



PAPERWORK REDUCTION ACT SUPPORTING STATEMENT

for the Extension of
Rule 17f-1 Custody of securities with members of national securities exchanges
OMB Control Number 3235-0222

The U.S. Securities and Exchange Commission ("Commission" or "SEC") submits this information collection request ("ICR") pursuant to the Paperwork Reduction Act of 1995 ("PRA"), 44 U.S.C. Section 3501 et seq., with the following justification.

1. Necessity of Information Collection

Section 17(f)(1)(B) of the Investment Company Act of 1940 ("Act") (15 U.S.C. 80a-17(f)(1)(B)) 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."

Rule 17f-1 (17 CFR 270.17f-1) under the Act, entitled "Custody of securities with members of national securities exchanges," 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 permits a fund to place its assets in the custody of a member of a national securities exchange only under a written contract approved by a majority of the fund's board of directors. The rule requires the contract to contain certain provisions, and requires the fund's board to ratify the contract at least once a year thereafter. In addition, the fund must submit a copy of the custodial contract to the Commission. This requirement assures that Commission staff can review the contract for compliance with the Act.

Rule 17f-1 also 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.¹

2. Purpose and Use of Information Collection

The requirements of rule 17f-1 are designed to ensure safekeeping of fund assets and to assist Commission staff in monitoring funds' compliance with federal securities laws. Requiring a copy of the custodial contract to be submitted to the Commission assures that Commission staff can review the contract for compliance with the Act. Although Commission inspections staff conducts periodic reviews of all funds, due to staffing constraints, funds are not inspected annually. Thus, the periodic examination by the accountants required by rule 17f-1 helps to ensure that the fund's assets are continuously subject to proper auditing procedures. Less frequent periodic examinations by a fund's accountants could impair the ability of the Commission's examination staff to ascertain a fund's compliance with the rule.

3. Use and Consideration of 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. Rule 17f-1 requires the custody agreement to be filed as an exhibit to a fund's

¹ Form N-17f-1 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 and does not require any additional information to be gathered or filed with the Commission.

registration statement under the Act, and each form of registration statement must be filed electronically through EDGAR.

4. Identifying and Minimizing Duplication

Rule 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 rule 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. Rule 17f-1 is not mandatory, and funds may choose alternative custody arrangements. If a fund chooses to maintain its assets in the custody of a national securities exchange member, then regardless of its size, it must comply with rule 17f-1.

6. Consequences of Not Conducting Collection and Obstacles to Reducing Burden

The requirements of rule 17f-1 are designed to ensure the safekeeping of fund assets and assist Commission staff in monitoring fund custodial arrangements. Less frequent collection of the information 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. Public Comment and Consultations Outside the Agency

The SEC did not receive public comment during the 60-day notice and comment period.

9. Payment or Gift to Respondents

Not Applicable.

10. Assurance of Confidentiality and Privacy

The assurance of information collected pursuant to Form ADV is through filings with the Commission. These disclosures are not kept confidential. The agency has determined that a system of records notice (“SORN”) and privacy impact assessment (“PIA”) are not required in connection with the collection of information.

11. Collection Questions of a Sensitive Nature

Not applicable.

12. Estimated Time Burden and its Cost Equivalent

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act and is not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

Within the current approved ICR for rule 17f-1, Commission staff estimated that each fund makes 1 response and spends an average of 3.5 hours annually in complying with the rule’s requirements,² and that 8 funds rely on the rule annually, with a total of 8 responses. The Commission staff further estimated that on an annual basis it takes (i) 0.5 hours for the board of directors at a total cost of \$2,385³ to review and ratify the custodial contracts; and (ii) 3 hours for the fund’s controller or administrator at a total cost of \$1,704 to assist the fund’s independent public auditors in verifying the funds assets, for a total of 3.5 hours at a cost of \$4,089. The total annual hour burden estimate is 28 hours, and the total cost estimate is \$32,712.

Commission staff continue to estimate that each fund makes 1 response and spends an average of 3.5 hours annually in complying with the rule’s requirements. Commission staff estimates that on an

² The 1 response is the board’s approval of the contract.

³ Commission staff estimated the average cost of a board of director time as \$4,770 per hour for the board as a whole, based on information received from funds and their counsel.

annual basis it takes: (i) 0.5 hours for the board of directors⁴ at a total cost of approximately \$6,093⁵ to review and ratify the custodial contracts; and (ii) 3 hours for the fund’s financial manager⁶ at a total cost of approximately \$2,190⁷ to assist the fund’s independent public auditors in verifying the fund’s assets, for a total of 3.5 hours at a cost of \$8,283.⁸ Commission staff estimate that approximately 4 funds rely on the rule annually, with a total of 4 responses.⁹ Commission staff estimates that the total annual

⁴ Estimates of the number of hours are based on conversations with representatives of mutual funds that comply with the rule. The actual number of hours may vary significantly depending on individual fund assets. The hour burden for rule 17f-1 does not include preparing the custody contract because that would be part of customary and usual business practice.

⁵ The prior staff estimate was based on information received from funds and their counsel. The Commission has updated its methodology for estimating certain PRA burdens. To calculate the occupational hourly rates used in this release, the Commission uses occupational mean hourly wage data from the Occupational Employment and Wage Statistics (“OEWS”) program of the Bureau of Labor Statistics (“BLS”) for “Securities, Commodity Contracts, and Other Financial Investments and Related Activities” (“NAICS 523”). See Occupational Employment and Wage Statistics, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/oes/>; see also Standard Occupational Classification, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/soc/> (describing occupational classification system used by BLS); EXEC. OFF. OF THE PRESIDENT, OFF. OF MGMT. & BUDGET, NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (2022), available at https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. See Employment Cost Index, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/eci/>. The adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis’s annual gross output data for NAICS 523 to total annual wages across all occupations for NAICS 523 in the OEWS data. See Gross Output by Industry, U.S. BUREAU OF ECONOMIC ANALYSIS, <https://www.bea.gov/data/industries/gross-output-by-industry>; Occupational Employment and Wage Statistics, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/oes/>. The final product is the occupational hourly rate. See generally UPDATED METHODOLOGY FOR CALCULATING OCCUPATIONAL HOURLY RATES (Dec. 19, 2025), available at <https://www.sec.gov/files/method-occupational-hourly-rates.pdf>. (\$12,186 per hour for a fund board of directors x 0.50 hours) = \$6,093.

⁶ The names used to describe the professional and clerical staff performing certain functions will change in order to align with the names of the professions used within the BLS data sources. Although the names of the professions being described will change, the underlying functions being performed will not. We are changing the title of the job function described here to financial manager from controller or administrator.

⁷ 3 hours x \$730 per hour cost for a financial manager = \$2,190.

⁸ (\$6,093 + \$2,190) = \$8,283.

⁹ This estimate is based on a review of Form N—17f-1 EDGAR filings over the last three years. In 2023 there were six unique filers, in 2024 there were three unique filers, and in 2025 there were four unique filers. (6 + 3 + 4) / 3 = 4.33 filers, rounded down to an estimated 4 filers. 4 filers x 1 response per filer = 4 responses.

internal hour burden to comply with rule 17f-1 is 14 hours.¹⁰ Based on the total internal costs per fund, Commission staff estimates that the total annual internal cost to comply with rule 17f-1 is \$33,132.¹¹

Table 1: Summary of Revised Annual Responses, Internal Burden Hours, and Internal Burden Hour Costs Estimates for Each Information Collection

IC	IC Title	Annual No. of Responses			Annual Internal Time Burden (Hrs.)			Annual Internal 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>
IC1	Board Review of Custodial Contract	8	4	-4.0	4	2	-2	\$19,080	\$24,372 ¹²	+\$5,652
IC2	Verification of Fund Assets	8	4	-4.0	24	12	-12	\$13,632	\$8,760 ¹³	-\$4,872
Total for all ICs		16	8	-8.0	28	14	-14	\$32,712	\$33,132	+\$420

13. Estimated Additional Cost Burden

Funds that rely on rule 17f-1 generally use a lawyer to prepare the custodial contract for the board's review and to transmit the contract to the Commission. Commission staff estimate that it would take a lawyer 2 hours to prepare the contract at a cost of \$774 per hour.¹⁴ Thus, Commission staff estimates the total cost per fund of a lawyer to perform this task is \$1,548.¹⁵ Funds also must have an independent public accountant verify the fund's assets three times each year and prepare the certificate of examination. Commission staff estimates that this would require approximately 35 hours for an accountant to complete at a cost of approximately \$330 per hour. Commission staff estimates the total annual cost per fund for an independent public accountant to perform this service is \$11,550.¹⁶

¹⁰ 4 respondents x 3.5 hours = 14 hours. The annual burden for rule 17f-1 does not include time spent preparing Form N-17f-1. The burden for Form N-17f-1 is included in a separate information collection request.

¹¹ 4 funds x \$8,283 = \$33,132.

¹² \$12,186 per hour for board of directors x 0.5 hours x 4 funds = \$24,372.

¹³ \$730 per hour for a financial manager x 3 hours x 4 funds = \$8,760.

¹⁴ See *supra* footnote 5.

¹⁵ 2 hours of lawyer services x \$774 per hour = \$1,548.

¹⁶ 35 hours x \$330 per hour for an accountant = \$11,550.

Therefore, the total annual external cost burden for a fund that relies on rule 17f-1 would be approximately \$13,098.¹⁷ As noted above, the staff estimates that 4 funds rely on rule 17f-1 each year, for an estimated total annualized external cost burden of \$52,392.¹⁸

Table 2: Summary of Revised Annual External Burden Hours, and External Burden Hour Costs Estimates

IC Title	Lawyer Annual Time Burden (Hours)			Accountant Annual Time Burden (Hours)			Annual 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>
Total Annualized Burden	2 hours	2 hours	-0	N/A ¹⁹	35 hours	+35 hours	\$92,336	\$52,392	-\$39,994

14. Annual Cost to the Federal Government

Not applicable.

15. Reasons for Changes in Burden Estimates

The estimated total annual internal burden has decreased 14 hours, from 28 hours to 14 hours. Based on a review of filings, the number of funds relying on rule 17f-1 has decreased from 8 to 4 funds. The total annual internal cost burden has increased \$420, from \$32,712 to \$33,132. The increase in total annual internal cost burden is due to the change in the Commission's methodology for estimating

¹⁷ \$1,548 + \$11,550 = \$13,098.

¹⁸ 4 funds x \$13,098 = \$52,392.

¹⁹ Prior rule 17f-1 ICR requests estimated a total cost for an independent public accountant. The change to include an hourly burden and hourly rate for an accountant is a result of the change in the occupational hourly rate methodology. *See supra* footnote 5.

occupational hourly rates. Further, the total annual external cost burden has decreased \$39,994, from \$92,336 to \$52,392. This change is attributable to a decrease in the number of funds that rely on rule 17f-1. The changes in the Commission's methodology for estimating occupational hourly rates have resulted in an increase in the external cost per fund of \$1,556, from \$11,542 to \$13,098. This change is attributable to an increase in the cost of (i) a lawyer to prepare the custodial contract for board review and its transmission to the Commission; and (ii) an accountant to verify the funds assets three times each year and to prepare the certificate of examination.

16. Plans for Publishing Results

The results of any information collection will not be published.

17. Approval to Omit Display of OMB Expiration Date

Not applicable.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

Not Applicable.