SUPPORTING STATEMENT
Rule 482

A. JUSTIFICATION

1. Necessity for the Information Collection

Like most issuers of securities, when an investment company[1] ("fund") offers its shares to the public, its promotional efforts become subject to the advertising restrictions of the Securities Act of 1933 ("Securities Act"). In recognition of the particular problems faced by funds that continually offer securities and wish to advertise their securities, the Securities and Exchange Commission ("Commission") has previously adopted advertising safe harbor rules. The most important of these is rule 482 adopted under the Securities Act, which, under certain circumstances, permits funds to advertise investment performance data, as well as other information (17 CFR 230.482). Rule 482 advertisements are deemed to be "prospectuses" under Section 10(b) of the Securities Act.[2]

Rule 482 contains certain requirements regarding the disclosure that funds are required to provide in qualifying advertisements. These requirements are intended to encourage the provision to investors of information that is balanced and informative, particularly in the area of investment performance. For example, a fund is required to include disclosure advising investors to consider the fund's investment objectives, risks, charges, and expenses, and other information described in the fund's prospectus, and highlighting the availability of the fund's prospectus. In addition, rule 482 advertisements that include performance data of open-end funds or insurance company separate accounts offering variable annuity contracts are required to include certain standardized performance information, information about any sales loads or other

[1] "Investment company" refers to both investment companies registered under the Investment Company Act of 1940 ("Investment Company Act") and business development companies.

[2] 15 U.S.C. 77j(b).

nonrecurring fees, and a legend warning that past performance does not guarantee future results. Such funds including performance information in rule 482 advertisements are also required to make available to investors month-end performance figures via Web site disclosure or by a toll-free telephone number, and to disclose the availability of the month-end performance data in the advertisement. The rule also sets forth requirements regarding the prominence of certain disclosures, requirements regarding advertisements that make tax representations, requirements regarding advertisements used prior to the effectiveness of the fund's registration statement, and requirements regarding the timeliness of performance data. In addition, rule 482(b) describes the information that is required to be included in an advertisement, including a cautionary statement under rule 482(b)(4) disclosing the particular risks associated with investing in a money market fund.

On [July 23, 2014], the Commission adopted amendments to rule 482 under the Act. Under the reforms, all money market funds whose weekly liquid assets fall below 30% of total assets will have the ability to impose a liquidity fee of up to 2%, or to suspend redemptions temporarily (*i.e.*, "gate" the fund) for up to 10 calendar days in a 90-day period, provided the fund's board of directors (including a majority of its independent directors) determines that imposing a fee or gate is in the fund's best interest.[3] All non-government money market funds will be required to impose a fee of 1% on all redemptions if weekly liquid assets fall below 10% of its total assets, unless the board of directors (including a majority of its independent directors) determines that imposing such a fee would not be in the fund's best interest. In addition, all institutional prime money markets will be required to sell and redeem shares based on the current market-based value of the securities in their underlying portfolios, rounded to four decimal

[3] See Money Market Fund Reform; Amendments to Form PF, Investment Company Act Release No. [xxxxx] (July 23, 2014).

places (*e.g.*, $1.0000), *i.e.*, transact at a floating NAV. Finally, the amendments require that money market funds adopt other amendments designed to make money market funds more resilient, including increasing diversification of their portfolios, enhancing their stress testing, and improving transparency through enhanced disclosure.

The final amendments to rule 482 will change the investment expectations and experience of money market fund investors, rendering the current rule 482(b)(4) risk disclosures in advertisements for money market funds out of date. The amendments to rule 482(b)(4) will revise the disclosure requirements to better reflect the operation of money market funds under the new amendments and require that that the risk disclosures be made prominently on a fund's website.

2. Purpose of the Information Collection

Rule 482 advertisements must be filed with the Commission or, in the alternative, with the Financial Industry Regulatory Authority ("FINRA").[4] This information collection differs from many other federal information collections that are primarily for the use and benefit of the collecting agency.

Rule 482 contains requirements that are intended to encourage the provision to investors of information that is balanced and informative, particularly in the area of investment performance. The Commission is concerned that in the absence of such provisions fund investors may be misled by deceptive rule 482 advertisements and may rely on less-than-adequate information when determining in which funds they should invest money. As a result,

[4] See rule 24b-3 under the Investment Company Act (17 CFR 270.24b-3), which provides that any sales material, including rule 482 advertisements, shall be deemed filed with the Commission for purposes of Section 24(b) of the Investment Company Act upon filing with FINRA.

the Commission believes it is beneficial for funds to provide investors with balanced information in fund advertisement in order to allow investors to make better-informed decisions.

3. Role of Improved Information Technology

The Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits publicly-held companies to transmit their filings to the Commission electronically. EDGAR has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. All funds have been required to use EDGAR for their disclosure filings since November 6, 1995. The vast majority of fund advertisements are filed with FINRA under Investment Company Act rule 24b-3, which allows any sales material filed with FINRA to be deemed to be filed with the Commission.[5] Rule 482 advertisements that are required to be filed with the Commission are to be filed 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.

4. Effort to Identify Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or a change in a rule. The requirements of rule 482 are not generally duplicated elsewhere.

5. Effect on Small Entities

[5] 17 CFR 270.24b-3.

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for fund advertisements do not distinguish between small entities and other entities. To the extent smaller funds advertise, their burden to prepare advertisements may be greater than for larger funds due to economies of scale. This burden will include the cost of reviewing an advertisement to confirm that it meets the requirements of rule 482.

The Commission considered special requirements for small entities. The Commission believes, however, that imposing different requirements on smaller fund companies will not be consistent with investor protection. The use of different standards for small entities may create a risk that investors may receive false or misleading information. In addition, the Commission believes that uniform disclosure standards for all fund advertisements allows investors to compare funds more easily when making an investment decision. Allowing different standards for small entities may create confusion for investors who wish to compare funds.

With respect to the final amendments, pursuant to 5 U.S.C. section 605(b), the Commission certified that the amendments to rule 482 will not have a significant economic impact on a substantial number of small entities.

6. Consequences of Less Frequent Collection

Since fund advertising is voluntary, the Commission does not determine the frequency with which funds advertise pursuant to rule 482. Therefore, short of not requiring any collection for advertisements governed by rule 482, the Commission cannot require less frequent collection. Not requiring disclosure of the information required by rule 482 will harm investors by denying them information that may be useful in making investment decisions. If such advertisements did not contain this disclosure, investors could receive inadequate information or could receive

confusing, false, or misleading information. As a result, investor confidence in the securities industry could be adversely affected.

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

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

The Commission and the 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. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the collection requirements in rule 482 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 or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

No PII collected/not applicable.

12. Estimate of Hour Burden

The burden hour estimate for complying with rule 482 is based on consultations with industry representatives and on the Commission's experience with the contents of disclosure documents. The number of burden hours may vary depending on, among other things, the complexity of the document, the number of funds included in a single document, and whether preparation of the document is performed by fund staff or outside counsel. The number of funds

used to estimate the burden hours is an estimate based on the Commission's statistics. The estimates of average burden hours are made solely for purposes of the Paperwork Reduction Act of 1995 ("PRA")[6] and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

Rule 482 is part of Regulation C under the Securities Act (17 CFR 230.400-498). Regulation C describes the disclosure that must appear in the registration statements under the Securities Act and Investment Company Act. However, the burden associated with rule 482 is included within the collection entitled rule 482, and rule 482 is not considered part of Regulation C for information collection purposes.

In our most recent Paperwork Reduction Act submission for rule 482, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of rule 482 is 305,705 hours. The final amendments to rule 482 will affect the staff's estimates of the hour burden as described below.

For each money market fund, the Commission estimates that internal marketing staff and in-house counsel will spend, on a one-time basis,[7] an average of four hours to update and review the wording of the rule 482(b)(4) risk disclosures for each fund's printed advertising and sales materials, resulting in one-time time costs of $1,142.[8] In addition, for each money market fund,

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6 44 U.S.C. 3501 et seq.

7 The compliance period for updating rule 482(b)(4) risk disclosures will be 2 years. The Commission understands that money market funds commonly update and issue new advertising materials on a relatively periodic and frequent basis. Accordingly, given the extended compliance period, the Commission expects that funds should be able to amend the wording of their rule 482(b)(4) risk disclosures as part of one of their general updates of their advertising materials. Similarly, the Commission believes that funds could update the corresponding risk disclosures on their websites when performing other periodic website maintenance. The Commission therefore accounts only for the incremental change in burden that amending the rule 482(b)(4) risk disclosures will cause in the context of a larger update to a fund's advertising materials or website.

8 This estimate is based on the following calculation: 3 hours spent by a marketing manager to update the wording of the risk disclosures for each fund's marketing materials + 1 hour spent by an attorney reviewing the amended rule 482(b)(4) risk disclosures = 4 hours. The estimated costs are based on the following calculation: (3 hours x $254 per hour for a marketing manager = $762) + (1 hour x $380 per hour for an attorney = $380) = $1,142. Estimated wage figures are based on published rates taken from SIFMA's

the Commission estimates that internal information technology staff and in-house counsel will spend, on a one-time basis, an average of 1.25 hours to post and review the wording of the rule 482(b)(4) risk disclosures on a fund's website, resulting in one-time time costs of approximately $322.[9] In the aggregate, the Commission estimates that each money market fund will spend a total of 5.25 hours and incur total time costs of approximately $1,464 on a one-time basis to comply with the amendments to rule 482(b)(4).[10]

Using an estimate of 559 money market funds that will be required to comply with the amendments to rule 482(b)(4),[11] the Commission estimates that in the aggregate, these proposed amendments will result in a total one-time incremental compliance burden of approximately 2,935 burden hours[12] at a total one-time incremental time cost of approximately $818,376.[13] Amortizing the incremental hour burden over three years results in an average annual aggregate hour burden of approximately 978 hours.[14]

13. Estimate of Total Annual Cost Burden

Management & Professional Earnings in the Securities Industry 2013, *available at* http://www.sifma.org/research/item.aspx?id=8589940603, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

9 This estimate is based on the following calculation: 1 hour spent by a webmaster to update a fund's website's risk disclosures + 15 minutes spent by an attorney reviewing the amended risk disclosures = 1.25 hours. The estimated costs are based on the following calculation: (1 hour x $227 per hour for a webmaster = $227) + (0.25 hours x $380 per hour for an attorney = $95) = $322.

10 This estimate is based on the following calculations: 4 hours + 1.25 hours = 5.25 hours; $1,142 + $322 = $1,464.

11 This estimate is based on a staff review of reports on Form N-MFP filed with the Commission for the month ended February 28, 2014. For purposes of this PRA, the staff assumes that the universe of money market funds affected by the amendments to rule 482(b)(4) will be the same as the current universe for Form N-MFP.

12 This estimate is based on the following calculation: 5.25 burden hours per fund x 559 funds = 2,935 burden hours.

13 This estimate is based on the following calculation: $1,464 per fund x 559 funds = $818,376.

14 This estimate is based on the following calculation: 2,935 burden hours ÷ 3 = 978 average annual burden hours

Cost burden is the cost of services purchased to comply with rule 482, such as for the services of computer programmers, outside counsel, financial printers, and advertising agencies. The cost burden does not include the cost of the hour burden discussed in Item 12 above. Estimates are based on the Commission's experience with advertisements and sales literature. The Commission currently attributes no external cost burden to rule 482.

14. Estimate of Cost to the Federal Government

Advertising regulation affects costs incurred by the federal government. 58,368 responses are filed annually pursuant to rule 482; however these responses are generally filed with FINRA and are generally not reviewed by the Commission. The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies, amounted to approximately $18.6 million in fiscal year 2013, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

Currently, the approved annual hour burden for rule 482 is 305,705 hours. The new estimate of the total annual hour burden for the first year is 306,683 hours.[15] The increase in the total annual hour burden is 978 hours. This increase is due to the Commission's estimates of the time costs that will result from our amendments. There is no annual external cost burden attributed to rule 482.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

[15] This estimate is based on the following calculation: 305,705 current approved burden hours + 978 annual incremental burden hours = 306,683 hours.

Not applicable.

18. Exception to Certification Statement

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.