

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
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”) to register 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 December 15, 2021, the Commission proposed amendments to certain rules that govern money market funds under the Investment Company Act.¹ The proposed amendments to Form N-1A would include a requirement for any money market fund that is not a government money market fund or a retail money market fund to

¹ Money Market Fund Reforms, Investment Company Act Release No. 34441 (Dec. 15, 2021), available at <https://www.sec.gov/rules/proposed/2021/ic-34441.pdf>.

provide swing pricing disclosures to investors, including an explanation of the fund's use of swing pricing and a general description of the effects of swing pricing on the fund's average annual total returns for the applicable period(s). The proposed amendments would additionally include a proposal to remove the current disclosures related to the imposition of liquidity fees and any suspension of redemptions.

2. Purpose and Use 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 and the 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. Consideration Given to 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 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.² The public may access filings on EDGAR through the Commission's internet website (<http://www.sec.gov>). Prospectuses and SAIs may be sent to investors by electronic means so long as the fund meets certain requirements.³

4. 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 Form N-1A are not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁴ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-1A do not distinguish between small entities and other investment companies. The burden on smaller investment companies of

² 17 CFR 232.101(a)(1)(i) and (iv).

³ 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)).

⁴ 5 U.S.C. 601 *et seq.*

preparing and filing registration statements may be proportionately greater than for larger investment companies. This burden includes the cost of producing, printing, filing, and disseminating prospectuses. 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.

6. Consequences of Not Conducting Collection

The purpose of Form N-1A is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable filers to provide investors with information necessary to evaluate an investment in the security. Less frequent filing would be inconsistent with the filing and disclosure requirements of the Securities Act and the Investment Company Act. In addition, if the form were to be filed less frequently, investors may not be provided with the information necessary to evaluate an investment in the security.

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 staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. In addition, the Commission has requested public comment on the proposed amendments to Form N-1A, including the collection of information requirements resulting from the proposed amendments. Before adopting these amendments, the Commission will receive and evaluate public comments on the proposed amendments and their associated collection of information requirements.

9. Payment or Gift

No payment or gift to respondents was provided.

10. Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include names, job titles and work addresses. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information

is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on February 5, 2020, is provided as a supplemental document and is also available at <https://www.sec.gov/about/privacy/pia/pia-edgar.pdf>.

12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995⁵ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with the disclosure requirements of Form N-1A is mandatory. Responses to the disclosure requirements will not be kept confidential.

In our most recent Paperwork Reduction Act submission for Form N-1A, we estimated the annual aggregate burden to comply with the collection of information requirement of Form N-1A is 1,672,077 burden hours with an internal cost burden of \$474,392,078, and an external cost burden estimate of \$132,940,008.

Table 1 below summarizes our PRA initial and ongoing annual burden estimates associated with the proposed amendments to Form N-1A.

Table 1: Proposed Burden Estimates for Form N-1A

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs
PROPOSED ESTIMATES				
Swing pricing-related disclosure	2 hours	1.67 hours ³	\$356 ⁴	\$595
Number of funds for swing pricing-related disclosure		× 53 ⁵		× 53 ⁵

⁵ 44 U.S.C. 3501 *et seq.*

Estimated burden for swing pricing-related disclosure (I)	89 hours		\$31,535
Removal of liquidity fee and redemption gate-related disclosure	-0.5 hours⁶	\$356⁴	-\$178
Number of funds for removal of liquidity fee and redemption gate-related disclosure	× 129 ⁷		× 129
Estimated annual burden reduction for removal of fee and gate-related disclosure (II)	-64.5 hours		-\$22,962
Total estimated burden (I-II)	24.5		\$8,573
Current Burden Estimates	1,672,077		\$474,392,078
Revised Burden Estimates	1,672,101.5		\$474,400,651

Notes:

1. This estimate includes the initial burden estimates amortized over a three-year period.

2. The Commission's estimates of the relevant wage rates are based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013. The estimated wage figures are modified by Commission staff to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. These PRA estimates assume that the same types of professionals would be involved in the proposed disclosure requirements that we believe otherwise would be involved in preparing and filing registration statements on Form N-1A.

3. This estimate assumes that, after the initial 2 hours to comply with the proposed swing pricing disclosure requirements, relevant funds would have an ongoing burden of 1 hour each year to review and update the required disclosures.

4. This represents a blended rate for a compliance attorney (\$373) and a senior programmer (\$339).

5. The number of funds estimate is based on analysis of the number of prime institutional public, prime institutional nonpublic, and tax-exempt institutional money market funds reporting to the Commission on Form N-MFP as of July 2021.

6. Although no money market funds have imposed liquidity fees or redemption gates and, therefore, funds have not needed to disclose information in their SAs about the historical occasions in which the fund considered or imposed liquidity fees or redemption gates, the Commission previously estimated that there were ongoing PRA burdens associated with disclosure requirements related to liquidity fees and redemption gates. See Money Market Fund Reform; Amendments to Form PF, Investment Company Act Release No. 31166 (July 23, 2014) [79 FR 47735 (Aug. 14, 2014)], at section IV.G.

7. The number of funds estimate is based on analysis of the number of non-government money market funds reporting to the Commission on Form N-MFP as of July 2021.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and amend registration statements on Form N-1A, such as for the services of independent auditors and outside counsel. The cost burden does not include the hour burden discussed in Item 12 above. Estimates are based on the Commission's experience with the filing of registration forms.

In our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated about \$132,940,008 in external cost burden per year. We

believe that the proposed amendments will not change the external cost burdens of Form N-1A.

Table 2: Summary of Revised Annual Responses, Burden Hours, and Cost Estimates

IC Title	Annual No. of Responses			Annual Time Burden (Hrs.)			External Cost to Respondents (\$)		
	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>
Form N-1A	6,002	6,002	0	1,672,077	1,672,101.5	24.5	\$132,940,008	\$132,940,008	\$0

14. Cost to the Federal Government

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$25.7 million in fiscal year 2020, based on the Commission’s computation of the value of staff time devoted to this activity and related overhead.

15. Change in Burden

As summarized in the Tables above, the estimated hourly burden associated with Form N-1A would increase from 1,672,077 hours to 1,672,101.5 hours (an increase of 24.5 hours) as a result of the proposed amendments. In addition, the cost burden associated with Form N-1A would not change. The change in burden hours is due to the estimates of the time burden that will result from the proposed amendments affecting Form N-1A regarding swing pricing. The Commission requested public comment on all information collection burden estimates for this OMB control number.

16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

**18. Exceptions to Certification Statement for Paperwork Reduction Act
Submission**

The Commission is not seeking an exception to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.