

MEMO# 31432

October 12, 2018

SEC Staff Issues No-Action Letter on Board Oversight of Affiliated Transactions

[31432]

October 12, 2018 TO: ICI Members

Investment Company Directors SUBJECTS: Compliance

Fund Governance RE: SEC Staff Issues No-Action Letter on Board Oversight of Affiliated Transactions

We are pleased to inform you that, in response to a request from IDC, the staff of the SEC's Division of Investment Management issued a no-action position regarding board determinations under the affiliated transaction rules.^[1] The no-action letter states that the staff would not recommend enforcement action for violations of Sections 10(f), 17(a) or 17(e) of the Investment Company Act of 1940 (the "Act"), if a fund's board of directors receives, no less frequently than quarterly, a written representation from the chief compliance officer ("CCO") that transactions effected in reliance on Rules 10f-3, 17a-7 or 17e-1 under the Act complied with the procedures adopted by the board pursuant to the relevant exemptive rule, instead of the board itself determining compliance.

The letter states that, in light of market, regulatory and technological developments, the staff has continued to review existing director responsibilities and to consider whether they are appropriate and are carried out in a manner that serves the shareholders' best interests. The staff states that the no-action position is consistent with the Commission's approach in adopting rule 38a-1 and would allow boards to avoid duplicating certain functions commonly performed by, or under the supervision of, the CCO.

Annette Capretta
Deputy Managing Director

endnotes

^[1] See Independent Directors Council (pub. avail. Oct. 12, 2018), available at <https://www.sec.gov/divisions/investment/noaction/2018/independent-directors-council-101>

[218.htm](#). Dechert LLP assisted IDC in the submission of the no-action request.

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