

**MEMO# 21360**

July 13, 2007

## **Working Group to Examine Custody Implications of Fund Investments in Derivatives and Other Instruments**

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 15-07  
CLOSED-END INVESTMENT COMPANY COMMITTEE No. 24-07  
ETF ADVISORY COMMITTEE No. 24-07  
SEC RULES COMMITTEE No. 57-07  
SMALL FUNDS COMMITTEE No. 27-07 RE: WORKING GROUP TO EXAMINE CUSTODY  
IMPLICATIONS OF FUND INVESTMENTS IN DERIVATIVES AND OTHER INSTRUMENTS

Last month, the Institute announced the formation of a working group to consider possible reforms to Rules 17f-1 (custody of fund assets by a broker-dealer) and 17f-2 (custody by the fund or an affiliated bank) under the Investment Company Act of 1940. [\[1\]](#) As you may recall, the staff of the Securities and Exchange Commission has asked the Institute to develop a proposal to modernize these rules.

During the working group's initial conference call, members suggested that the group also explore the custody implications of fund investments in derivatives and other forms of non-traditional investment (e.g., private placements, overnight deposits with third parties). Among other things, the group will consider whether there is a need to seek SEC guidance in this area.

If you or someone else from your firm would like to join the working group, please contact me directly ([rgraham@ici.org](mailto:rgraham@ici.org) or 202/326-5819).

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**endnotes**

[\[1\]](#) See Institute Memorandum to Accounting/Treasurers Committee No. 12-07 and SEC Rules Committee No. 49-07 [21227], dated June 11, 2007; Institute Memorandum to Closed-End Investment Company Committee No. 20-07 [21243], dated June 13, 2007.

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