consider in making this determination, including the following:

- The investment rationale and expected effect on the fund's performance.
- The security's characteristics, including liquidity.

- The pricing method, availability of more favorable market pricing, and potential cost savings.
- Execution quality, speed, and costs.
- The timing, urgency, and size of the transaction, including potential market impact.
- The counterparty's characteristics, including its expense and fee structure.
- Current market conditions, particularly during periods of stress.³⁸

Funds' cross trading policies and procedures should address how the adviser would make the determination, including the process and relevant factors, but advisers would have flexibility to assign responsibility for these determinations. Key here is that the SEC relied on the adviser (and not the board) to make this best-interest determination. The adviser is able to make informed evaluations on a timely basis, facilitating the ability of funds to cross trade on a regular basis.

CCO and Board Oversight

Currently, Rule 17a-7 requires a fund's board, including a majority of its independent directors, to adopt cross trading procedures, approve necessary changes, and determine at least quarterly that cross trades complied with those procedures.³⁹ The Proposed Amendments would formally shift responsibility for reviewing transactions to the fund's CCO, while retaining board oversight.⁴⁰ They would also introduce an annual review directed at a broader question: whether a cross trade, or a pattern of cross trades, may have disadvantaged the fund relative to its counterparty.⁴¹

- ***Quarterly Reviews.*** The CCO would review all cross trades effected during the preceding quarter to determine compliance with the rule and report the results to the board at least quarterly. The review would address counterparty and security eligibility, pricing, permitted fees, consistency with fund policies and investment strategies, and the adviser's best-interest determination.⁴²
- ***Annual Reviews.*** The annual review would go beyond checking whether individual trades satisfied the rule's conditions. The CCO would assess whether individual crosses or trading patterns may have disadvantaged the fund, including potential parking, dumping, or cherry-picking.⁴³ As part of that review, the CCO would examine other transactions or information necessary to evaluate the crosses, expressly including the timing and price of subsequent sales of securities acquired through cross trades. The disposition analysis would apply regardless of how long the fund held the security, although the SEC notes that sales close to the cross may be particularly informative. The SEC would permit sampling, automated monitoring, and other testing methods for the annual review.⁴⁴ The CCO would report the results to the board at least annually.
- ***Continuing Board Oversight.*** The Proposed Amendments would remove Rule 17a-7's separate requirement for board adoption and amendment of cross trading procedures, which the SEC views as duplicative of Rule 38a-1.⁴⁵ Boards would continue to approve compliance policies and procedures under Rule 38a-1, while the fund must review its adequacy and implementation at least annually. The SEC expressly expects boards to remain actively engaged, particularly in questioning potential conflicts revealed by the CCO's reports.⁴⁶

The shift here continues the SEC's broader effort to distinguish board oversight from day-to-day administration:⁴⁷ CCOs would perform the detailed compliance reviews, while directors would focus on the resulting findings, conflicts, and effectiveness of the program. The quarterly compliance work would change hands, but the board's responsibility to ask difficult questions would remain.

Modernized Reporting

The Proposed Amendments would add cross trading disclosures to Form N-PORT and Form N-MFP. Currently, Form N-CEN asks whether a fund relied on Rule 17a-7, and financial statements provide certain information about affiliated transactions.⁴⁸ Those disclosures, however, do not provide a consistent picture of the volume of cross trading or its significance relative to a fund's overall trading activity.⁴⁹

The Proposed Amendments would add new items to Form N-PORT and Form N-MFP that would ask whether the fund engaged in cross trades under Rule 17a-7 during the preceding 12 months. If so, the fund would report four amounts for the applicable monthly reporting period, broken down by asset type or investment category as follows:

- Purchases through cross trades.
- Total purchases.
- Sales through cross trades.
- Total sales.⁵⁰

Amounts would be reported in US dollars to the nearest cent and on a gross basis without netting purchases against sales. Total purchases and sales would include cross trades, while securities held to maturity would not count as sales.⁵¹ The SEC intends these disclosures to show both the volume of crossing and its place within the fund's broader trading activity.

The 12-month lookback would matter for funds that cross only occasionally. A single cross would trigger reporting of aggregate trading activity for the ensuing 12-month period, including months in which the fund conducts no further crosses.⁵² Operationally, firms would therefore need to capture more than the cross trade tickets: they would also need total purchase and sale activity by the relevant asset categories. The monthly data would follow each form's filing and publication schedule; the release also addresses coordination with the SEC's separate Form N-PORT reporting proposal.⁵³

Transition and Existing Staff Positions

The SEC proposes a 12-month transition period for funds in families with at least US\$10 billion in net assets and 18 months for smaller fund families. Funds could comply early, but as is typical in cases of early compliance, they would have to follow the amendments in their entirety—including the new safeguards and reporting requirements.⁵⁴

If adopted, the SEC's views would supersede inconsistent staff positions. The release identifies the United Municipal Bond Fund, Federated Municipal Funds, and Independent Directors Council letters, among others. Firms relying on those positions would need to assess how their programs fit within the amended framework.⁵⁵

HEADING DOWN THE ROAD: OPPORTUNITIES FOR COMMENT

A Significant GAAP: Using Accounting Models for Real-Time Trading Decisions

While the application of GAAP standards for fund valuation under Rule 2a-5 may be appropriate, the extension of GAAP standards to Rule 17a-7 creates practical challenges arising from the different contexts in which these rules operate.

Under Rule 2a-5, whether a security has “readily available market quotations” (i.e., whether the security is valued based on Level 1 inputs) determines whether, in calculating the fund's NAV, the fund uses market value or, alternatively, whether the security must be fair valued using Rule 2a-5's valuation framework.

In contrast, decisions whether to effect a cross trade must be made using the information available and (more or less) in real time. The source and kind of valuation inputs do not, by themselves, answer whether a cross is appropriate. This represents a practical mismatch between a transaction eligibility test and an accounting hierarchy designed to classify the inputs to a valuation measurement. For example, if a fund is offered the opportunity to sell a security at a certain price, the adviser must assess whether the price is fair and the sale serves the fund's interests. The fund's valuation inputs inform that assessment, but they do not resolve it.

Further, by incorporating GAAP standards into transaction eligibility determinations, funds will need to be able to assess the GAAP classification of the relevant valuation measurement as part of their transaction compliance program. The proposed rule asks how a security “would be” valued; it does not assign that determination to any particular employee or expressly permit reliance on yesterday's classification. Firms would need a process that gives portfolio managers and traders reliable eligibility information before they cross. One option would be to refer to the prior day's valuation process, but this approach could require enhancements to systems to record and update the valuation classification for each holding in a manner that can be imported into relevant compliance systems.

The SEC expressly asks about unintended consequences of using GAAP concepts and alternative ways to define eligibility.⁵⁶ Firms could seek clarity on the timing of the eligibility assessment, reasonable reliance on valuation processes, and treatment of changes between a trading decision and the next NAV calculation.

Application to (Level 3) Illiquid Securities and Private Investments

While the Proposed Amendments would bring most fixed-income securities back within Rule 17a-7's scope, they would not extend the exemption to securities whose fair-value measurements depend on unobservable inputs that are significant to the measurement as a whole. This category could include many privately offered equity and private credit investments (collectively, Private Assets).

The SEC's concern is that, without an independent, observable basis for pricing, a cross trade presents greater risk of subjective pricing, bias, or error, and therefore greater risk that the adviser could favor one participating fund over another.⁵⁷

Those concerns are real. But excluding these investments altogether may also deny funds useful opportunities to avoid transaction costs and market impact. A fund complex may have a natural buyer for an investment that another fund needs to sell; the adviser's familiarity with the asset and its diligence can help identify that match. That familiarity does not resolve the pricing and conflict questions, but it may make a cross worth considering if the process includes controls suited to the asset.

The proposal's best-interest determination, pricing requirements, CCO oversight, and review procedures could provide a starting point for that approach, though they may need to be adapted or supplemented for securities without an observable pricing basis. The SEC expressly asks whether it should permit cross trades in all or certain types of securities categorized as Level 3 and whether additional protections could address the associated pricing and conflict risks. The examples include advance board or CCO approval, additional pricing checks, documentation, escalation, and more frequent post-trade review.⁵⁸

Private Funds Remain Crossed Off

For nonregistered counterparties, Rule 17a-7 (both currently and as proposed) limits relief to persons affiliated with the registered fund, or an affiliated person of that fund, "solely by reason of having a common investment adviser, investment advisers that are affiliated persons of each other, common directors, and/or common officers."⁵⁹ The Proposed Amendments would expand the securities eligible for cross trading, but they would not expand the types of affiliated counterparties eligible to rely on Rule 17a-7.⁶⁰

This is a particular issue for private funds. In the private fund context, the private fund's adviser typically serves as a private fund's general partner or controls that general partner. Where that relationship amounts to control, it creates an additional affiliation that defeats the "solely" condition. For ordinary adviser-sponsored private funds, the exception can therefore be close to a null set in practice. This limitation is increasingly consequential as registered funds and private funds invest in overlapping strategies and assets, creating more opportunities for complementary buy and sell interest. Both sets of investors could benefit from appropriate crosses. The policy question is whether the added control relationship warrants exclusion or whether independent pricing, fund-specific best-interest determinations, and effective oversight could address the additional conflicts. The SEC did not expressly ask whether to expand eligibility to cover these control relationships, and it noted that it is maintaining the existing rules requirements in this area, but this would be an ideal time to address the issue, nonetheless.

IMPLICATIONS AND CONCLUSION

The Proposed Amendments represent a win for registered funds, their advisers, and their shareholders. The SEC estimates aggregate annual transaction-cost savings of approximately US\$173 million (in 2026 dollars) before compliance costs.⁶¹ Other estimates underscore the potential benefits, although they measure different populations and periods: The SEC estimates roughly US\$50 million in annual forgone savings for a subset of corporate-bond crosses, while the Investment Company Institute estimates US\$265 million in annual registered-fund savings under normal-market assumptions and US\$651 million under stressed-market assumptions.⁶²

Revising Rule 17a-7 to bring most fixed-income securities back into scope would be a significant benefit, and the ability to utilize pricing services as a source for pricing would make Rule 17a-7 much more attractive to funds and their advisers. The proposed oversight and reporting requirements are also reasonably tailored to the policy objectives of Section 17. If adopted, these changes would allow cross trades to move into the fast lane.

That said, work remains to be done with the SEC. In particular, how and whether to incorporate GAAP principles into trading decisions remains an open item. Practical concerns about how the new quarterly and annual reviews will be done, including backtesting, should be thought through now and issues raised with the SEC. In addition, funds and their shareholders could benefit from a wider universe of both eligible securities (i.e., Private Assets)

and counterparties (i.e., affiliated private funds) for cross trade opportunities. This is not to say that these areas do not present real conflicts and concerns; they do. The question is whether the industry can use this opportunity to develop a rule that permits a broader range of cross trades while preserving the investor protection goals Rule 17a-7 is designed to address.

Comments are due by 14 December 2026.

FOOTNOTES

¹ Investment Company Cross Trading, SEC Rel. No. IC-36358 (Oct. 9, 2026) (Proposed Amendments).

² Good Faith Determinations of Fair Value, SEC Rel. No. IC-34128 (Dec. 3, 2020), at 94–95 (Valuation Rule Release).

³ Investment Company Cross Trading, 91 Fed. Reg. 65622 (Oct. 15, 2026).

⁴ See Proposed Amendments at 13–14.

⁵ Rule 17a-7(a).

⁶ Rule 2a-5(c); Valuation Rule Release at 89 (noting that the definition used in the rule's text was “consistent with the definition of a level 1 input in the fair value hierarchy outlined in U.S. GAAP” and that “a security will be considered to have readily available market quotations if its value is determined solely by reference to these level 1 inputs”).

⁷ Valuation Rule Release at n.359 and accompanying text.

⁸ Proposed Amended Rule 17a-7(b)(1); Proposed Amendments at 24–26.

⁹ Proposed Amendments at n.50 and accompanying text.

¹⁰ Again incorporating GAAP standards, the SEC noted that securities “valued based on unobservable inputs that are significant to the entire measurement” (i.e., securities valued based on Level 3 inputs under GAAP) are not eligible for cross trading under the Proposed Amendments. *Id.* at 26.

¹¹ *Id.*

¹² Rule 17a-7(b)(4).

¹³ See, e.g., FIMSAC Recommendation Regarding Modernizing Rule 17a-7 under the 1940 Act (June 1, 2020) (FIMSAC Recommendations), at n.3 and accompanying text.

¹⁴ Proposed Amendments at 29–48.

¹⁵ Proposed Amended Rule 17a-7(b)(2)(i)–(ii).

¹⁶ Proposed Amendments at 31 (“A registered fund may switch between the two pricing methodologies for different cross trades.”).

¹⁷ *Id.* at 32–34. For funds that calculate multiple NAVs per day (e.g., some money market funds), the price may be determined at an intraday NAV calculation. Funds that do not calculate daily NAVs could use NAV Pricing only on days when they calculate NAV. Amortized-cost values would not qualify; money market funds using amortized

cost could use their market-based NAV valuations instead.

¹⁸ *Id.*

¹⁹ *Id.* at 32.

²⁰ Otherwise unaffiliated funds with a common subadviser may or may not be affiliated, depending on the facts and circumstances. The SEC has recognized that funds with common advisers “may or may not be” affiliated and that Rule 17a-7 permits them to proceed without resolving that question if its conditions are satisfied. See Exemption of Certain Purchase or Sale Transactions Between a Registered Investment Company and Certain Affiliated Persons Thereof, SEC Rel. No. IC-11676 (Mar. 10, 1981) at n.5.

²¹ See Rule 17a-7(b)(1)–(3); Proposed Amendments at 63.

²² Proposed Amendments at 37–39 (permitting broker-dealer quotations as pricing inputs, subject to the adviser's determination that the resulting price reasonably represents current market price).

²³ *Id.* at 37.

²⁴ Rule 17a-7(b)(4) requires “the average of the highest current independent bid and lowest current independent offer determined on the basis of reasonable inquiry.”

²⁵ See Proposed Amendments at n.58. United Municipal Bond Fund, SEC Staff No-Action Letter (pub. avail. July 30, 1992), permitted the two funds to cross certain municipal bonds at the average of prices from at least three independent matrix pricing services, three independent bids, or a combination of the two; in 1995, the staff modified that pricing condition to permit use of the independent pricing service the funds used to value the bonds for NAV, subject to specified safeguards. United Municipal Bond Fund, SEC Staff No-Action Letter (pub. avail. Jan. 27, 1995), at 1–3 (describing and modifying the 1992 position).

²⁶ Proposed Amendments at 38.

²⁷ *Id.* at 38–39.

²⁸ *Id.* at 39–40.

²⁹ *Id.* at 40 n.70; Valuation Rule Release at 37.

³⁰ Proposed Amendments at 41–43.

³¹ Rule 17a-7(d).

³² See FIMSAC Recommendations at 2 (discussing custodial and platform fees). A shared subadviser does not automatically establish affiliation; see the discussion of potential subadviser affiliation above.

³³ Proposed Amended Rule 17a-7(b)(3).

³⁴ Proposed Amendments at 51–52.

³⁵ *Id.* at 52.

³⁶ *Id.*

³⁷ Proposed Amended Rule 17a-7(b)(5).

³⁸ Proposed Amendments at 56–57.

³⁹ Rule 17a-7(e)(1)–(3).

⁴⁰ Staff relief already permits boards to receive quarterly written CCO representations of compliance in place of making the determinations themselves. Independent Directors Council, SEC Staff No-Action Letter (Oct. 12, 2018).

⁴¹ Proposed Amendments at 61–67; Proposed Amended Rule 17a-7(b)(7).

⁴² Proposed Amendments at 61–67.

⁴³ *Id.* at 64–66.

⁴⁴ *Id.* at 65–67.

⁴⁵ *Id.* at 70–71; Rule 38a-1(a)(1)–(4).

⁴⁶ Proposed Amendments at 63.

⁴⁷ See, e.g., Valuation Rule Release at 128 (explaining that boards' focus on oversight supports reliance on advisers for day-to-day valuation work); Use of Derivatives by Registered Investment Companies and Business Development Companies, SEC Rel. No. IC-34084 (Nov. 2, 2020), at 81 (distinguishing board oversight from the derivatives risk manager's responsibility for administering the program, while emphasizing that oversight should remain active).

⁴⁸ Form N-CEN, Item C.7.e.

⁴⁹ Proposed Amendments at 77–79 & nn.117–18.

⁵⁰ *Id.* at 75–77; proposed Form N-PORT, Item B.12; proposed Form N-MFP, Item A.23.

⁵¹ Proposed Form N-PORT, Item B.12; proposed Form N-MFP, Item A.23; Proposed Amendments at 76–77, 214–15.

⁵² Proposed Amendments at 79.

⁵³ *Id.* at 77. The reporting period is distinct from the filing deadline and public release schedule.

⁵⁴ *Id.* at 97–98. The US\$10 billion threshold is measured across the family of investment companies as of the end of the most recent fiscal year.

⁵⁵ *Id.* at 95–98. The list includes the United Municipal Bond Fund letters dated July 30, 1992 and January 27, 1995, Federated Municipal Funds (Nov. 20, 2006), and Independent Directors Council (Oct. 12, 2018), among others.

⁵⁶ *Id.* at 28.

⁵⁷ *Id.* at 26.

⁵⁸ *Id.* at 27–28

⁵⁹ Rule 17a-7, introductory paragraph; Proposed Amended Rule 17a-7(d).

⁶⁰ Proposed Amendments at 94–95 (describing the new definition of “eligible affiliate” as a nonsubstantive change).

⁶¹ *Id.* at 165. Note the other US\$173,018,571 in annual transaction-cost savings and more than US\$320 million

using stressed-market spreads.

⁶² See *id.* at 126 & nn.201–02 (estimating US\$49.91 million in annual forgone savings from the decline in corporate-bond crosses between mutual funds, using data from Su Li, *Cross Trading of Fixed Income Securities in U.S. Mutual Fund Families*, SEC Division of Economic and Risk Analysis (Sept. 2026)); Investment Company Institute, *Rule 17a-7 at the Crossroads: The Right Path Forward* (Apr. 2021), at 4, 25–27 (estimating US\$329 million in registered-fund savings in 2020 and more than US\$390 million across participating advisory clients; estimating registered-fund savings of US\$265 million under normal-market assumptions and US\$651 million under stressed-market assumptions); Lina Han, Stacey E. Jacobsen, Jayoung Nam & Veronika Krepely Pool, *Cross Trading in the Corporate Bond Market*, SMU Cox School of Business Research Paper No. 25-15 (2025), <https://doi.org/10.2139/ssrn.5263491> (quarterly savings estimates annualized by the SEC to approximately US\$64–US\$96 million; see Proposed Amendments at 126 n.202). These estimates differ in scope, period, and methodology and are not additive; the SEC's US\$49.91 million estimate is a component of its US\$173 million total, not a separate industry-wide estimate.

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