

SAI, Form N-CSR, Form 8-K, shareholder reports, Web site, etc.)?

- In addition to disclosing ongoing arrangements, should we require mutual funds and insurance company managed separate accounts to disclose all instances of selective disclosure of portfolio securities? If so, when should this disclosure be required to be made? What facts should be required to be disclosed regarding each such instance of selective disclosure (e.g., the names of persons or entities who receive portfolio holdings information; the terms of the disclosure, including any compensation paid for the information; the reasons why the disclosure is in the best interests of fund shareholders; the terms of any confidentiality agreement)? Should funds be required to disclose whether the board of directors has approved each individual instance of selective disclosure?

- Currently, Regulation FD, which governs the selective disclosure of material non-public information, does not apply to funds, other than closed-end funds.⁶⁷ Should Regulation FD apply to mutual funds or managed separate accounts with respect to their disclosure of portfolio holdings or other information?

- Are there any other measures that we should consider to reinforce the obligations of funds and their advisers to comply with their fiduciary duties and to prevent the misuse of material, non-public information, including the selective disclosure of portfolio holdings information?

D. Compliance Date

If we adopt the proposed disclosure requirements, we expect to require all new registration statements and all post-effective amendments to effective registration statements filed on or after the effective date of the amendments to comply with the proposed amendments. The Commission requests comment on this proposed compliance date.

III. General Request for Comments

The Commission requests comment on the amendments proposed in this release, whether any further changes to our rules or forms are necessary or appropriate to implement the objectives of our proposed amendments, and on other matters that might have an effect on the proposals contained in this release.

IV. Paperwork Reduction Act

Certain provisions of the proposed amendments contain "collection of information" requirements within the

meaning of the Paperwork Reduction Act of 1995 [44 U.S.C. 3501, *et seq.*], and the Commission is submitting the proposed collections of information to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The titles for the collections of information are: (1) "Form N-1A under the Investment Company Act of 1940 and Securities Act of 1933, Registration Statement of Open-End Management Investment Companies"; (2) "Form N-3—Registration Statement of Separate Accounts Organized as Management Investment Companies"; (3) "Form N-4—Registration Statement of Separate Accounts Organized as Unit Investment Trusts"; and (4) "Form N-6 under the Investment Company Act of 1940 and the Securities Act of 1933, Registration Statement of Insurance Company Separate Accounts Registered as Unit Investment Trusts that Offer Variable Life Insurance Policies." 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.

Form N-1A (OMB Control No. 3235-0307), Form N-3 (OMB Control No. 3235-0316), Form N-4 (OMB Control No. 3235-0318), and Form N-6 (OMB Control No. 3235-0503) were adopted pursuant to section 8(a) of the Investment Company Act [15 U.S.C. 80a-8(a)] and section 5 of the Securities Act [15 U.S.C. 77e].

We are proposing amendments to Form N-1A to require mutual funds to provide improved disclosure regarding their policies and procedures with respect to frequent purchases and redemptions of fund shares. The proposals also would amend Forms N-3, N-4, and N-6 to require similar disclosure in prospectuses for insurance company separate accounts offering variable insurance contracts, with respect to frequent transfers among sub-accounts. In addition, we are proposing amendments to clarify instructions to Forms N-1A and N-3 to require all mutual funds (other than money market funds) and managed separate accounts that issue variable annuities, to explain in their prospectuses the circumstances under which they will use fair value pricing, and the effects of using fair value pricing.

Finally, we are proposing amendments to Form N-1A to require disclosure regarding mutual funds' policies and procedures with respect to the selective disclosure of their portfolio holdings to any person. We are also proposing parallel amendments to Form N-3 for managed separate accounts that issue variable annuities.

Form N-1A

Form N-1A, including the proposed amendments, contains collection of information requirements. The likely respondents to this information collection are open-end funds registering with the Commission. Compliance with the disclosure requirements of Form N-1A is mandatory. Responses to the disclosure requirements are not confidential.

The current hour burden for preparing an initial registration statement on Form N-1A is 809 hours per portfolio. The current annual hour burden for preparing post-effective amendments of Form N-1A is 101 hours per portfolio. The Commission estimates that, on an annual basis, registrants file initial registration statements on Form N-1A covering 483 portfolios, and file post-effective amendments on Form N-1A covering 6,542 portfolios. An additional burden of 1,694 hours for the preparation and filing of initial registration statements and 22,897 hours for the filing of post-effective amendments is expected to result from the Commission's recent proposed rulemaking relating to "fund of funds" arrangements.⁶⁸ Thus, the Commission estimates that the current total annual hour burden for the preparation and filing of Form N-1A is 1,076,080 hours.⁶⁹

We estimate that the proposed amendments would increase the hour burden per portfolio per filing of an initial registration statement by 10 hours and would increase the hour burden per portfolio per filing of a post-effective amendment to a registration statement by 4 hours. Thus, if the proposed amendments to Form N-1A are adopted, the total annual hour burden for all funds for preparation and filing of initial registration statements and post-effective amendments to Form N-1A would be 1,107,078 hours ((10 hours × 483 portfolios) + (4 hours × 6,542 portfolios) + 1,076,080 hours).

Form N-3

Form N-3, including the proposed amendments, contains collection of information requirements. The likely respondents to this information collection are separate accounts, organized as management investment

⁶⁸ See Investment Company Act Release No. 26198 (Oct. 2, 2003) ("Fund of Funds Proposing Release").

⁶⁹ This estimate is based on the following calculation: (809 hours × 483 portfolios) + (101 hours × 6,542 portfolios) = 1,051,489 hours. The additional annual hour burden of 24,591 hours (22,897 + 1,694) resulting from the proposed rules described in the Fund of Funds Proposing Release yield a total annual hour burden of 1,076,080 hours.

⁶⁷ 17 CFR 243.101(b).