

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 July 12, 2023, the Commission adopted amendments to its rules governing money market funds, including amendments to Form N-1A related to money market fund disclosures.¹ Specifically, the Commission adopted amendments to the narrative risk

¹ See Money Market Fund Reforms; Form PF Reporting Requirements for Large Liquidity Fund Advisers; Technical Amendments to Form N-CSR and Form N-1A (Investment Company Act Release No. 34959) (July 12, 2023) [88 FR 51404 (Aug. 3, 2023)] (“Adopting Release”).

disclosure requirement in Form N-1A as well as the disclosure requirements in the Statement of Additional Information (“SAI”) that relate to both the imposition of liquidity fees and the suspension of fund redemptions by money market funds.²

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.

The amendments to Form N-1A are designed to provide investors with information about a money market fund’s use of liquidity fees, which investors can use to inform their investment decisions.

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

² See Item 4(b) of amended Form N-1A; Item 16(g) of amended Form N-1A.

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.³ 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.⁴

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,⁵ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-1A, including the requirements affected by the amendments, do not distinguish between small entities and other investment companies. The burden on smaller investment companies of preparing and filing registration

³ 17 CFR 232.101(a)(1)(i) and (iv).

⁴ 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)].

⁵ 5 U.S.C. 601 *et seq.*

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

On December 15, 2021, the Commission issued a proposing release soliciting comment on collections of information related to, among other things, the proposed amendments to Form N-1A.⁶ The Commission's solicitation of public comments included estimating and requesting public comments on updated burden estimates for all

⁶ See Money Market Fund Reforms, Investment Company Act Release No. 34441 (Dec. 15, 2021) [87 FR 7248 (Feb. 8, 2022)].

information collections under this OMB control number (i.e., both changes associated with the rulemaking and other burden updates). Comments on the Commission's releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in an ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. All comments received on the proposal are available at <https://www.sec.gov/comments/s7-22-21/s72221.htm>. The Commission considered all comments received prior to publishing the final rules as required by 5 CFR 1320.11(f). The Commission did not receive public comment regarding the PRA estimates for Form N-1A in the Proposing Release.

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 March 22, 2023, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

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 1995⁷ 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.

The amendments to Form N-1A modify the narrative risk disclosure that money market funds must provide in their summary prospectuses. The modifications affect all types of money market funds and include changes pertaining to liquidity fees and suspensions of redemptions that are more likely to affect prime and tax-exempt money market funds. Further, the amendments streamline the information a money market fund is required to disclose in its SAI about any liquidity fees imposed during the prior 10 years and removes SAI disclosure related to the suspension of redemptions. We estimate that streamlining the required SAI disclosure will not affect the current estimated burdens of Form N-1A because while we are reducing the amount of information a fund must report when it has imposed a liquidity fee, the mandatory liquidity fee requirement in the final rule will likely result in institutional funds imposing liquidity fees more frequently than under the current rule.

⁷ 44 U.S.C. 3501 *et seq.*

The respondents to the amended collections of information will be money market funds. The Commission estimates there are 294 money market funds that are subject to Form N-1A, although aspects of the new collections of information related to liquidity fees and the removal of temporary suspensions of redemptions generally will only apply to prime and tax-exempt money market funds.⁸ The Commission estimates there are 111 prime and tax-exempt money market funds. The tables below illustrate the change to the total annual compliance burden of Form N-1A, in hours and in costs, as a result of the amendments.

⁸ The number of funds estimate is based on the number of money market funds reporting to the Commission on Form N-MFP as of Mar. 2023. The estimated burden is averaged across all money market funds, although prime and tax-exempt money market funds, and particularly institutional funds, will likely have a somewhat higher burden than government money market funds in updating their narrative risk disclosure.

Table 1. Estimated Burdens of Amendments

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs
PROPOSED ESTIMATES³				
Swing pricing-related disclosure	2 hours	1.67 hours	\$356	\$595
Number of funds for swing pricing-related disclosure		× 53		× 53
Estimated burden for swing pricing-related disclosure (I)		89 hours		\$31,535
Removal of liquidity fee and redemption gate-related disclosure		-0.5 hours	\$356	-\$178
Number of funds for removal of liquidity fee and redemption gate-related disclosure		× 129		× 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
FINAL ESTIMATES				
Amended narrative risk disclosure	0.5 hours	0.17 hours ⁴	\$406 ⁵	\$69
Number of funds		× 294 ⁶		× 294 ⁶
Estimated burden for amended narrative risk disclosure		50 hours		\$20,286
Total estimated burden		50		\$20,286
Current Burden Estimates		1,671,877⁷		\$474,392,078
Revised Burden Estimates		1,671,927		\$474,412,364

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 (with the exception of the board of directors) 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. For additional detail about the proposed estimates, see Money Market Fund Reforms, Investment Company Act Release No. 34441 (Dec. 15, 2021) [87 FR 7248 (Feb. 8, 2022)], at section IV.F.
4. This estimate assumes that, after the initial 0.5 hours to amend the fund's narrative risk disclosure, funds would not have an ongoing burden given that the form provides the statement that funds must include.
5. This represents a blended rate for a compliance attorney (\$425) and a senior programmer (\$386).
6. The number of funds estimate is based on the number of money market funds reporting to the Commission on Form N-MFP as of Mar. 2023. The estimated burden is averaged across all money market funds, although prime and tax-exempt money market funds, and particularly institutional funds, will likely have a somewhat higher burden than government money market funds in updating their narrative risk disclosure.
7. The current burden estimate is different as compared to the figure in the Adopting Release as a result of a July 13, 2023, OMB approval of a revision to the collection for Form N-1A.

Table 2. Requested Paperwork Burden under the Amendments

IC Title	Annual No. of Responses			Annual Time Burden (Hrs.)			External Cost Burden (\$)		
	<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>
N-1A	6,002	6,002	0	1,671,877	1,671,927	50	\$132,700,008	\$132,700,008	\$0

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 a \$132.7 million external cost burden per year. We estimate that the external burden will not change as a result of the amendments.

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 \$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.

15. Change in Burden

As summarized in Table 2 above, the estimated hourly burden associated with Form N-1A has increased from 1,671,877 hours to 1,671,927 hours (an increase of 50 hours). The cost burden associated with Form N-1A has not changed and remains \$132,700,008. The change in burden hours is due to the estimates of the time burden that will result from the amendments to money market fund disclosure requirements. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and 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.