

**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 and Use 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. Confidentiality**

Not applicable.

**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 and job titles. 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 1/29/2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

**12. Burden of Information Collection**

Commission staff estimates that it takes: (i) 1 hour of clerical time, at a cost of \$73 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 \$618 per hour (or \$309 for half an hour),<sup>2</sup> to review Form N-17f-1 prior to filing with

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<sup>1</sup> This estimate of \$73 per hour for a general clerk is derived from the Securities Industry and Financial Markets Association’s (“SIFMA”) Office Salaries in the Securities Industry 2020, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead.

<sup>2</sup> This estimate of \$618 per hour for a chief compliance officer is derived from SIFMA’s Management & Professional Earnings in the Securities Industry 2020, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

the Commission, for a total of 1.5 hours at a total cost of \$382.<sup>3</sup> Each fund is required to make 3 filings annually, for a total annual internal hour burden per fund of approximately 4.5 hours at a cost of \$1,146.<sup>4</sup> Commission staff estimates that an average of 21 funds currently file Form N-17f-1 with the Commission 3 times each year, for a total of 64 responses annually.<sup>5</sup> The staff therefore estimates that the total annual internal hour burden for Form N-17f-1 is 95 hours at a total cost of \$24,066.<sup>6</sup>

### Summary of Revised Annual Responses, Burden Hours, and Cost Estimates

	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-17f-1	18	64	+46	27	95	+68	\$0	\$0	\$0

#### 13. Cost to Respondents

Form N-17f-1 does not impose any paperwork-related external cost burdens.

#### 14. 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*.

<sup>3</sup> This estimate is based on the following calculation: ( $\$73 + \$309 = \$382$ ).

<sup>4</sup> This estimate is based on the following calculations: (1.5 hours  $\times$  3 responses annually = 4.5 hours); ( $\$382$  per response  $\times$  3 responses annually =  $\$1,146$ ).

<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  $\times$  21 funds = 94.5 total hours); ( $\$1,146 \times 21$  funds =  $\$24,066$ ).

<sup>6</sup> This estimate is based on the following calculations: (4.5 hours  $\times$  21 funds = 94.5 total hours); ( $\$1,146 \times 21$  funds =  $\$24,066$ ).

**15. Change in Burden**

The estimated total internal annual burden has increased from 27 hours to 95 hours. This increase is based on an adjustment to the calculation of entities that would be required to file Form N-17f-1. Based on a review of filings, and the adjusted calculation methodology, the number of funds increased from 6 to 21, and the hour burdens associated with preparing the filings has not changed. Therefore, the total internal cost of Form N-17f-1 has increased to \$18,117, from \$5,949 to \$24,066 due to the change in methodology and higher salary rates for preparing and reviewing the Form. Form N-17f-1 does not impose any paperwork- related external cost burdens.

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

Not applicable.

**17. Approval to Omit OMB Expiration Date**

Not applicable.

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

Not applicable.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.