

**Analysis**

Agency: Federal Employee Insurance Operations, Healthcare & Insurance, Office of Personnel Management

Title: Life Insurance Election.

OMB Number: 3206-0230.

Frequency: On occasion.

Affected Public: Individual or Households.

Number of Respondents: 150.

Estimated Time per Respondent: 15 minutes.

Total Burden Hours: 38 hours.

U.S. Office of Personnel Management.

**Kathleen M. McGettigan,**

Acting Director.

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**SECURITIES AND EXCHANGE COMMISSION****Proposed Collection; Comment Request**

*Upon Written Request, Copies Available*

From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

*Extension:*

Rule 17f-2, SEC File No. 270-233, OMB Control No. 3235-0223

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 this existing collection of information to the Office of Management and Budget for extension and approval.

Rule 17f-2 (17 CFR 270.17f-2), entitled "Custody of Investments by Registered Management Investment Company," was adopted in 1940 under section 17(f) of the Investment Company Act of 1940 (15 U.S.C. 80a-17(f)) (the "Act"), and was last amended materially in 1947. Rule 17f-2 establishes safeguards for arrangements in which a registered management investment company ("fund") is deemed to maintain custody of its own assets, such as when the fund maintains its assets in a facility that provides safekeeping but not custodial services.<sup>1</sup> The rule includes several recordkeeping or reporting requirements. The fund's

<sup>1</sup> The rule generally requires all assets to be deposited in the safekeeping of a "bank or other company whose functions and physical facilities are supervised by Federal or State authority." The fund's securities must be physically segregated at all times from the securities of any other person.

directors must prepare a resolution designating not more than five fund officers or responsible employees who may have access to the fund's assets. The designated access persons (two or more of whom must act jointly when handling fund assets) must prepare a written notation providing certain information about each deposit or withdrawal of fund assets, and must transmit the notation to another officer or director designated by the directors. An independent public accountant must verify the fund's assets three times each year, and two of those examinations must be unscheduled.<sup>2</sup>

Rule 17f-2's requirement that directors designate access persons is intended to ensure that directors evaluate the trustworthiness of insiders who handle fund assets. The requirements that access persons act jointly in handling fund assets, prepare a written notation of each transaction, and transmit the notation to another designated person are intended to reduce the risk of misappropriation of fund assets by access persons, and to ensure that adequate records are prepared, reviewed by a responsible third person, and available for examination by the Commission. The requirement that auditors verify fund assets without notice twice each year is intended to provide an additional deterrent to the misappropriation of fund assets and to detect any irregularities.

The Commission staff estimates that each fund makes 974 responses and spends an average of 252 hours annually in complying with the rule's requirements.<sup>3</sup> Commission staff estimates that on an annual basis it takes: (i) 0.5 hours of fund accounting personnel at a total cost of \$102 to draft director resolutions;<sup>4</sup> (ii) 0.5 hours of the fund's board of directors at a total

<sup>2</sup> The accountant must transmit to the Commission promptly after each examination a certificate describing the examination on Form N-17f-2. The third (scheduled) examination may coincide with the annual verification required for every fund by section 30(g) of the Act (15 U.S.C. 80a-29(g)).

<sup>3</sup> The 974 responses are: 1 (one) response to draft and adopt the resolution and 973 notations. Estimates of the number of hours are based on conversations with individuals in the fund industry. The actual number of hours may vary significantly depending on individual fund assets.

<sup>4</sup> This estimate is based on the following calculation: 0.5 (burden hours per fund) × \$204 (senior accountant's hourly rate) = \$102. Unless otherwise indicated, the hourly wage figures used herein are from the Securities Industry and Financial Markets Association's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1,800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

cost of \$2,233 to adopt the resolution;<sup>5</sup> (iii) 244 hours for the fund's accounting personnel at a total cost of \$65,745 to prepare written notations of transactions;<sup>6</sup> and (iv) 7 hours for the fund's accounting personnel at a total cost of \$1,428 to assist the independent public accountants when they perform verifications of fund assets.<sup>7</sup>

Commission staff estimates that approximately 206 funds file Form N-17f-2 each year.<sup>8</sup> Thus, the total annual hour burden for rule 17f-2 is estimated to be 51,912 hours.<sup>9</sup> Based on the total costs per fund listed above, the total cost of rule 17f-2's collection of information requirements is estimated to be approximately \$13.5 million.<sup>10</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 and forms. Complying with the collections of information required by rule 17f-2 is mandatory for those funds that maintain custody of their own assets. 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.

*Written comments are invited on:* (a) Whether the collection of information is necessary for the proper performance of the functions of the Commission, including whether the information has practical utility; (b) the accuracy of the Commission's estimate of the burden of the collection of information; (c) ways to

<sup>5</sup> The estimate for the cost of board time as a whole is derived from estimates made by the staff regarding typical board size and compensation that is based on information received from fund representatives and publicly available sources.

<sup>6</sup> Respondents estimated that each fund makes 974 responses on an annual basis and spends a total of 0.25 hours per response. The fund personnel involved are Accounts Payable Manager (\$192 hourly rate), Operations Manager (\$345 hourly rate) and Accounting Manager (\$274 hourly rate). The average hourly rate of these personnel is \$270. The estimated cost of preparing notations is based on the following calculation: 974 × 0.25 × \$270 = \$65,745.

<sup>7</sup> This estimate is based on the following calculation: 7 × \$204 (senior accountant's hourly rate) = \$1,428.

<sup>8</sup> On average, each year approximately 206 funds filed Form N-17f-2 with the Commission during calendar years 2015-2017.

<sup>9</sup> This estimate is based on the following calculation: 206 (funds) × 252 (total annual hourly burden per fund) = 51,912 hours for rule. The annual burden for rule 17f-2 does not include time spent preparing Form N-17f-2. The burden for Form N-17f-2 is included in a separate collection of information.

<sup>10</sup> This estimate is based on the following calculation: \$65,745 (total annual cost per fund) × 206 funds = \$13,543,470.

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 Pamela Dyson, Director/Chief Information Officer, Securities and Exchange Commission, C/O Remi Pavlik-Simon, 100 F Street NE, Washington, DC 20549; or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: March 6, 2018.

**Eduardo A. Aleman,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82817; File No. SR-MRX-2018-07]

### Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Clarify Certain Terms Used in the Schedule of Fees

March 6, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule b-4 thereunder,<sup>2</sup> notice is hereby given that on February 20, 2018, Nasdaq MRX, LLC (“MRX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to a proposed rule change to clarify certain terms used in the Schedule of Fees, and to make certain other non-substantive changes to the Schedule of Fees.

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaqmrx.cchwallstreet.com/>, at the principal office of the Exchange, and

at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange 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. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

###### 1. Purpose

The purpose of the proposed rule change is to clarify certain terms used in the Schedule of Fees, and to make certain other non-substantive changes to the Schedule of Fees. These proposed changes are designed to make it easier to understand how the Exchange charges fees under the Schedule of Fees, and have no impact on the actual fees charged to members, which will remain unchanged. While the Exchange believes that its members understand the concepts being clarified in this proposed rule change, which have been included in the Schedule of Fees in some cases since the Exchange began aggregating volume from affiliated/appointed firms in 2016,<sup>3</sup> the Exchange believes that this proposed rule change will avoid any future potential for member confusion.

First, the Exchange proposes to adopt explicit definitions for the following terms: (1) Market Maker, (2) Affiliated Member, and (3) Appointed Member. As proposed, a “Market Maker” is a market maker as defined in Nasdaq MRX Rule 100(a)(30); an “Affiliated Member” is a Member that shares at least 75% common ownership with a particular Member as reflected on the Member’s Form BD, Schedule A;<sup>4</sup> and an “Appointed Member” is either an Appointed Market Maker or Appointed

<sup>3</sup> See Securities Exchange Act Release No. 77412 (March 21, 2016), 81 FR 16238 (March 25, 2016) (SR-ISEMercury-2016-06); 77841 (May 16, 2016), 81 FR 31986 (May 20, 2016) (SR-ISEMercury-2016-11).

<sup>4</sup> If a firm has multiple exchange memberships housed in a single legal entity (e.g., a Primary Market Maker and an Electronic Access Member) those memberships would be Affiliated Members due to sharing 100% common ownership.

Order Flow Provider. While these terms are currently used in the Schedule of Fees, in capitalized or non-capitalized form, and are described in either the Schedule of Fees or the Nasdaq MRX Rules, as well as the proposed rule changes that adopted the relevant terminology, the Exchange believes that including these definitions in the Preface to the Schedule of Fees will make the Schedule of Fees easier for members to understand. In connection with the above changes, the Exchange also proposes to delete references to the 75% common ownership requirement in the Qualifying Tier Thresholds section of the Schedule of Fees, as this concept is now included in the definition of Affiliated Member.

Second, the Exchange proposes to amend language under the Qualifying Tier Thresholds section of the Schedule of Fees to reference more explicitly how the Exchange aggregates volume executed by Affiliated Members and Appointed Members for purposes of various average daily volume (“ADV”) categories. Currently, this section contains bullets that describe “Total Affiliated Priority Customer ADV” and “Total Affiliated Member ADV,” and separate bullets that describe how the Exchange aggregates this volume with Appointed Members. The Exchange now proposes to incorporate the Appointed Member concept into the bullets that define these ADV categories by adding the words “and/or Appointed” to the ADV category descriptions, and including language that indicates that these categories include volume executed by Affiliated Members and/or Appointed Members, which will be aggregated with the Member’s volume in the manner described in the Schedule of Fees. In connection with these changes, the Exchange proposes to indicate that these terms “mean” rather than “include” the ADV described in the bullets to reinforce that no other volume is included in these calculations. In addition, the Exchange proposes to remove language indicating that volume executed in the PIM, Facilitation, and QCC mechanisms is included in the ADV category based on Priority Customer volume, as the current language already indicates that all Priority Customer volume in all symbols and order types is included.

Third, the Exchange proposes non-substantive changes to the defined terms “Nasdaq MRX Appointed Market Maker,” “Nasdaq MRX Appointed Order Flow Provider,” and “Flash Order.” Nasdaq MRX Appointed Market Maker and Nasdaq MRX Appointed Order Flow Provider will now be

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

<sup>2</sup> 17 CFR 240.b-4 .