

SUPPORTING STATEMENT
Form N-1A

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-1A (17 CFR 239.15A and 274.11A) is 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”) 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 July 23, 2014, the Commission adopted amendments to Form N-1A 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.¹ 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%

¹ See Money Market Fund Reform; Amendments to Form PF, Investment Company Act Release No. [xxxxx] (July 23, 2014).

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 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 amendments will require that money market funds amend their registration statements and statements of additional information ("SAI") to include a new disclosure regarding the risks of investing in money markets generally, as well as the particular risks associated with our amendments.

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 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. 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.²

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

² 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)).

all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

With respect to our amendments, pursuant to 5 U.S.C. section 605(b), the Commission certified that the amendments to Form N-1A will not 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

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 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

Form N-1A collects Personally Identifiable Information (PII). Records include information on officers, directors, principal shareholders, and certain other persons having a relationship with or transaction with a registrant. The records describe the individual's relationship to a registrant and other relevant material business information about the individual. The records do not include Social Security Numbers. A System of Records Notice has been published in the Federal Register at 4 FR 4550 and can also be found at <http://www.sec.gov/about/privacy/sorn/secsorn1.pdf>.

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, the Commission estimated the annual compliance burden to comply with the collection of information requirement of Form N-1A is 1,578,689 hours. The final amendments to Form N-1A will affect the Commission's estimates of the hour burden as described below.

The burdens associated with the amendments to Form N-1A include one-time burdens as well as ongoing burdens. The Commission estimates that each money market fund (except government funds that have not chosen to retain the ability to impose liquidity fees and suspend redemptions, and floating NAV money market funds) will incur a one-time burden of five

hours,³ at a time cost of \$1,595,⁴ to draft and finalize the required disclosure and amend its registration statement. In addition, the Commission estimates that each government fund that has not chosen to retain the ability to impose liquidity fees and suspend redemptions will incur a one-time burden of two hours,⁵ at a time cost of \$638,⁶ to draft and finalize the required disclosure and amend its registration statement. The Commission also estimates that each floating NAV money market fund will incur a one-time burden of eight hours,⁷ at a time cost of \$2,552,⁸ to draft and finalize the required disclosure and amend its registration statement. In

³ This estimate is based on the following calculation: 1 hour to update the registration statement to include the required disclosure statement + 3 hours to update the registration statement to include the disclosure about effects that fees/gates may have on shareholder redemptions, and the disclosure about historical occasions on which the fund has considered or imposed liquidity fees or gates + 1 hour to update the registration statement to include the disclosure about historical occasions of financial support received by the fund = 5 hours.

⁴ This estimate is based on the following calculation: (1 hour (to update registration statement to include required disclosure statement) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$319) + (3 hours (to update registration statement to include disclosure about effects that fees/gates may have on shareholder redemptions, and disclosure about historical occasions on which the fund has considered or imposed liquidity fees or gates) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$957) + (1 hour (to update registration statement to include disclosure about historical occasions of financial support received by the fund) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$319) = \$1,595. Estimated wage figures are based on published rates taken from SIFMA's 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.

⁵ This estimate is based on the following calculation: 1 hour to update registration statement to include required disclosure statement + 1 hour to update registration statement to include disclosure about financial support received by the fund = 2 hours.

⁶ This estimate is based on the following calculation: (1 hour (to update registration statement to include required disclosure statement) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$319) + (1 hour (to update registration statement to include disclosure about financial support received by the fund) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$319) = \$638.

⁷ This estimate is based on the following calculation: 1 hour to update registration statement to include required 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 on which the fund has considered or imposed liquidity fees or gates + 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 = 8 hours.

⁸ This estimate is based on the following calculation: (1 hour (to update registration statement to include required disclosure statement) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$319) + (3 hours (to update registration statement to include disclosure about effects that fees/gates may have on shareholder redemptions, and disclosure about historical occasions on which the fund has considered or imposed liquidity fees or gates) x \$319 (blended hourly rate for a compliance

aggregate, the Commission estimates that all money market funds will incur a one-time burden of 2,933 hours,⁹ at a time cost of \$935,627,¹⁰ to comply with the Form N-1A disclosure requirements. Amortizing the one-time burden over a three-year period results in an average annual burden of 978 hours at a time cost of \$311,876.¹¹

The Commission estimates that each money market fund (except government funds that have not chosen to retain the ability to impose liquidity fees and suspend redemptions) will incur an ongoing burden of one hour, at a time cost of \$319,¹² each year to: 1) review and update the SAI disclosure regarding historical occasions on which the fund has considered or imposed liquidity fees or 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 investors of any fees or gates currently in place (as appropriate), or the transition to a floating NAV (as appropriate), by means of a prospectus supplement. The Commission also estimates that each government money market fund that has not chosen to retain the ability to impose

attorney (\$334) and a senior programmer (\$303)) = \$957) + (3 hours (to update registration statement to include tax- and operations-related disclosure about floating NAV) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$957) + (1 hour (to update registration statement to include disclosure about financial support received by the fund) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$319) = \$2,552.

⁹ This estimate is based on the following calculations: (5 hours x 195 funds (559 money market funds – 205 institutional prime funds – 159 funds relying on the government fund exemption) = 975 hours) + (2 hours x 159 funds relying on the government fund exemption = 318 hours) + (8 hours x 205 institutional prime funds = 1,640 hours) = 2,933 hours. For purposes of this PRA analysis, our calculations of the number of institutional prime funds and funds relying on the government fund exemption are based on Form N-MFP data as of February 28, 2014.

¹⁰ This estimate is based on the following calculation: 2,933 hours x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$935,627.

¹¹ This estimate is based on the following calculation: 2,933 burden hours ÷ 3 = 977 average annual burden hours; \$935,627 burden costs ÷ 3 = \$311,876 average annual burden cost.

¹² This estimate is based on the following calculation: (0.5 hours (to review and update the SAI disclosure regarding historical occasions on which the fund has considered or imposed liquidity fees or gates, and to inform investors of any fees or gates currently in place (as appropriate), or the transition to a floating NAV (as appropriate), by means of a prospectus supplement) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$159.5) + (0.5 hours (to review and update the SAI disclosure regarding historical instances in which the fund has received financial support from a sponsor or fund affiliate) x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$159.5) = \$319.

liquidity fees and suspend redemptions will incur an ongoing burden of 0.5 hours, at a time cost of \$160,¹³ 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, the Commission estimates that all money market funds will incur an annual burden of 480 hours,¹⁴ at a time cost of \$153,120,¹⁵ to comply with the 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 2.3 hours per fund (other than government funds that have not chosen to retain the ability to impose liquidity fees and suspend redemptions, and floating NAV money market funds),¹⁶ at a time cost of \$744.¹⁷ Government funds that have not chosen to retain the ability to impose liquidity fees and suspend redemptions will incur an average annual increased burden of one hour,¹⁸ at a time cost of \$319,¹⁹ to comply with the Form N-1A disclosure requirements. Floating NAV money market funds will incur an average annual increased burden of 3.3 hours,²⁰ at a time cost of \$1,063,²¹ to comply with the Form N-1A disclosure requirements.

¹³ This estimate is based on the following calculation: (0.5 hours x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = approximately \$160.

¹⁴ This estimate is based on the following calculations: (1 hour x 400 funds (559 money market funds – 159 funds relying on the government fund exemption) = 400 hours) + (0.5 hours x 159 funds relying on the government fund exemption = approximately 80 hours) = 480 hours.

¹⁵ This estimate is based on the following calculation: 480 hours x \$319 (blended hourly rate for a compliance attorney (\$334) and a senior programmer (\$303)) = \$153,120.

¹⁶ This estimate is based on the following calculation: (5 burden hours (year 1) + 1 burden hour (year 2) + 1 burden hour (year 3)) ÷ 3 = approximately 2.3 burden hours.

¹⁷ This estimate is based on the following calculation: (\$1,595 (year 1 monetized burden hours) + \$319 (year 2 monetized burden hours) + \$319 (year 3 monetized burden hours)) ÷ 3 = approximately \$744.

¹⁸ 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 burden hour.

¹⁹ This estimate is based on the following calculation: (\$638 (year 1 monetized burden hours) + \$160 (year 2 monetized burden hours) + \$160 (year 3 monetized burden hours)) ÷ 3 = approximately \$319.

²⁰ This estimate is based on the following calculation: (8 burden hours (year 1) + 1 burden hour (year 2) + 1 burden hour (year 3)) ÷ 3 = approximately 3.3 burden hours.

²¹ This estimate is based on the following calculation: (\$2,552 (year 1 monetized burden hours) + \$319 (year 2 monetized burden hours) + \$319 (year 3 monetized burden hours)) ÷ 3 = approximately \$1,063.

In total, the Commission estimates that all money market funds will incur an average annual increased burden of 1,285 hours,²² at a time cost of \$413,716,²³ to comply with the Form N-1A disclosure requirements.

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, the Commission estimated the annual cost burden to comply with the collection of information requirement of Form N-1A is \$122,730,472. The Commission estimates that there will be annual aggregate external costs (in the form of printing costs) of \$6,269,175 associated with the Form N-1A disclosure requirements.²⁴ Amortizing this external cost over three years results in annual

²² This estimate is based on the following calculation: (2.3 hours x 195 funds (559 money market funds – 205 institutional prime funds – 159 funds relying on the government fund exemption) = approximately 449 hours) + (1 hour x 159 funds relying on the government fund exemption = 159 hours) + (3.3 hours x 205 institutional prime funds = approximately 677 hours) = 1,285 hours.

²³ This estimate is based on the following calculation: (\$744 x 195 funds (559 money market funds – 205 institutional prime funds – 159 funds relying on the government fund exemption) = \$145,080) + (\$319 x 159 funds relying on the government fund exemption = \$50,721) + (\$1,063 x 205 institutional prime funds = \$217,915) = \$413,716.

²⁴ We expect that a fund that must include disclosure about historical occasions on which the fund has considered or imposed liquidity fees or gates, or historical instances in which the fund has received financial support from a sponsor or fund affiliate, will need to add 2-8 pages of new disclosure to its registration statement. Adding this new disclosure will therefore increase the number of pages in, and change the printing costs of, the fund's registration statement. The Commission calculates the external costs associated with the 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 annual aggregate external costs. 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)]. 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.

aggregate external costs of \$2,089,725.²⁵ The Commission estimates that our amendments to Form N-1A under the floating NAV alternative will result in a total aggregate annual collection of information cost burden of \$124,820,197.²⁶

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 \$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

The total annual hour burden of 1,579,974 hours represents an increase of 1,285 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 Commission's estimates of the time costs and external costs that will result from our amendments.

16. Information Collection Planned for Statistical Purposes

Not Applicable.

17. Approval to not Display 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

²⁵ This estimate is based on the following calculation: $\$6,269,175 \div 3 = \$2,089,725$

²⁶ This estimate is based on the following calculation: $\$122,730,472$ (current approved external cost) + $\$2,089,472$ (additional external costs) = $\$124,820,197$.

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.