

**SUPPORTING STATEMENT**  
**Form N-17F-2**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Rule 17f-2 (17 CFR 270.17f-2), entitled “Custody of Investments by Registered Management Investment Company,” was adopted in 1940 under section 17(f) of the Investment Company Act of 1940 (15 U.S.C. 80a-17(f)) (the “Act”), and was last amended materially in 1947. Rule 17f-2 establishes safeguards for arrangements in which a registered management investment company ("fund") is deemed to maintain custody of its own assets, such as when the fund maintains its assets in a facility that provides safekeeping but not custodial services.<sup>1</sup> The rule includes several recordkeeping or reporting requirements. The fund's directors must prepare a resolution designating not more than five fund officers or responsible employees who may have access to the fund's assets. The designated access persons (two or more of whom must act jointly when handling fund assets) must prepare a written notation providing certain information about each deposit or withdrawal of fund assets, and must transmit the notation to another officer or director designated by the directors. Independent public accountants must verify the fund's assets three times each year, and two of those examinations must be unscheduled.<sup>2</sup>

Form N-17F-2(17 CFR 274.220) is entitled “Certificate of Accounting of Securities and Similar Investments in the Custody of Management Investment Companies.” Form N-17F-2 is the cover sheet for the accountant examination certificates prepared under rule 17f-2. Form

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<sup>1</sup> The rule generally requires all assets to be deposited in the safekeeping of a "bank or other company whose functions and physical facilities are supervised by Federal or State authority." The fund's securities must be physically segregated at all times from the securities of any other person.

<sup>2</sup> The accountant must transmit to the Commission promptly after each examination a certificate describing the examination on Form N-17f-2. The third (scheduled) examination may coincide with the annual verification required for every fund by section 30(g) of the Act (15 U.S.C. 80a-29(g)).

N-17F-2 facilitates the filing process for accountant examination certificates. The form has a purely administrative purpose and does not require any additional information (beyond that required by rule 17f-2) to be collected.

## **2. Purpose of the Information Collection**

Form N-17f-2 facilitates the filing of the accountant's examination certificates prepared under rule 17f-2. Form N-17f-2 increases the accessibility of the examination certificates to both Commission staff and interested investors by ensuring that the certificates are filed under the proper SEC file number and correct name of a fund.

## **3. Role of Improved Information Technology**

The Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") provides for the automated filing, processing, and dissemination of full disclosure filings. The automation provides for speed, accuracy and public availability of information, generating benefits to investors and financial markets. Currently, the accountant's certificates are required to be filed electronically on Form N-17f-2.

## **4. Efforts to Identify Duplication**

The Commission evaluates reporting requirements for duplication periodically, and whenever a rule or a change in a rule is proposed. There is no duplication of the information required by Form N-17f-2.

## **5. Effect on Small Entities**

Form N-17f-2 does not significantly increase the regulatory burden on any funds, including small entities.

## **6. Consequences of Less Frequent Collection**

Less frequent collection on Form N-17F-2 could inhibit the dissemination of timely information to the public and could impair the ability of the Commission's examination staff to ascertain compliance with the rule.

**7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

None.

**8. Consultation Outside the Agency**

The Commission requested public comment on the collection of information requirements for Form N-17F-2 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

The Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the fund industry through public conferences, meetings, and informal exchanges. These forums provide the Commission and the staff means of ascertaining and acting upon paperwork burdens confronting the industry.

**9. Payment or Gift to Respondents**

Not applicable.

**10. Assurance of Confidentiality**

Not applicable.

**11. Sensitive Questions**

Not applicable.

**12. Estimate of Hour Burden**

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms. Under rule 17f-2, each fund is required to file Form N-17f-2 at least three times a year with the Commission. Commission staff estimates that 300 funds file Form N-17f-2 each year,<sup>3</sup> and that it takes approximately 2 hours per response to prepare and file Form N-17f-2 with the Commission for a total annual hourly burden per fund of

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<sup>3</sup> Approximately 300 funds filed Form N-17f-2 with the Commission during calendar year 2007.

approximately 6 hours. Thus, the total annual burden for preparing and filing Form N-17f-2 is approximately 1800 hours.<sup>4</sup> Commission staff estimates that it takes on average 1.25 hours of fund accounting personnel at a total cost of \$188.75 to prepare each Form N-17f-2 and .75 hours of clerical time at a total cost of \$48.75<sup>5</sup> to file the form with the Commission for a total annual cost per fund of approximately \$712.50.<sup>6</sup> The total cost of Form N-17f-2's collection of information requirements is estimated to be approximately \$213,750.<sup>7</sup>

### **13. Estimate of Total Annual Cost Burden**

Form N-17f-2 does not impose any paperwork related cost burden not discussed in item 12 above.

### **14. Estimate of Cost to the Federal Government**

Because the form facilitates the electronic filing of the attached certificate, the amount of staff time required to process the EDGAR filing of the Form N-17F-2 and the related costs to the federal government are de minimis.

### **15. Explanation of Changes in Burden**

The estimated total annual burden has increased from 896 hours to 1800 hours. The

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<sup>4</sup> This estimate is based on the following calculation: 300 respondents (funds that file Form N-17f-2 each year) x 3 (responses per fund per year) x 2 (hours per response) = 1800 hours. Estimates of the number of hours are based on conversations with individuals in the mutual fund industry. The actual number of hours may vary significantly depending on individual fund assets.

<sup>5</sup> The hourly wage figure for an administrative assistant (clerical) is from the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2007, modified by Commission staff to account for an 1800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead.

<sup>6</sup> This estimate is based on the following calculation 3.75 hours (1.25 hours per form x 3 forms annually) x 151 (fund senior accountant hourly rate) + 2.25 hours (.75 hours per form x 3 forms annually) x 65 (administrative assistant (clerical) hourly rate) = \$712.50.

<sup>7</sup> This estimate is based on the following calculation: 300 funds x \$712.50 (total annual cost per fund) = \$213,750.

increase is attributable to: (i) an increase in the number of funds relying on rule 17f-2, (ii) updated information from respondents regarding hourly burdens, and (iii) differences in burden hours reported by the funds selected at random to be surveyed in different submission years.

**16. Information Collection Planned for Statistical Purposes**

Not applicable.

**17. Approval to not Display Expiration Date**

Not applicable.

**18. Exceptions to Certification Statement**

Not applicable.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.