

**SUPPORTING STATEMENT**  
**Form N-1A**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form N-1A (17 CFR 239.15A and 274.11A) is the form used by open-end management investment companies (“funds”) under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a fund to register as an investment company. Form N-1A also permits funds to provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about the fund when it makes an initial or additional offering of its securities. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities.

On June 5, 2013, the Commission issued a release proposing two alternatives as part of a money market reform proposal. Under the first alternative, prime institutional money market funds would be required to float their net asset value (“floating NAV proposal”). Under the second alternative, money market funds whose weekly liquid assets fell below 15% of total assets would be required to impose a 2% liquidity fee unless the fund’s board of directors determines that such a fee would not be in the best

interest of the fund, and permit the funds to suspend redemptions temporarily (*i.e.*, “gate” the fund) (“liquidity fees and gates proposal”).<sup>1</sup> The proposed amendments would require that money market funds amend their registration statements and statements of additional information (“SAI”) to include new disclosure regarding the risks of investing in money markets generally, as well as the particular risks associated with our floating NAV proposal and liquidity fees and gates proposal.

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

The title for the collection of information is: Form N-1A under the Investment Company Act of 1940 and Securities Act of 1933, Registration Statement of Open-End Management Investment Companies.” The purpose of Form N-1A is to meet the filing and disclosure requirements of the Securities Act of 1933 (“Securities Act”) and the Investment Company Act of 1940 (“Investment Company Act”) and to enable funds to provide investors with information necessary to evaluate an investment in the fund. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is primarily for the use and benefit of investors. The information filed with the Commission also permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

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

The Commission’s electronic filing system (Electronic Data Gathering, Analysis and Retrieval or “EDGAR”) is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits publicly held companies to

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<sup>1</sup> See Money Market Fund Reform; Amendments to Form PF, Investment Company Act Release No. 30551 (June 5, 2013).

transmit filings to the Commission electronically. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Form N-1A is required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(i) and (iv)). The public may access filings on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms. Prospectuses and SAIs may be sent to investors by electronic means so long as the fund meets certain requirements.<sup>2</sup>

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

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it adopts changes in its rules. The requirements of Form N-1A are not generally duplicated elsewhere.

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

The current disclosure requirements for reports on Form N-1A do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file registration statements may be greater than for larger funds. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the registration statements. We review all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

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<sup>2</sup> See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233, Exchange Act Release No. 36345, Investment Company Act Release No. 21399 (Oct. 6, 1995) (60 FR 53458 (Oct. 13, 1995)).

With respect to the proposed amendments, pursuant to 5 U.S.C. section 605(b), the Commission certified that the proposed amendments to Form N-1A would not, if adopted, have a significant impact on a substantial number of small entities.

**6. Consequences of Less Frequent Collection**

The Investment Company Act requires that funds file annual amendments to their registration statements. Less frequent collection would mean that current information might not be available to fund investors.

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

Not Applicable.

**8. Consultation Outside the Agency**

Form N-1A has previously been amended through rulemaking actions pursuant to the Administrative Procedures Act. Comments are generally received from registrants, trade associations, the legal and accounting professions, and other interested parties. In addition, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. The Commission requested public comment on the collection of information requirements in Form N-1A before it submitted this request for revision and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

**9. Payment of Gift to Respondents**

Not Applicable.

**10. Assurance of Confidentiality**

Not Applicable.

## **11. Sensitive Questions**

Not Applicable.

## **12. Estimate of Hour Burden**

Open-end funds register as investment companies under the Investment Company Act and register their securities under the Securities Act on Form N-1A. Compliance with the disclosure requirements of Form N-1A is mandatory. Form N-1A generally imposes two types of reporting burdens on investment companies: (1) the burden of preparing and filing the initial registration statement; and (2) the burden of preparing and filing post-effective amendments to a previously effective registration statement. In our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of Form N-1A is 1,578,689 hours. The proposed amendments would affect the staff's estimates of the hour burden as described below.

### **i. Floating NAV Proposal**

The incremental burden hour estimate below is based only on the effects to money market funds that would be required to float their NAV, or alternatively, affect government and retail money market funds relying on the proposed government fund exemption and retail fund exemption from the floating NAV requirement. For purposes of the PRA, staff estimates that, of the estimated 586 total money market funds,<sup>3</sup> 165

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<sup>3</sup> This estimate is based on a staff review of reports on Form N-MFP filed with the Commission for the month ended February 28, 2013.

funds would rely on the proposed government fund exemption,<sup>4</sup> and 100 funds would rely on the proposed retail fund exemption.<sup>5</sup>

The burdens associated with the proposed amendments to Form N-1A under our floating NAV proposal include one-time burdens as well as ongoing burdens. Staff estimates that each floating NAV money market fund would incur a one-time burden of 5 hours,<sup>6</sup> at a time cost of \$1,480,<sup>7</sup> to draft and finalize the required disclosure and amend its registration statement. In aggregate, staff estimates that floating NAV money market funds would incur a one-time burden of 1,605 hours,<sup>8</sup> at a time cost of \$475,080,<sup>9</sup> to comply with the proposed Form N-1A disclosure requirements. In addition, Commission staff estimates that each floating NAV money market fund would incur an ongoing burden of 0.5 hours, at a time cost of \$148,<sup>10</sup> each year to review and update the SAI disclosure regarding historical instances in which the fund has received financial support

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<sup>4</sup> This estimate is based on the number of money market funds that self-reported as Government/Agency or Treasury funds on Form N-MFP as of February 28, 2013.

<sup>5</sup> This estimate is based on the number of money market funds that self-reported as “retail” funds as of February 28, 2013 (based on iMoney.net data).

<sup>6</sup> This estimate is based on the following calculation: 1 hour to update registration statement to include bulleted disclosure statement + 3 hours to update registration statement to include tax- and operations-related disclosure about floating NAV + 1 hour to update registration statement to include disclosure about financial support received by the fund = 5 hours.

<sup>7</sup> This estimate is based on the following calculations: (1 hour (to update registration statement to include bulleted disclosure statement) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296) + (3 hours (to update registration statement to include tax- and operations-related disclosure about floating NAV) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$888) + (1 hour (to update registration statement to include disclosure about financial support received by the fund) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296 = \$1,480.

<sup>8</sup> This estimate is based on the following calculations: 5 hours x 321 funds (586 total money market funds – 165 funds that would rely on the proposed government fund exemption – 100 funds that would rely on the proposed retail fund exemption) = 1,605 hours.

<sup>9</sup> This estimate is based on the following calculation: 1,605 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$475,080.

<sup>10</sup> This estimate is based on the following calculation: 0.5 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$148.

from a sponsor or fund affiliate. In aggregate, staff estimates that floating NAV money market funds would incur an annual burden of approximately 161 hours,<sup>11</sup> at a time cost of \$47,656,<sup>12</sup> to comply with the proposed Form N-1A disclosure requirements.

Amortizing these one-time and ongoing hour and cost burdens over three years results in an average annual increased burden of approximately 2 hours per floating NAV fund,<sup>13</sup> at a time cost of \$592 per fund.<sup>14</sup> In aggregate, staff estimates that floating NAV money market funds would incur an average annual increased burden of 642 hours,<sup>15</sup> at a time cost of \$190,032,<sup>16</sup> to comply with the proposed Form N-1A disclosure requirements.

Commission staff estimates that each government or retail money market fund would incur a one-time burden of 2 hours,<sup>17</sup> at a time cost of \$592,<sup>18</sup> to draft and finalize the required disclosure and amend its registration statement. In aggregate, staff estimates

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<sup>11</sup> This estimate is based on the following calculation: 0.5 hours x 321 funds (586 total money market funds – 165 funds that would rely on the proposed government fund exemption – 100 funds that would rely on the proposed retail fund exemption) = approximately 161 hours.

<sup>12</sup> This estimate is based on the following calculation: 161 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$47,656.

<sup>13</sup> This estimate is based on the following calculation: 5 burden hours (year 1) + 0.5 burden hours (year 2) + 0.5 burden hours (year 3) ÷ 3 = 2 hours.

<sup>14</sup> This estimate is based on the following calculation: \$1,480 (year 1 monetized burden hours) + \$148 (year 2 monetized burden hours) + \$148 (year 3 monetized burden hours) ÷ 3 = \$592.

<sup>15</sup> This estimate is based on the following calculation: 2 hours x 321 funds (586 total money market funds – 165 funds that would rely on the proposed government fund exemption – 100 funds that would rely on the proposed retail fund exemption) = 642 hours.

<sup>16</sup> This estimate is based on the following calculation: 642 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$190,032.

<sup>17</sup> This estimate is based on the following calculation: 1 hour to update registration statement to include bulleted disclosure statement + 1 hour to update registration statement to include disclosure about financial support received by the fund = 2 hours.

<sup>18</sup> This estimate is based on the following calculation: (1 hour (to update registration statement to include bulleted disclosure statement) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296) + (1 hour (to update registration statement to include disclosure about financial support received by the fund) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296) = \$592.

that government and retail money market funds would incur a one-time burden of 530 hours,<sup>19</sup> at a time cost of \$156,880,<sup>20</sup> to comply with the proposed Form N-1A disclosure requirements. In addition, Commission staff estimates that each government or retail money market fund would incur an ongoing burden of 0.5 hours, at a time cost of \$148,<sup>21</sup> each year to review and update the SAI disclosure regarding historical instances in which the fund has received financial support from a sponsor or fund affiliate. In aggregate, staff estimates that government and retail money market funds would incur an annual burden of approximately 133 hours,<sup>22</sup> at a time cost of \$39,368,<sup>23</sup> to comply with the proposed Form N-1A disclosure requirements.

Amortizing these one-time and ongoing hour and cost burdens over three years results in an average annual increased burden of 1 hour per government or retail fund,<sup>24</sup> at a time cost of \$296.<sup>25</sup> In aggregate, staff estimates that government and retail fund

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<sup>19</sup> This estimate is based on the following calculation: 2 hours x 265 funds (165 funds that would rely on the proposed government fund exemption + 100 funds that would rely on the proposed retail fund exemption) = 530 hours.

<sup>20</sup> This estimate is based on the following calculation: 530 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$156,880.

<sup>21</sup> This estimate is based on the following calculation: 0.5 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$148.

<sup>22</sup> This estimate is based on the following calculation: 0.5 hours x 265 funds (165 funds that would rely on the proposed government fund exemption + 100 funds that would rely on the proposed retail fund exemption) = approximately 133 hours.

<sup>23</sup> This estimate is based on the following calculation: 133 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$39,368.

<sup>24</sup> This estimate is based on the following calculation: 2 burden hours (year 1) + 0.5 burden hours (year 2) + 0.5 burden hours (year 3) ÷ 3 = 1 hour.

<sup>25</sup> This estimate is based on the following calculation: \$592 (year 1 monetized burden hours) + \$148 (year 2 monetized burden hours) + \$148 (year 3 monetized burden hours) ÷ 3 = \$296.



money market funds would incur an average annual increased burden of 265 hours,<sup>26</sup> at a time cost of \$78,440,<sup>27</sup> to comply with the proposed Form N-1A disclosure requirements.

In total, the staff estimates that all money market funds (floating NAV funds, as well as government and retail funds that rely on the proposed government and retail exemptions) would incur an annual increased burden of 907 hours,<sup>28</sup> at a time cost of \$268,472,<sup>29</sup> to comply with the proposed Form N-1A disclosure requirements. Staff estimates that our proposed amendments to Form N-1A under the floating NAV alternative would result in a total aggregate annual collection of information burden of 1,579,596 hours.<sup>30</sup>

ii. Liquidity Fees and Gates Proposal

The incremental burden hour estimate below is based on the effects to all money market funds that are not government funds that rely on the proposed rule 2a-7 exemption from the fee and gate requirements, as well as government funds relying on the proposed exemption. For purposes of the PRA, staff estimates that, of the estimated 586 total money market funds,<sup>31</sup> 165 funds would rely on the proposed government fund exemption.<sup>32</sup>

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<sup>26</sup> This estimate is based on the following calculation: 1 hour x 265 funds (165 funds that would rely on the proposed government fund exemption + 100 funds that would rely on the proposed retail fund exemption) = 265 hours.

<sup>27</sup> This estimate is based on the following calculation: 265 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$78,440.

<sup>28</sup> This estimate is based on the following calculation: 642 hours + 265 hours = 907 hours.

<sup>29</sup> This estimate is based on the following calculation: \$190,032 + \$78,440 = \$268,472.

<sup>30</sup> This estimate is based on the following calculation: current approved burden of 1,578,689 hours + 907 in additional burden hours as a result of our proposed amendments = 1,579,596 hours.

<sup>31</sup> *See supra* note 3.

<sup>32</sup> This estimate is based on the number of money market funds that self-reported as Government/Agency or Treasury funds on Form N-MFP as of February 28, 2013.

The burdens associated with the proposed amendments to Form N-1A under our liquidity fees and gates proposal include one-time burdens as well as ongoing burdens. Commission staff estimates that each money market fund (except government money market funds that have chosen to rely on the proposed rule 2a-7 exemption from the fee and gate requirements) would incur a one-time burden of 5 hours,<sup>33</sup> at a time cost of \$1,480,<sup>34</sup> to draft and finalize the required disclosure and amend its registration statement. In aggregate, staff estimates that these funds would incur a one-time burden of 2,105 hours,<sup>35</sup> at a time cost of \$623,080,<sup>36</sup> to comply with the proposed Form N-1A disclosure requirements. In addition, Commission staff estimates that each money market fund (except government money market funds relying on the proposed government fund exemption) would incur an ongoing burden of 1 hour, at a time cost of \$296,<sup>37</sup> each year to: 1) review and update the SAI disclosure regarding historical

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<sup>33</sup> This estimate is based on the following calculation: 1 hour to update registration statement to include bulleted disclosure statement + 3 hours to update registration statement to include disclosure about effects that fees/gates may have on shareholder redemptions, and disclosure about historical occasions in which the fund's weekly liquid assets have fallen below 15% or the fund has imposed fees/gates + 1 hour to update registration statement to include disclosure about financial support received by the fund = 5 hours.

<sup>34</sup> This estimate is based on the following calculation: (1 hour (to update registration statement to include bulleted disclosure statement) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296) + (3 hours (to update registration statement to include disclosure about effects that fees/gates may have on shareholder redemptions, and disclosure about historical occasions in which the fund's weekly liquid assets have fallen below 15% or the fund has imposed fees/gates) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$888) + (1 hour (to update registration statement to include disclosure about financial support received by the fund) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296) = \$1,480.

<sup>35</sup> This estimate is based on the following calculation: 5 hours x 421 funds (586 total money market funds – 165 funds that would rely on the proposed government fund exemption) = 2,105 hours.

<sup>36</sup> This estimate is based on the following calculation: 2,105 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$623,080.

<sup>37</sup> This estimate is based on the following calculation: (0.5 hours (to review and update the SAI disclosure regarding historical occasions in which the fund's weekly liquid assets have fallen below 15% or the fund has imposed liquidity fees or redemption gates, and to inform prospective investors of any fees or gates currently in place (as appropriate) by means of a prospectus supplement) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$148) + (0.5 hours (to review and update the SAI disclosure regarding historical instances in which the

occasions in which the fund's weekly liquid assets have fallen below 15% or the fund has imposed liquidity fees or redemption gates; 2) review and update the SAI disclosure regarding historical instances in which the fund has received financial support from a sponsor or fund affiliate; and 3) inform prospective investors of any fees or gates currently in place (as appropriate) by means of a prospectus supplement. In aggregate, staff estimates that these funds would incur an annual burden of 421 hours,<sup>38</sup> at a time cost of \$124,616,<sup>39</sup> to comply with the proposed Form N-1A requirements.

Amortizing these one-time and ongoing hour and cost burdens over three years results in an average annual increased burden of approximately 2 hours per fund (except government money market funds that have chosen to rely on the proposed rule 2a-7 exemption from the fee and gate requirements),<sup>40</sup> at a time cost of approximately \$691 per fund.<sup>41</sup> In aggregate, staff estimates that these funds would incur an average annual increased burden of 842 hours,<sup>42</sup> at a time cost of \$249,232,<sup>43</sup> to comply with the proposed Form N-1A disclosure requirements.

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fund has received financial support from a sponsor or fund affiliate) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$148) = \$296.

<sup>38</sup> This estimate is based on the following calculation: 1 hours x 421 funds (586 total money market funds – 165 funds that would rely on the proposed government fund exemption) = 421 hours.

<sup>39</sup> This estimate is based on the following calculation: 421 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$124,616.

<sup>40</sup> This estimate is based on the following calculation: (5 burden hours (year 1) + 1 burden hour (year 2) + 1 burden hours (year 3)) ÷ 3 = approximately 2 hours.

<sup>41</sup> This estimate is based on the following calculation: (\$1,480 (year 1 monetized burden hours) + \$296 (year 2 monetized burden hours) + \$296 (year 3 monetized burden hours)) ÷ 3 = approximately \$691.

<sup>42</sup> This estimate is based on the following calculation: 2 hours x 421 funds (586 total money market funds – 165 funds that would rely on the proposed government fund exemption) = 842 hours.

<sup>43</sup> This estimate is based on the following calculation: 842 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$249,232.

Commission staff estimates that each government money market fund that has chosen to rely on the proposed rule 2a-7 exemption from the fee and gate requirements would incur a one-time burden of 2 hours,<sup>44</sup> at a time cost of \$592,<sup>45</sup> to draft and finalize the required disclosure and amend its registration statement. In aggregate, staff estimates that these government funds would incur a one-time burden of 330 hours,<sup>46</sup> at a time cost of \$97,680,<sup>47</sup> to comply with the proposed Form N-1A disclosure requirements. In addition, Commission staff estimates that each government fund relying on the proposed government fund exemption would incur an ongoing burden of 0.5 hours, at a time cost of \$148,<sup>48</sup> each year to review and update the SAI disclosure regarding historical instances in which the fund has received financial support from a sponsor or fund affiliate. In aggregate, staff estimates that government funds would incur an annual burden of approximately 83 hours,<sup>49</sup> at a time cost of \$24,568,<sup>50</sup> to comply with the proposed Form N-1A disclosure requirements.

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<sup>44</sup> This estimate is based on the following calculation: 1 hour to update registration statement to include bulleted disclosure statement + 1 hour to update registration statement to include disclosure about financial support received by the fund = 2 hours.

<sup>45</sup> This estimate is based on the following calculation: (1 hour (to update registration statement to include bulleted disclosure statement) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296) + (1 hour (to update registration statement to include disclosure about financial support received by the fund) x \$296 (blended rate for a compliance attorney and a senior programmer) = \$296) = \$592.

<sup>46</sup> This estimate is based on the following calculation: 2 hours x 165 funds that would rely on the proposed government fund exemption = 330 hours.

<sup>47</sup> This estimate is based on the following calculation: 330 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$97,680.

<sup>48</sup> This estimate is based on the following calculation: 0.5 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$148.

<sup>49</sup> This estimate is based on the following calculation: 0.5 hours x 165 funds that would rely on the proposed government fund exemption = approximately 83 hours.

<sup>50</sup> This estimate is based on the following calculation: 83 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$24,568.

Amortizing these one-time and ongoing hour and cost burdens over three years results in an average annual increased burden of 1 hour per government fund that has chosen to rely on the proposed rule 2a-7 exemption,<sup>51</sup> at a time cost of \$296 per fund.<sup>52</sup> In aggregate, staff estimates that these government funds would incur an average annual increased burden of 165 hours,<sup>53</sup> at a time cost of \$48,840,<sup>54</sup> to comply with the proposed Form N-1A disclosure requirements.

In total, the staff estimates that all money market funds would incur an average annual increased burden of 1,007 hours,<sup>55</sup> at a time cost of \$298,072,<sup>56</sup> to comply with the proposed Form N-1A disclosure requirements. Staff estimates that our proposed amendments to Form N-1A under the liquidity fees and gates alternative would result in a total aggregate annual collection of information burden of 1,579,696 hours.<sup>57</sup>

iii. A Note Regarding the Form 83-I

As noted above, the Commission has proposed two alternative proposals as part of its money market fund reform package and is waiting to receive comment from the industry before making a final determination as to which alternative proposal to adopt. Accordingly, for purposes of the Form 83-I and obtaining pre-approval from OMB, staff

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<sup>51</sup> This estimate is based on the following calculation: 2 burden hours (year 1) + 0.5 burden hours (year 2) + 0.5 burden hours (year 3) ÷ 3 = 1 hour.

<sup>52</sup> This estimate is based on the following calculation: \$592 (year 1 monetized burden hours) + \$148 (year 2 monetized burden hours) + \$148 (year 3 monetized burden hours) ÷ 3 = \$296.

<sup>53</sup> This estimate is based on the following calculation: 1 hour x 165 funds that would rely on the proposed government fund exemption = 165 hours.

<sup>54</sup> This estimate is based on the following calculation: 165 hours x \$296 (blended rate for a compliance attorney and a senior programmer) = \$48,840.

<sup>55</sup> This estimate is based on the following calculation: 842 hours + 165 hours = 1,007 hours.

<sup>56</sup> This estimate is based on the following calculation: \$249,232 + \$48,840 = \$298,072.

<sup>57</sup> This estimate is based on the following calculation: current approved burden of 1,578,689 hours + 1,007 in additional burden hours as a result of our proposed amendments = 1,579,696 hours.

is averaging the increased hour burden under each alternative proposal and therefore, the average annual increased burden for purposes of the Form 83-I is 957 burden hours.<sup>58</sup> Staff estimates that our proposed amendments to Form N-1A for purposes of the Form 83-I would result in a total aggregate annual collection of information burden of 1,579,646 hours.<sup>59</sup>

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

In addition to the costs associated with the hour burdens discussed in Item 12 above, money market funds incur other external costs. This cost burden is the cost of goods and services purchased to prepare and update reports filed on Form N-1A, such as for the services of outside counsel. Estimates are based on the Commission's experience with the filing of Form N-1A. In our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated the annual cost burden to comply with the collection of information requirement of Form N-1A is \$122,730,472. The proposed amendments would affect the staff's estimates of the cost burden as described below.

#### **i. Floating NAV Proposal**

Staff estimates that there would be one-time aggregate external costs (in the form of printing costs) of \$3,134,588 associated with the proposed Form N-1A disclosure requirements under our floating NAV proposal.<sup>60</sup> Amortizing these external costs over

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<sup>58</sup> This estimate is based on the following calculation: 907 annual aggregate burden hours (FNAV alternative) + 1,007 annual aggregate burden hours (fees and gates alternative) = 1,914 ÷ 2 = 957 annual aggregate burden hours.

<sup>59</sup> This estimate is based on the following calculation: current approved burden of 1,578,689 hours + 957 in additional burden hours as a result of our proposed amendments = 1,579,646 hours.

<sup>60</sup> We expect that a fund that must include disclosure regarding historical instances in which the fund has received financial support from a sponsor or fund affiliate would need to add 1-4 pages of new disclosure to its registration statement. Adding this new disclosure would therefore increase the number of pages in, and change the printing costs of, the fund's registration statement.

three years results in annual aggregate external costs of \$1,044,863. Staff estimates that our proposed amendments to Form N-1A under the floating NAV alternative would result in a total aggregate annual collection of information cost burden of \$123,775,335.<sup>61</sup>

ii. Liquidity Fees and Gates Proposal

Staff estimates that there would be one-time aggregate external costs (in the form of printing costs) of \$6,269,175 associated with the proposed Form N-1A disclosure requirements.<sup>62</sup> Amortizing these costs over three years results in annual aggregate

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Commission staff calculates the external costs associated with the proposed Form N-1A disclosure requirements as follows: 2.5 pages (mid-point of 1 page and 4 pages) x \$0.045 per page x 27,863,000 money market fund registration statements printed annually = \$3,134,588 one-time aggregate external costs. Amortizing these external costs over three years results in aggregate annual external costs of \$1,044,863. Our estimate of potential printing costs (\$0.045 per page: \$0.035 for ink + \$0.010 for paper) is based on data provided by Lexecon Inc. in response to Investment Company Act Release No. 27182 (Dec. 8, 2005) [70 FR 74598 (Dec. 15, 2005)]. See Lexecon Inc. Letter (Feb. 13, 2006), available at <http://www.sec.gov/rules/proposed/s71005/dbgross9453.pdf>. For purposes of this analysis, our best estimate of the number of money market fund registration statements printed annually is based on 27,863,000 money market fund shareholder accounts in 2012. See Investment Company Institute, *2013 Investment Company Fact Book*, at 178, available at [http://www.ici.org/pdf/2013\\_factbook.pdf](http://www.ici.org/pdf/2013_factbook.pdf).

<sup>61</sup> This estimate is based on the following calculation: current approved external cost burden of \$122,730,472 + \$1,044,863 in additional burden costs as a result of our proposed amendments = 123,775,335 hours.

<sup>62</sup> We expect that a fund that must include disclosure about historical occasions in which the fund's weekly liquid assets have fallen below 15% or the fund has imposed fees/gates, or historical instances in which the fund has received financial support from a sponsor or fund affiliate, would need to add 2-8 pages of new disclosure to its registration statement. Adding this new disclosure would therefore increase the number of pages in, and change the printing costs of, the fund's registration statement.

Commission staff calculates the external costs associated with the proposed Form N-1A disclosure requirements as follows: 5 pages (mid-point of 2 pages and 8 pages) x \$0.045 per page x 27,863,000 money market fund registration statements printed annually = \$6,269,175 one-time aggregate external costs. Amortizing these external costs over three years results in aggregate annual external costs of \$2,089,725. Our estimate of potential printing (\$0.045 per page: \$0.035 for ink + \$0.010 for paper) is based on data provided by Lexecon Inc. in response to Investment Company Act Release No. 27182 (Dec. 8, 2005) [70 FR 74598 (Dec. 15, 2005)]. See Lexecon Inc. Letter (Feb. 13, 2006), available at <http://www.sec.gov/rules/proposed/s71005/dbgross9453.pdf>. For purposes of this analysis, our best estimate of the number of money market fund registration statements printed annually is based on 27,863,000 money market fund shareholder accounts in 2012. See Investment Company Institute, *2013 Investment Company Fact Book*, at 178, available at [http://www.ici.org/pdf/2013\\_factbook.pdf](http://www.ici.org/pdf/2013_factbook.pdf).

external costs of \$2,089,725. Staff estimates that our proposed amendments to Form N-1A under the liquidity fees and gates alternative would result in a total aggregate annual collection of information cost burden of \$124,820,197.<sup>63</sup>

iii. A Note Regarding the Form 83-I

As noted above, the Commission has proposed two alternative proposals as part of its money market fund reform package and is waiting to receive comment from the industry before making a final determination as to which alternative proposal to adopt. Accordingly, for purposes of the Form 83-I and obtaining pre-approval from OMB, staff is averaging the increased external cost burden under each alternative proposal and therefore, the average annual increased external cost burden for purposes of the Form 83-I is \$1,567,294.<sup>64</sup> Staff estimates that our proposed amendments to Form N-1A for purposes of the Form 83-I would result in a total aggregate annual collection of information cost burden of \$124,297,766.<sup>65</sup>

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

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$19.8 million in fiscal year 2012, based on the

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<sup>63</sup> This estimate is based on the following calculation: current approved external cost burden of \$122,730,472 + \$2,089,725 in additional burden costs as a result of our proposed amendments = 124,820,197 hours.

<sup>64</sup> This estimate is based on the following calculation: \$1,044,863 annual aggregate external cost burden (FNAV alternative) + \$2,089,725 annual aggregate external cost burden (fees and gates alternative) = \$3,134,588 ÷ 2 = \$1,567,294 annual aggregate external cost burden.

<sup>65</sup> This estimate is based on the following calculation: current approved external cost burden of \$122,730,472 + \$1,567,294 in additional burden costs as a result of our proposed amendments = 124,297,766 hours.



Commission's computation of the value of staff time devoted to this activity and related overhead.

**15. Explanation of Changes in Burden**

i. Floating NAV Proposal

The total annual hour burden of 1,579,596 hours represents an increase of 907 hours over the previous burden hour estimate of 1,578,689 hours. In addition, the annual external cost burden of \$123,775,335 represents an increase of \$1,044,863 over the previous annual external cost burden estimate of \$122,730,472. The changes in burden hours and external cost burdens are due to the staff's estimates of the time costs and external costs that would result from our proposed amendments.

ii. Liquidity Fees and Gates Proposal

The total annual hour burden of 1,579,696 hours represents an increase of 1,007 hours over the previous burden hour estimate of 1,578,689 hours. In addition, the annual external cost burden of \$124,820,197 represents an increase of \$2,089,725 over the previous annual external cost burden estimate of \$122,730,472. The changes in burden hours and external cost burdens are due to the staff's estimates of the time costs and external costs that would result from our proposed amendments.

iii. A Note Regarding the Form 83-I

The total annual hour burden of 1,579,646 hours represents an increase of 957 hours over the previous burden hour estimate of 1,578,689 hours. In addition, the annual external cost burden of \$124,297,766 represents an increase of \$1,567,294 over the previous annual external cost burden estimate of \$122,730,472. The changes in burden

hours and external cost burdens are due to the staff's estimates of the time costs and external costs that would result from our proposed amendments.

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

Not Applicable.

**17. Approval Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates.. The OMB control number will be displayed.

**18. Exceptions to Certification Statement**

Not Applicable.

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

Not Applicable.