

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Form N-17F-1**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 17(f) of the Investment Company Act of 1940 ("Act") (15 U.S.C. 80a-17(f)) provides in part that a registered management investment company ("fund") may maintain its securities and similar investments in the custody of a "company which is a member of a national securities exchange as defined in the Securities Exchange Act of 1934, subject to such rules and regulations as the Commission may from time to time prescribe for the protection of investors."

Form N-17f-1 (17 CFR 274.219) is entitled "Certificate of Accounting of Securities and Similar Investments of a Management Investment Company in the Custody of Members of National Securities Exchanges." The form serves as a cover sheet to the accountant's certificate that is required to be filed periodically with the Commission pursuant to rule 17f-1 (17 CFR 270.17f-1) under the Act, entitled "Custody of Securities with Members of National Securities Exchanges," which sets forth the conditions under which a fund may place its assets in the custody of a member of a national securities exchange. Rule 17f-1 requires, among other things, that an independent public accountant verify the fund's assets at the end of every annual and semi-annual fiscal period, and at least one other time during the fiscal year as chosen by the independent accountant. Requiring an independent accountant to examine the fund's assets in the custody of a member of a national securities exchange assists Commission staff in its inspection program and helps to ensure that the fund assets are subject to proper auditing procedures. The accountant's certificate stating that it has made an examination, and describing the nature and the

extent of the examination, must be attached to Form N-17f-1 and filed with the Commission promptly after each examination. The form facilitates the filing of the accountant's certificates, and increases the accessibility of the certificates to both Commission staff and interested investors.

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

Form N-17f-1 is designed to assist Commission staff in monitoring funds' compliance with federal securities laws. Although Commission inspections staff conducts periodic reviews of all funds, due to staffing constraints, funds are not inspected annually. Thus, the periodic examinations by accountants required by filing of the accountant's certificate attached to Form N-17f-1 help to ensure that the fund's assets are continuously subject to proper auditing procedures. Form N-17f-1 facilitates filing the accountant's certificate, and increases the accessibility of the certificate to both Commission staff and interested investors. If Form N-17f-1 were not used to transmit the accountant's certificate, the certificates might not contain the proper SEC file number or the correct fund name, and the accountant's certificate might be difficult to handle properly when received by the Commission.

## **3. Consideration Given to 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 with Form N-17f-1 through EDGAR.

## **4. Duplication**

Form N-17f-1 does not impose any duplicative requirements, and the information

collected under the rule is not available elsewhere.

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

The requirements of Form N-17f-1 apply to all funds, including funds that are small entities, that maintain their assets in the custody of a member of a national securities exchange. If a fund chooses to maintain its assets in the custody of a national securities exchange member, then regardless of its size, it must file Form N-17f-1 three times each year, as required by rule 17f-1.

#### **6. Consequences of Not Conducting Collection**

The requirements of Form N-17f-1 are designed to ensure the safekeeping of fund assets and assist Commission staff in monitoring fund custodial arrangements. The frequency of filing Form N-17f-1 is determined by the frequency of filing the attached accountants certificate. Less frequent collection of the accountants certificate and the form required by the rule would inhibit the dissemination of timely information that enables Commission staff to ensure the safekeeping of client funds and investment company securities.

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

Not applicable.

#### **8. Consultation Outside the Agency**

The Commission requested public comment on the collection of information requirements of Form N-17f-1 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to these requests. The Commission and the 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 various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry.

**9. Payment or Gift**

Not applicable.

**10. Assurance of Confidentiality**

Not applicable.

**11. Sensitive Questions**

No information of a sensitive nature will be required under these collections of information. These information collections collect basic Personally Identifiable Information (PII) that may include name, business address, and residential address (for sole proprietor only), telephone/cellular/facsimile numbers, and email address. The information collection is covered under the following System of Records Notices (SORN).

<http://www.sec.gov/about/privacy/sorn/secsorn6.pdf>

**12. Estimate of Hour Burden**

Commission staff estimates that it takes: (i) 1 hour of clerical time, at a cost of \$57 per hour, to prepare and file Form N-17f-1<sup>1</sup>; and (ii) 0.5 hour for the fund's chief compliance officer, at a cost of \$485 per hour (or \$243 for half an hour),<sup>2</sup> to review Form N-17f-1 prior to filing with the Commission, for a total of 1.5 hours at a total cost of \$300.<sup>3</sup> Each fund is required to make 3

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<sup>1</sup> This estimate of \$57 per hour for a general clerk is derived from the Securities Industry and Financial Markets Association's ("SIFMA") Office Salaries in the Securities Industry 2013, 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>2</sup> This estimate of \$485 per hour for a chief compliance officer is derived from SIFMA's Management & Professional Earnings in the Securities Industry 2013, 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.

<sup>3</sup> This estimate is based on the following calculation: ( $\$57 + \$243 = \$300$ ).

filings annually, for a total annual burden per fund of approximately 4.5 hours at a cost of \$900.<sup>4</sup>

Commission staff estimates that an average of 4 funds currently file Form N-17f-1 with the Commission 3 times each year, for a total of 12 responses annually.<sup>5</sup> The staff therefore estimates that the total annual hour burden for Form N-17f-1 is 18 hours at a total cost of \$3,600.<sup>6</sup>

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

Form N-17f-1 does not impose any paperwork related cost burden not discussed in item 12 above.

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

The federal government does not incur any direct costs in connection with the requirements of Form N-17f-1. Because Form N-17f-1 facilitates the electronic filing of the attached certificate, the amount of staff time required to process the EDGAR filing of the form and the related costs to the federal government are *de minimis*.

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

The estimated total annual burden has decreased from 22.5 hours to 18 hours. Based on a review of filings, the number of funds making Form N-17f-1 filings has decreased and the time to prepare the filings has not changed.

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

Not applicable.

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<sup>4</sup> This estimate is based on the following calculations: (1.5 hours × 3 responses annually = 4.5 hours); (\$300 per response × 3 responses annually = \$900).

<sup>5</sup> This estimate is based on a review of Form N-17f-1 filings made with the Commission over the last three years.

<sup>6</sup> This estimate is based on the following calculations: (4.5 hours × 4 funds = 18 total hours);

**17. Approval to 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.

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(\$900 × 4 funds = \$3,600).