

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 54757/November 15, 2006

In the Matter of	:	ORDER AFFIRMING THE DENIAL OF REQUESTS FOR CONFIDENTIAL TREATMENT
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Research Affiliates, LLC	:	
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I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and consistent with the public interest and protection of investors, pursuant to Sections 13(f)(3) and (4) of the Securities Exchange Act of 1934 (“Exchange Act”), to affirm the denial by the Division of Investment Management (the “Division”) of the requests for confidential treatment of information for the calendar quarters ended September 30, 2005 and December 31, 2005 (collectively, the “Requests”), filed by Research Affiliates, LLC (“Research”) pursuant to Section 13(f) of the Exchange Act.

II.

1. Research is an investment manager that represents that it provides investment advisory services based on indices that are used to build passive portfolios.

2. Under Section 13(f)(5)(A) of the Exchange Act, Research is an institutional investment manager (“Manager”) that exercises investment discretion over \$100 million or more in reportable securities, as defined in Rule 13f-1(c) under the Exchange Act.

3. Research is subject to the reporting requirements of Rule 13f-1(a) under the Exchange Act, which requires Research to file Form 13F reports with the Commission on a quarterly basis.

4. On September 7, 2005, Research filed a request, pursuant to Rule 24b-2 under the Exchange Act, for confidential treatment of information required to be filed with the Commission pursuant to Section 13(f) of the Exchange Act (“Form 13F information”) for the calendar quarter ended June 30, 2005.*

* On July 7, 2006, Research amended this filing to disclose all of the holdings for which confidential treatment had been sought. The request for this quarter therefore is moot.

5. On November 10, 2005, Research filed a request, pursuant to Rule 24b-2 under the Exchange Act, for confidential treatment of Form 13F information for the calendar quarter ended September 30, 2005.

6. On February 2, 2006, Research filed a request, pursuant to Rule 24b-2 under the Exchange Act, for confidential treatment of Form 13F information for the calendar quarter ended December 31, 2005.

7. On March 23, 2006, the Division, acting under delegated authority, denied Research's Requests ("Denial Letter").

8. On March 29, 2006, Research filed a Notice of Intention to Petition for Review indicating that it would appeal to the Commission the Division's Denial Letter.

9. On April 4, 2006, Research filed a Petition for Review of the Division's Denial Letter ("Petition").

10. Rule 24b-2(b)(2)(ii) under the Exchange Act requires that a request for confidential treatment of Form 13F information contain, among other things, "a statement of the grounds of objection referring to, and containing an analysis of, the applicable exemption(s) from disclosure under the Commission's rules and regulations adopted under the Freedom of Information Act ["FOIA"]."

11. Rule 200.80(b)(4) under the Commission's FOIA rules provides that the Commission generally will not publish or make available to any person matters that "[d]isclose trade secrets and commercial or financial information obtained from a person and privileged or confidential."

12. The Form 13F confidential treatment instructions (the "Instructions") state that a Manager "requesting confidential treatment must provide enough factual support for its request to enable the Commission to make an informed judgment as to the merits of the request" and to "address all pertinent factors."

13. The Instructions require that a request that is based upon a claim that the subject information is confidential, commercial or financial information must provide supporting information in five specific areas: (1) a description of the investment strategy, including the extent of any program of acquisition or disposition; (2) an explanation of why disclosure of the securities would be likely to reveal the strategy; (3) a demonstration that the revelation of the investment strategy would be premature; (4) a demonstration that failure to grant the request for confidential treatment would be likely to cause substantial harm to the Manager's competitive position; and (5) a statement of the period of time for which confidential treatment is requested.

14. Rule 24b-2(b)(2)(ii) under the Exchange Act also requires that a request for confidential treatment of Form 13F information contain "a justification of the period of time for which confidential treatment is sought."

III.

We have carefully reviewed Research's Petition and the Division's Denial Letter. For the reasons generally discussed below, we find that Research has failed to provide sufficient information, either in its Requests or in its Petition, to substantiate its requests for confidential treatment.

Research generally describes itself as providing investment advisory services based on proprietary indices that are used to build passive portfolios. Research states that its indices ("Fundamental Indexes") are based on a variety of alternative economic measures of the worth of an underlying company, such as revenue, sales, book value, cash flow and dividends, among others. Research states that it has a patent pending on the method of creating and weighting the indices and related analytical processes. Research also has made publicly available a methodology paper that precisely describes how the Fundamental Indexes are calculated. Specifically, the methodology paper, among other things, specifies 11 steps to define the universe of stocks and generate portfolio weights for the Fundamental Indexes, defines the RAFI factors used to create the Fundamental Indexes (sales, cash flow, book value, and dividend distributions), and includes instructions for additions, removals, splits, and mergers.

Research has not justified its requests for confidential treatment. Among other things, in light of the public disclosure of Research's strategy, Research has not, as required by Instructions 2.c. and 2.d., demonstrated that disclosure of Research's securities positions on Form 13F would be premature or be likely to cause Research substantial harm. Research itself already has disclosed how the Fundamental Index is composed and has provided information that would enable others to engage in an investment strategy based on Research's purportedly proprietary index. Research cannot argue that the strategy would be revealed prematurely by disclosure on Form 13F or that such disclosure would be likely to cause Research harm because Research already has disclosed its strategy.

Even assuming that Research had demonstrated that it would be likely to suffer harm despite its public disclosure of its strategy, Research has failed to demonstrate the likelihood that such harm would be substantial. For example, Research did not provide any quantitative data regarding the cost of developing or maintaining any of the indices even though such data should have been readily available to Research.

In addition, Research has not justified the time period for which confidential treatment is requested. Although the Fundamental Index is rebalanced annually, Research does not limit its requests to the time period remaining until the next rebalancing but instead requests one year for each position.

Accordingly, the Commission affirms the Division's denial of Research's Requests. Research's requests do not demonstrate that the failure to grant its requests for confidential treatment would be likely to cause substantial harm to its competitive position, as required by the Instructions to Form 13F. Furthermore, Research does not attempt to quantify the extent to which it could be harmed by disclosure, and thus does not demonstrate that it would be likely to suffer "substantial" harm to its competitive position. Revelation of Research's investment

strategy would not be premature because Research already has publicly disclosed the methodology behind its investment strategy. In addition, Research's requests also fail to justify the requested one-year period of confidential treatment.

IV.

IT IS ORDERED that, after considering Research's requests for confidential treatment of Form 13F information, the Commission, pursuant to Sections 13(f)(3) and (4) of the Exchange Act, affirms the denial by the Division of Research's Form 13F confidential treatment requests for the calendar quarters ended September 30, 2005 and December 31, 2005.

By the Commission.

Nancy M. Morris
Secretary