

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 30b1-10 and Form N-RN

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 30(b) of the Investment Company Act of 1940 [15 U.S.C. 80a-30(b)] (“Act”) provides that “[e]very registered investment company shall file with the Commission...such information, documents, and reports (other than financial statements), as the Commission may require, to keep reasonably current the information and documents contained in the registration statement of such company...”

Rule 30b1-10 [17 CFR 270.30b1-10] and Form N-RN [17 CFR 274.223] require registered open-end management investment companies(not including entities regulated as money market funds under 17 CFR 270.2a-7), registered closed-end funds, and business development companies (collectively, “funds”), to file a current report on Form N-RN on a non-public basis when certain events related to their liquidity and events regarding funds’ compliance with the VaR-based limit on fund leverage risk in 17 CFR 270.18f-4 (“rule 18f-4”) occur. The first category of information reported on Form N-RN concerns events under which more than 15% of an open-end fund’s net assets are, or become, illiquid investments that are assets as defined in 17 CFR 270.22e-4 (“rule 22e-4”) and when holdings in illiquid investments are assets that previously exceeded 15% of a fund’s net assets have changed to be less than or equal to 15% of the fund’s net assets.¹ The second category of information reported on Form N-RN regards

¹ See Item C.1 and Item C.2 of Part A of Form N-RN.

events for certain open-end funds under which a fund's holdings in assets that are highly liquid investments fall below the fund's highly liquid investment minimum defined in rule 22e-4 for more than 7 consecutive calendar days.² The third category of information reported on Form N-RN regards information about a fund's breaches of the VaR test under rule 18f-4. A report on Form N-RN is required to be filed, as applicable, within one business day of the occurrence of one or more of these events.³ In addition, a fund is in certain cases required to file a second Form N-RN when it is no longer in breach of the applicable limit. Compliance with rule 30b1-10 is mandatory for all funds. Responses to the disclosure requirements will be kept confidential.

2. Purpose and Use of the Information Collection

Certain provisions of the rule and form contain "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995 [44 U.S.C. 3501, et seq.]. The information collection requirements for rule 30b1-10 and Form N-RN are designed to enable the Commission to receive information on fund liquidity events, and events regarding funds' compliance with the VaR-based limit on fund leverage risk in rule 18f-4, more uniformly and efficiently, and to enhance the Commission's oversight of funds when these events occur and its ability to respond to market events. The Commission will be able to use the information provided on Form N-RN in its regulatory, disclosure review, inspection, and policymaking roles.

² See Item D of Form N-RN.

³ See General Instruction A.2 of Form N-RN.

3. Consideration Given to Information Technology

The Commission's Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR") automates the filing, processing, and dissemination of full disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Reports on Form N-RN are required to be filed electronically on EDGAR.

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes or adopts changes to the relevant rule or form. The requirements of Form N-RN are not generally duplicated elsewhere.

5. Effect on Small Entities

The information collection requirements of rule 30b1-10 and Form N-RN do not distinguish between small entities and other funds. The burden of the conditions on smaller funds may be proportionally 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 rule's conditions and could potentially jeopardize the interests of investors in small funds. 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.

6. Consequences of Not Conducting Collection

Rule 30b1-10 and Form N-RN set forth the disclosure requirements for current reports filed by funds to enable the Commission to receive information on fund liquidity events, and events regarding funds' compliance with the VaR-based limit on fund leverage risk in rule 18f-4,

more uniformly and efficiently and to enhance the Commission’s oversight of funds when these events occur and its ability to respond to market events. Less frequent collection would mean that timely disclosure of information regarding these events would not be available to the Commission.

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

Under applicable federal regulations, OMB generally will not approve a collection of information that includes a pledge of confidentiality unless the pledge is “supported by disclosure and data security policies that are consistent with the pledge....”⁴ In addition, if an agency proposes to collect confidential information, it must be able to “demonstrate that it has instituted procedures to protect the information’s confidentiality to the extent permitted by law.”⁵

Form N-RN elicits non-public information about circumstances regarding certain fund liquidity events, and events regarding funds’ compliance with the VaR-based limit on fund leverage risk in rule 18f-4. When these events occur, reporting to the Commission is necessary to provide the Commission with timely information that may prompt the Commission to inquire further into the circumstances that gave rise to the requirement to file Form N–RN. The Commission finds that it is neither necessary nor appropriate in the public interest or for the protection of investors to make the information filed on Form N-RN publicly available and, therefore, does not intend to make public Form N-RN.⁶

⁴ 5 CFR 1320.5(d)(2)(vii).

⁵ 5 CFR 1320.5(d)(2)(viii).

⁶ *See* section 45(a) of the Act, which requires information in investment company forms to be made available to the public, unless the Commission finds that public disclosure is neither necessary nor appropriate in the public interest or for the protection of investors.

In addition, the Commission recognizes the importance of sound data security practices and protocols for non-public information, including information that may be competitively sensitive. The Commission has substantial experience with storage and use of non-public information reported on Form PF and delayed public disclosure of information on Form N-MFP (although the Commission no longer delays public disclosure of reports on Form N-MFP), as well as other non-public information that the Commission handles in the ordinary course of its business. Commission staff has in place controls and systems for the use and handling of non-public information reported on Form N-RN.

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 information collection requirements in rule 30b1-10 and Form N-RN before it submitted this request for revision and approval to OMB. The Commission received no comments in response to its request.

9. Payment or Gift

No payment or gift to respondents was provided.

10. Confidentiality

The Commission does not intend to make public information reported on Form N-RN that is identifiable to any particular registrant, although the Commission may use Form N-RN information in an enforcement action. See also section A.7 of this supporting statement.

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 includes the name, email address, and phone number of persons authorized to receive information about and respond to questions about a Form N-RN filing. 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 March 22, 2023, is 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 and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with rule 30b1-10 and Form N-RN is mandatory. Based on historical filing data and projected estimates of the annual number of VAR-based filings, the staff estimates that the Commission will receive roughly 66 reports per year on Form N-RN on average.⁷

⁷ Because the compliance date for the VaR-based reporting requirements was August 1, 2022, we have made adjustments to estimate an annual number of VAR-based filings.

When filing a report on Form N-RN,⁸ staff estimates that a fund will spend on average approximately 3 hours of an in-house compliance attorney's time and 1 hour of a senior programmer's time to prepare, review, and submit Form N-RN reports, at a total time cost of \$1,661.⁹ Accordingly, in the aggregate, staff estimates that compliance with rule 30b1-10 and Form N-RN will result in a total annual burden of approximately 264 burden hours and total annual time costs of approximately \$109,626.

Table 1: Change in Burden Estimates

	Annual Number of Responses			Annual Time Burden (hours)			External Cost Burden (dollars)		
	Previously approved	Revised estimate	Change	Previously approved	Revised estimate	Change	Previously approved	Revised estimate	Change
Rule 30b1-10	84	66	-18	366	264	-102	\$0	\$0	\$0

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to comply with rule 30b1-10 and Form N-RN, such as licensing software solutions or for the services of external service providers. The cost burden does not include the hour burden discussed in Item 12. Estimates are based on the Commission's experience with the filing of registration forms. The Commission estimates that there will be no external costs associated with this collection of information.

14. Cost to the Federal Government

The annual cost of reviewing and processing registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies

⁸ For purposes of this estimate, the staff expects that it would take approximately the same amount of time to prepare and file a report on Form N-RN, regardless under which Part of Form N-RN it is filed.

⁹ 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 figures are modified by firm size, employee benefits, overhead, and adjusted annually to account for the effects of inflation, with the last adjustment occurring in early 2023. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

amounted to approximately \$29 million in fiscal year 2022, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. A portion of those costs will relate to processing and reviewing Form N-RN filings submitted to the Commission for compliance with rule 30b1-10.

15. Change in Burden

Rule 30b1-10 has a current annual burden of 366 hours. The hour burden associated with rule 30b1-10 has decreased by 102 hours to a total of 264 hours since our last burden analysis. This change is due to a change in our estimate of the number of annual responses from 84 to 66. The Commission continues to estimate that there is no external cost burden associated with this rule.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submission

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.