Rule 17g-1 -- Bonding of Officers and Employees of Registered Management Investment Companies

a. Each registered management investment company shall provide and maintain a bond which shall be issued by a reputable fidelity insurance company, authorized to do business in the place where the bond is issued, against larceny and embezzlement, covering each officer and employee of the investment company, who may singly, or jointly with others, have access to securities or funds of the investment company, either directly or through authority to draw upon such funds or to direct generally the disposition of such securities, unless the officer or employee has such access solely through his position as an officer or employee of a bank (hereinafter referred to as "covered persons").

b. The bond may be in the form of

1. an individual bond for each covered person or a schedule or blanket bond covering such persons,

2. a blanket bond which names the registered management investment company as the only insured (hereinafter referred to as "single insured bond") or

3. a bond which names the registered management investment company and one or more other parties as insureds (hereinafter referred to as a "joint insured bond"), such other insured parties being limited to

   i. persons engaged in the management or distribution of the shares of the registered investment company,

   ii. other registered investment companies which are managed and/or whose shares are distributed by the same persons (or affiliates of such persons),

   iii. persons who are engaged in the management and/or distribution of shares of companies
included in paragraph (b)(3)(i) of this section,

iv. affiliated persons of any registered management investment company named in the bond or of any person included in paragraph (b)(3)(i) or (b)(3)(iii) of this section who are engaged in the administration of any registered management investment company named as insured in the bond, and

v. any trust, pension, profit-sharing or other benefit plan for officers, directors or employees of persons named in the bond.

c. A bond of the type described in paragraph (b)(1) or (b)(2) of this section shall provide that it shall not be cancelled, terminated or modified except after written notice shall have been given by the acting party to the affected party and to the Commission not less than sixty days prior to the effective date of cancellation, termination or modification. A joint insured bond described in paragraph (b)(3) of this section shall provide, that:

1. it shall not be cancelled, terminated or modified except after written notice shall have been given by the acting party to the affected party, and by the fidelity insurance company to all registered investment companies named as insureds and to the Commission, not less than sixty days prior to the effective date of cancellation, termination, or modification and

2. the fidelity insurance company shall furnish each registered management investment company named as an insured with

i. a copy of the bond and any amendment thereto promptly after the execution thereof,

ii. a copy of each formal filing of a claim under the bond by any other named insured promptly after the receipt thereof, and

iii. notification of the terms of the settlement of each such claim prior to the execution of the settlement.

d. The bond shall be in such reasonable form and amount as a majority of the board of directors of the registered management investment company who are not “interested persons” of such investment company as defined by section 2(a)(19) of the Act shall approve as often as their fiduciary duties require, but not less than once every twelve months, with due consideration to all relevant factors including, but not limited to, the value of the aggregate assets of the registered management investment company to which any covered person may have access, the type and terms of the arrangements made for the custody and safekeeping of such assets, and the nature of the securities in the company's portfolio: Provided, however, That:

1. the amount of a single insured bond shall be at least equal to an amount computed in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Gross Assets at the End of the Most Recent Fiscal Quarter Prior to Date (in Dollars)</th>
<th>Minimum amount of bond (in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 500,000</td>
<td>50,000</td>
</tr>
<tr>
<td>500,000 to 1,000,000</td>
<td>75,000</td>
</tr>
<tr>
<td>1,000,000 to 2,500,000</td>
<td>100,000</td>
</tr>
<tr>
<td>2,500,000 to 5,000,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>
2. A joint insured bond shall be in an amount at least equal to the sum of:

A. the total amount of coverage which each registered management investment company named as an insured would have been required to provide and maintain individually pursuant to the schedule hereinafore had each such registered management investment company not been named under a joint insured bond, plus

B. the amount of each bond which each named insured other than a registered management investment company would have been required to provide and maintain pursuant to federal statutes or regulations had it not been named as an insured under a joint insured bond.

e. No premium may be paid for any joint insured bond or any amendment thereto unless a majority of the board of directors of each registered management investment company named as an insured therein who are not "interested persons" of such company shall approve the portion of the premium to be paid by such company, taking all relevant factors into consideration including, but not limited to, the number of the other parties named as insured, the nature of the business activities of such other parties, the amount of the joint insured bond, and the amount of the premium for such bond, the ratable allocation of the premium among all parties named as insureds, and the extent to which the share of the premium allocated to the investment company is less than the premium such company would have had to pay if it had provided and maintained a single insured bond.

f. Each registered management investment company named as an insured in a joint insured bond shall enter into an agreement with all of the other named insureds providing that in the event recovery is received under

| 5,000,000 to | 7,500,000 | 150,000 |
| 7,500,000 to | 10,000,000 | 175,000 |
| 10,000,000 to | 15,000,000 | 200,000 |
| 15,000,000 to | 20,000,000 | 225,000 |
| 20,000,000 to | 25,000,000 | 250,000 |
| 25,000,000 to | 35,000,000 | 300,000 |
| 35,000,000 to | 50,000,000 | 350,000 |
| 50,000,000 to | 75,000,000 | 400,000 |
| 75,000,000 to | 100,000,000 | 450,000 |
| 100,000,000 to | 150,000,000 | 525,000 |
| 150,000,000 to | 250,000,000 | 600,000 |
| 250,000,000 to | 500,000,000 | 750,000 |
| 500,000,000 to | 750,000,000 | 900,000 |
| 750,000,000 to | 1,000,000,000 | 1,000,000 |
| 1,000,000,000 to | 1,500,000,000 | 1,250,000 |
| 1,500,000,000 to | 2,000,000,000 | 1,500,000 |
| Over 2,000,000,000 | plus 200,000 for each 500,000,000 of gross assets up to a maximum bond of 2,500,000 |
the bond as a result of a loss sustained by the registered management investment company and one or more
other named insureds, the registered management investment company shall receive an equitable and
proportionate share of the recovery, but at least equal to the amount which it would have received had it
provided and maintained a single insured bond with the minimum coverage required by paragraph (d)(1) of
this section.

g. Each registered management investment company shall:

1. File with the Commission: (i) within 10 days after receipt of an executed bond of the type described in
paragraph (b)(1) or (b)(2) of this section or any amendment thereof, (a) a copy of the bond, (b) a
copy of the resolution of a majority of the board of directors who are not "interested persons" of the
registered management investment company approving the form and amount of the bond, and (c) a
statement as to the period for which premiums have been paid; (ii) within 10 days after receipt of an
executed joint insured bond, or any amendment thereof, (a) a copy of the bond, (b) a copy of the
resolution of a majority of the board of directors who are not "interested persons" of the registered
management investment company approving the amount, type, form and coverage of the bond and
the portion of the premium to be paid by such company, (c) a statement showing the amount of the
single insured bond which the investment company would have provided and maintained had it not
been named as an insured under a joint insured bond, (d) a statement as to the period for which
premiums have been paid, and (e) a copy of each agreement between the investment company and all
of the other named insureds entered into pursuant to paragraph (f) of this section; and (iii) a copy of
any amendment to the agreement entered into pursuant to paragraph (f) of this section within 10 days
after the execution of such amendment,

2. File with the Commission, in writing, within five days after the making of any claim under the bond by
the investment company, a statement of the nature and amount of the claim,

3. File with the Commission, within five days of the receipt thereof, a copy of the terms of the settlement
of any claim made under the bond by the investment company, and

4. Notify by registered mail each member of the board of directors of the investment company at his last
known residence address of (i) any cancellation, termination or modification of the bond, not less than
forty-five days prior to the effective date of the cancellation or termination or modification, (ii) the
filing and of the settlement of any claim under the bond by the investment company, at the time the
filings required by paragraph (g)(2) and (g)(3) of this section are made with the Commission, and (iii)
the filing and of the proposed terms of settlement of any claim under the bond by any other named
insured, within five days of the receipt of a notice from the fidelity insurance company.

h. Each registered management investment company shall designate an officer thereof who shall make the
filings and give the notices required by paragraph (g) of this section.

i. Where the registered management investment company is an unincorporated company managed by a
depositor, trustee or investment adviser, the terms "officer" and "employee" shall include, for the purposes
of this rule, the officers and employees of the depositor, trustee, or investment adviser.

j. Any joint insured bond provided and maintained by a registered management investment company and one
or more other parties shall be a transaction exempt from the provisions of section 17(d) of the Act and the
rules thereunder, if:

1. The terms and provisions of the bond comply with the provisions of this section;

2. The terms and provisions of any agreement required by paragraph (f) of this section comply with the

http://www.law.uc.edu/CCL/InvCoRls/rule17g-1.html 1/22/2007
provisions of that paragraph; and

3. The board of directors of the investment company satisfies the fund governance standards defined in Rule 0-1(a)(7)

k. At the next anniversary date of an existing fidelity bond, but not later than one year from the effective date of this rule, arrangements between registered management investment companies and fidelity insurance companies and arrangements between registered management investment companies and other parties named as insureds under joint insured bonds which would not permit compliance with the provisions of this rule shall be modified by the parties so as to effect such compliance.

Regulatory History


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