

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 30b1-9 and Form N-PORT

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...” Final rule 30b1-9 under the Act [17 CFR 270.30b1-9], entitled “Monthly Report,” provides that each registered management investment company or exchange-traded fund organized as a unit investment trust, or series thereof, other than a registered open-end management investment company that is regulated as a money market fund under rule 2a-7 [17 CFR 270.2a-7] or a small business investment company registered on Form N-5 [17 CFR 239.24 and 274.5], must file a monthly report of portfolio holdings on Form N-PORT [17 CFR 274.150], current as of the last business day, or last calendar day, of the month.

On October 13, 2016, the Commission issued a release adopting rules requiring that certain funds file Form N-PORT, as described above, as part of an investment company reporting modernization release.¹ On that same day, the Commission also issued a companion release adopting additional reporting requirements on Form N-PORT

¹ See Investment Company Reporting Modernization, Investment Company Act Release No. 32314 (October 16, 2016) (“Reporting Modernization Adoption”).

related to liquidity risk management.² Similar to Form N-MFP [17 CFR 274.201], Form N-PORT will require funds to report portfolio holdings information in a structured, XML format. The form will be filed electronically using the Commission’s electronic filing system (Electronic Data Gathering, Analysis and Retrieval or “EDGAR”). Consistent with the current portfolio disclosure regime, only information reported for the third month of each fund’s fiscal quarter on Form N-PORT will be made publicly available, and such information will not be made public until 60 days after the end of the third month of the fund’s fiscal quarter. This approach is intended to minimize the harm of free-riding and front running activity that might occur with more frequent or rapid public disclosure.

2. Purpose and Use of the Information Collection

The information provided in reports on Form N-PORT will be used by the Commission in its regulatory, disclosure review, inspection, and policymaking roles. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection will also be for the use and benefit of investors. As discussed above, the Commission will make information reported for the third month of each fund’s fiscal quarter on Form N-PORT publicly available. The Commission expects that investors will be able to use this information to make more informed investment decisions either through direct use or through analyses prepared by third-party users that provide services to investors.

3. Consideration Given to Information Technology

The Commission’s EDGAR electronic filing system is designed to automate the

² See Investment Company Liquidity Risk Management Programs, Investment Company Act Release No. 32315 (October 13, 2016) (the “Liquidity Release”).

filing, processing and dissemination of full disclosure filings. The system permits filers to transmit filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Reports on Form N-PORT are filed with the Commission electronically on EDGAR. The public may access filings on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

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. Although reports of portfolio holdings on Form N-PORT for the first and third fiscal quarters of each fund's fiscal year would be largely redundant with similar reports on Form N-Q, the Commission has adopted rules rescinding Form N-Q to avoid such duplication.³ Funds will also report certain information on Form N-PORT in a structured format that may be similarly disclosed or reported elsewhere in a non-structured format (*e.g.*, portfolio investments are also currently included as part of the schedules of investments contained in shareholder reports, and filed on a semi-annual basis with the Commission on Form N-CSR). Because collecting information in a structured format will enhance the ability of the Commission as well as investors and other potential users to analyze portfolio data, the Commission believes it is appropriate to require this information to be reported on Form N-PORT.

5. Effect on Small Entities

³ See Reporting Modernization Adoption, *supra* note 1.

The Commission will provide smaller entities (*i.e.*, funds that together with other investment companies in the same “group of related investment companies” have net assets of less than \$1 billion as of the end of the most recent fiscal year) an extra 12 months to comply with the new reporting requirements for Form N-PORT.

However, the requirements for reports on Form N-PORT will not distinguish between small entities and other funds in terms of what information will be required to be reported. The Commission believes that imposing different reporting requirements on smaller funds will not be consistent with investor protection and the purposes of portfolio holdings reports. Differing reporting requirements will not provide comparable information about portfolio holdings held by small entities and other funds that could be used by Commission staff to identify trends and outliers and by investors to make informed investment decisions.

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small entities.

6. Consequences of Not Conducting Collection

Funds will be required to file reports on Form N-PORT with the Commission no later than 30 days after the end of each month. Less frequent collection would mean that current information will not be available to the Commission.

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

Final rule 30b1-9 requires funds to submit reports on Form N-PORT on a monthly basis. Given the rapidly changing composition of fund portfolios, monthly reports are necessary to ensure that the Commission receives timely and accurate portfolio holdings information.

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 collection of information requirements in Form N-PORT before it submitted this request for approval to the Office of Management and Budget.

We received two comments on proposed Form N-PORT's estimated hour and costs burdens. One commenter, who submitted a comment letter on behalf of certain asset management firms focused on alternative investment strategies, stated that the proposed estimates of hours and costs were not realistic.⁴ The commenter stated that, based on its outreach, several firms were currently spending more than 198 hours per

⁴ See Simpson Thacher Comment Letter (Aug. 11, 2015) *available at* <https://www.sec.gov/comments/s7-08-15/s70815-312.pdf>.

year on investment company quarterly reporting.⁵ This commenter additionally noted that Form N-PORT requires more information than current quarterly reports, particularly for funds that implement “alternative” strategies, and must be filed monthly. The commenter also indicated that at least one firm they reached out to anticipated hiring one or more full-time equivalents to handle the reporting requirements. Another commenter suggested that complying with Form N-PORT reporting requirements could cost \$800,000 to \$1,500,000 for the fund complex (of approximately 250 funds).⁶ The commenter specified that the initial burden associated with the proposed requirements would be over 6000 hours in total to conduct analysis, develop and test newly created interfaces between the reporting solution and internal and external data sources in an attempt to automate the collection, aggregation, and validation of data reported on Form N-PORT. The commenter further asserted that ongoing reporting requirements on Form N-PORT may require a support team of up to 10-15 members. The commenter’s estimates of initial burden hours are therefore approximately 24 hours, based on a complex of 250 funds, lower than our proposed estimated initial filing burden of 44 hours per fund for fund filers filing in-house, and 60 hours per fund for fund filers retaining a third party service provider. Assuming the support team was 15 members (*i.e.*, the high end of the range set forth by the commenter), and a 2,000 hours work year, the

⁵ *See id.* The commenter noted that in the Proposing Release that we estimated 198 burden hours in the first year, and 168 hours thereafter “for each investment company.” As noted in the proposing release, 168 hours was the Commission’s “per fund” burden hour estimate for the first year for funds preparing and filing the reports in house, where “fund” is a registered management investment company *and any separate series thereof*. It is not clear from the comment letter whether firms that provided estimates to the commenter were providing estimated burdens for quarterly reporting per fund series, per investment company, or per fund complex. For purposes of the PRA, however, we conservatively assume it is per fund series.

⁶ *See* Invesco Comment Letter (Aug. 12, 2015) *available at* <https://www.sec.gov/comments/s7-08-15/s70815-313.pdf>.

commenter's annual estimated burden to file reports on Form N-PORT would be approximately 120 hours per fund.⁷ This is in the range of our proposed annual estimate of 168 hours per year for fund filers filing in house and 108 hours per year for fund filers retaining a third-party service provider. Finally, assuming that the dollar estimates that the commenter cited of between \$800,000 to \$1,500,000 were additional external costs of reporting on Form N-PORT, the commenter's estimated external costs would be between \$3,200 and \$6,000 per fund. These are in the range of our estimated external costs per fund (not including monetization of internal burden hours) of \$4,805 per year for fund filers filing in house, and \$11,440 per year for fund filers using a service provider.

As discussed above, our adoption includes some modifications from the proposal that address concerns raised by commenters and that are intended, in part, to decrease reporting and implementation burdens relative to the proposal. We believe that our modifications from the proposal will reduce the estimated initial burden hours associated with implementation of Form N-PORT reporting requirements, relative to the proposal, particularly for funds that will be required to report risk metrics or custom derivatives transactions but will not affect external costs or ongoing burden hours.

Commenters also expressed concerns over the operational costs associated with the assignment of liquidity classifications and the reporting of this information on Form N-PORT. Several commenters expressed the belief that the liquidity classification requirement could impose significant direct costs to a fund and its shareholders (*e.g.*, new operational systems, trade order management systems, and other processes to handle complex classification schemes), which commenters anticipated to be in excess of the

⁷ 15 members x 2000 hours = 30,000 hours. 30,000 hours / 250 funds = 120 hours.

Commission's estimates under the proposal.⁸ One commenter estimated that the costs associated with building a liquidity classification system could range in the millions of dollars for fund complexes that have large numbers of portfolio positions.⁹ Another commenter estimated \$2 million in initial implementation costs and more than \$650,000 in annual recurring costs in connection with automating the classification process for over 63,000 portfolio positions.¹⁰ This commenter also expressed the belief that substantial resources, including additional investment professionals and compliance personnel, and additional expenses associated with third-party service providers would increase costs associated with the classification requirement.¹¹ Some commenters also expressed concern that the costs of diverting resources and key personnel were not considered in the Commission's cost estimates.¹²

We are adopting a liquidity classification requirement under rule 22e-4 of the Act with a number of modifications to address commenters' concerns. Unlike the proposal which would have applied to all open-end funds, "In-Kind Exchange-Traded Funds"

⁸ See, e.g., Comment Letter of CFA Institute (Jan. 12, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-34.pdf>; Comment Letter of Federated Investors, Inc. (Jan. 13, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-50.pdf>; Comment Letter of Investment Company Institute (Jan. 13, 2016) ("ICI Comment Letter") available at <https://www.sec.gov/comments/s7-16-15/s71615-54.pdf>; Comment Letter of Voya Investment Management (Jan. 12, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-40.pdf>.

⁹ See Comment Letter of T. Rowe Price (Jan. 13, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-72.pdf> (noting that its fund complex has just under 44,000 portfolio positions combined as of December 31, 2015).

¹⁰ See Comment Letter of Invesco Advisers, Inc. (Jan. 13, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-75.pdf>.

¹¹ *Id.*

¹² See, e.g., Comment Letter of Dechert LLP (Jan. 13, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-70.pdf>; ICI Comment Letter I; Comment Letter of Nuveen Fund Advisors, LLC (Jan. 13, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-38.pdf>; Comment Letter of Wells Fargo Funds Management, LLC (Jan. 13, 2016) available at <https://www.sec.gov/comments/s7-16-15/s71615-69.pdf>.

(“In-Kind ETFs”) as defined in rule 22e-4 under the Act are not subject to the classification requirements under rule 22e-4(b)(ii) and related reporting requirements on Form N-PORT. In addition, the classification categories have been reduced from six to four and the timeframe for projections substantially reduced, with the fourth category designated for those investments that qualify as “illiquid investments” harmonized with the codified 15% illiquid investment limit. Furthermore, a fund may classify portfolio investments based on asset class, rather than position-by-position, so long as the fund or its adviser does not have information about any market, trading, or investment-specific considerations that are reasonably expected to significantly affect the liquidity characteristics of an investment and would suggest a different classification for that investment.

We believe that these modifications to the liquidity classification requirements will reduce the number of funds subject to the liquidity classification requirements and will address some of the costs commenters anticipate funds and fund shareholders would bear to establish new operational, trade, and other systems to process and report fund liquidity classification information. However, we recognize, as discussed above, that several commenters suggested that implementation of liquidity classification systems would be more costly than we estimated. Accordingly, we believe, on balance, that the per fund estimates that we proposed are reasonable and are not reducing them, despite having adopted some modifications to rule 22e-4 and Form N-PORT that we believe reduce the burden relative to the proposal.

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, job titles, work addresses and telephone numbers. 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

We estimate that the burden hours that would be imposed by Form N-PORT are as follows:

a. Form N-PORT

We estimate that 11,382 funds¹³ will be required to file, on a monthly basis, a complete report on Form N-PORT reporting certain information regarding the fund and its portfolio holdings. Based on our experience with other interactive data filings, we estimate that funds would prepare and file their reports on Form N-PORT by either (1) licensing a

¹³ This estimate includes 9,039 mutual funds (excluding money market funds), 1,594 ETFs and 749 closed-end funds and is based on data obtained from the ICI and reports filed by registrants on Form N-SAR. See ICI, 2016 INVESTMENT COMPANY FACT BOOK (56th ed., 2016), available at https://www.ici.org/pdf/2016_factbook.pdf;

software solution and preparing and filing the reports in house, or (2) retaining a service provider to provide data aggregation, validation and/or filing services as part of the preparation and filing of reports on Form N-PORT on behalf of the fund. We estimate that 35% of funds (3,984 funds) would license a software solution and file reports on Form N-PORT in house.¹⁴ We further estimate that each fund that files reports on Form N-PORT in house will require an average of approximately 43.5 burden hours to compile (including review of the information), tag, and electronically file a report on Form N-PORT for the first time and an average of approximately 14 burden hours for subsequent filings.

Therefore, we estimate the per fund average annual hour burden associated with Form N-PORT for 3,984 fund filers is 197.5 hours for the first year¹⁵ and 168 hours for each subsequent year.¹⁶ Amortized over three years, the average aggregate annual hour burden would be 178 hours per fund.¹⁷

We estimate that 65% of funds (7,398 funds) will retain the services of a third party to provide data aggregation, validation and/or filing services as part of the preparation and filing of reports on Form N-PORT on the fund's behalf.¹⁸ Because reports on Form N-PORT will be filed in a structured format and more frequently than current portfolio holdings

¹⁴ See Amendments to Form PF, Investment Company Act Release No. 31166 (July 23, 2014) [79 FR 47736 (Aug. 14, 2014)] (“Money Market Fund Reform 2014 Release”), at 47945 (adopting amendments to Form N-MFP and noting that approximately 35% of money market funds that report information on Form N-MFP license a software solution from a third party that is used to assist the funds to prepare and file the required information).

¹⁵ The estimate is based on the following calculation: (1 filing x 43.5 hours) + (11 filings x 14 hours) = 197.5 burden hours in the first year.

¹⁶ This estimate is based on the following calculation: 12 filings x 14 hours = 168 burden hours in each subsequent year.

¹⁷ The estimate is based on the following calculation: $(197.5 + (168 \times 2)) / 3 = 178$.

¹⁸ See Money Market Fund Reform 2014 Release, *supra* note 14, at 47945 (adopting amendments to Form N-MFP and noting that approximately 65% of money market funds that report information on Form N-MFP retain the services of a third party to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-MFP).

reports (*i.e.*, Form N-CSR and Form N-Q), we anticipate that funds and their third-party service providers will move to automate the aggregation and validation process to the extent they do not already use an automated process for portfolio holdings reports. For these funds, we estimate that each fund will require an average of approximately 59.5 burden hours to compile and review the information with the service provider prior to electronically filing the report for the first time and an average of approximately 9 burden hours for subsequent filings. Therefore, we estimate the per fund average annual hour burden associated with Form N-PORT for 7,398 funds would be 158.5 hours for the first year¹⁹ and 108 hours for each subsequent year.²⁰ Amortized over three years, the average aggregate annual hour burden would be 125 hours per fund.²¹

We estimate that these funds will incur certain costs associated with preparing, reviewing, and filing reports on Form N-PORT. Assuming that 35% of funds (3,984 funds) will choose to license a software solution to file reports on Form N-PORT, we estimate costs to funds choosing this option of \$56,682 per fund for the first year²² with annual ongoing costs of \$47,465 per fund.²³ We further assume that 65% of funds (7,398

¹⁹ The estimate is based on the following calculation: (1 filing x 59.5 hours) + (11 filings x 9 hours) = 158.5 burden hours per year.

²⁰ The estimate is based on the following calculation: 12 filings x 9 hours = 108.

²¹ The estimate is based on the following calculation: (158.5 + (108 x 2)) / 3 = 125.

²² This estimate is based upon the following calculations: \$56,682 = \$4,805 in external costs + \$51,876.50 in internal costs (\$51,876.50 = (15 hours x \$308/hour for a senior programmer) + (38.5 hours x \$317/hour for a senior database administrator) + (30 hours x \$271/hour for a financial reporting manager) + (30 hours x \$201/hour for a senior accountant) + (30 hours x \$160/hour for an intermediate accountant) + (30 hours x \$306/hour for a senior portfolio manager) + (24 hours x \$288/hour for a compliance manager)). The hourly wage figures in this and subsequent footnotes are from SIFMA's Management & Professional Earnings in the Securities Industry 2013, 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.

²³ This estimate is based upon the following calculations: \$47,465 = \$4,805 in external costs + \$42,660 in internal costs (\$42,660 = (30 hours x \$271/hour for a financial reporting manager) + (30 hours x \$201/hour for a senior accountant) + (30 hours x \$160/hour for an intermediate

funds) will choose to retain a third-party service provider to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-PORT, and we estimate costs to funds choosing this option of \$55,492 per fund for the first year²⁴ with annual ongoing costs of \$39,214 per fund.²⁵ In total, we estimate that funds will incur initial costs of \$636,350,904 and ongoing annual costs of \$479,205,732.²⁶ Amortized over three years, the average aggregate cost will be \$46,704 per fund.²⁷

In sum, we estimate that filing reports on Form N-PORT would impose an average total annual hour burden of 1,633,902 on applicable funds²⁸ and an average annual cost of \$46,704 per fund.²⁹

b. Additional Liquidity Risk Management Reporting Items on Form N-PORT

As adopted in the Liquidity Release, additional items to Form N-PORT require funds to report certain liquidity-related information, including (1) the fund's highly liquid investment minimum (if applicable), (2) the liquidity classification for each portfolio

accountant) + (30 hours x \$306/hour for a senior portfolio manager) + (24 hours x \$288/hour for a compliance manager) + (24 hours x \$317/hour for a senior database administrator)).

²⁴ This estimate is based upon the following calculations: \$55,492 = \$11,440 in external costs + \$44,051.50 in internal costs (\$44,051.50 = (30 hours x \$308/hour for a senior programmer) + (46 hours x \$317/hour for a senior database administrator) + (16.5 hours x \$271/hour for a financial reporting manager) + (16.5 hours x \$201/hour for a senior accountant) + (16.5 hours x \$160/hour for an intermediate accountant) + (16.5 hours x \$306/hour for a senior portfolio manager) + (16.5 hours x \$288/hour for a compliance manager)).

²⁵ This estimate is based upon the following calculations: \$39,214 = \$11,440 in external costs + \$27,774 in internal costs (\$27,774 = (18 hours x \$271/hour for a financial reporting manager) + (18 hours x \$201/hour for a senior accountant) + (18 hours x \$160/hour for an intermediate accountant) + (18 hours x \$306/hour for a senior portfolio manager) + (18 hours x \$288/hour for a compliance manager) + (18 hours x \$317/hour for a senior database administrator)).

²⁶ These estimates are based upon the following calculations: \$636,350,904 = (3,984 funds x \$56,682 per fund) + (7,398 funds x \$55,492 per fund). \$479,205,732 = (3,984 funds x \$47,465 per fund) + (7,398 funds x \$39,214 per fund).

²⁷ These estimates are based on the following calculations: $(.35 \times ((56,682 + (2 \times 47,465)) / 3)) + (.65 \times ((55,492 + (39,214 \times 2) / 3)) = \$46,704$.

²⁸ The estimate is based on the following calculation: $(3,984 \times 178 \text{ hours}) + (7,398 \times 125 \text{ hours}) = 1,633,902$.

²⁹ See *supra* note 27.

investment of the fund among four liquidity categories, (3) certain information on the percentage of the fund's highly liquid investments that is segregated to cover, or pledged to satisfy margin requirements in connection with, a fund's derivatives transactions in each of the other liquidity categories, and (4) the aggregate percentage of the fund representing each of the four liquidity categories.³⁰

We estimate that 9,347 funds will be required to file responses on Form N-PORT as a result of the liquidity risk management additions to the form.³¹ We estimate that each fund will incur a one-time additional average one-time burden of 54 hours, at a time cost of \$15,576 to initially classify a fund's portfolio securities and program existing systems to conduct the ongoing classifications and reviews for reporting purposes as a result of the adopted additions to the form.³² Amortized over a three-year period, we estimate that this will result in an additional average annual hour burden of approximately 18 hours and a time cost of \$5,192.³³

We estimate that each fund that files reports on Form N-PORT in house (35%, or 3,271) will require an average of approximately 6 burden hours to compile (including review of the information), tag, and electronically file the additional liquidity information

³⁰ See the Liquidity Release, *supra* note 2.

³¹ This is based on estimates that there are 9,039 open-end mutual funds (excluding money market funds) and 1,594 ETFs as of the end of 2015. See 2016 ICI Fact Book, *supra* footnote 13, at 22, 176, 183. There were approximately 50 ETFs that invest in other ETFs, which are not included in our figures.

³² We estimate that these systems modifications will include the following costs: (i) project planning and systems design (24 hours x \$264 (hourly rate for a senior systems analyst) = \$6,336) and (ii) systems modification integration, testing, installation and deployment (30 hours x \$308 (hourly rate for a senior programmer) = \$9,240. \$6,336 + \$9,240 = \$15,576. Estimates for drafting, integrating, implementing policies and procedures are addressed in a separate PRA submission for rule 22e-4 of the Act. This figure incorporates the costs that we estimated associated with preparing the section of the fund's report on Form N-PORT that will incorporate the information that will be required under Item C.7.

³³ $\$15,576 \div 3 = \$5,192$.

required on Form N-PORT for the first time and an average of approximately 2 burden hours for subsequent filings. Therefore, we estimate the per fund average annual hour burden associated with the incremental changes to Form N-PORT as a result of the added liquidity information for these funds would be an additional 28 hours for the first year³⁴ and an additional 24 hours for each subsequent year.³⁵ Amortized over three years, the average annual hour burden would be an additional 25.33 hours per fund.³⁶

For funds that retain the services of a third party to provide data aggregation, validation and/or filing services as part of the preparation and filing of reports on Form N-PORT on the fund's behalf (65%, or 6,076), we estimate that each fund will require an average of approximately 8 hours to compile and review the added liquidity-related information with the service provider prior to electronically filing the report for the first time and an average of 1 burden hour for subsequent filings. Therefore, we estimate the per fund average annual hour burden associated with the liquidity-related additions to Form N-PORT for these funds would be an additional 19 hours for the first year³⁷ and an additional 12 hours for each subsequent year.³⁸ Amortized over three years, the average aggregate annual hour burden would be an additional 14.33 hours per fund.³⁹ In sum, we estimate that the adopted additional liquidity reporting information on Form N-PORT

³⁴ The estimate is based on the following calculation: (1 filing x 6 hours) + (11 filings x 2 hour) = 28 burden hours in the first year.

³⁵ This estimate is based on the following calculation: 12 filings x 2 hour = 24 burden hours in each subsequent year.

³⁶ The estimate is based on the following calculation: $(28 + (24 \times 2)) \div 3 = 25.33$.

³⁷ The estimate is based on the following calculation: (1 filing x 8 hours) + (11 filings x 1 hour) = 19 burden hours in the first year.

³⁸ This estimate is based on the following calculation: 12 filings x 1 hour = 12 burden hours in each subsequent year.

³⁹ The estimate is based on the following calculation: $(19 + (12 \times 2)) \div 3 = 14.33$.

will impose an average total annual hour burden of an additional 169,923.51 hours, on applicable funds.⁴⁰

The liquidity amendments to Form N-PORT will require funds to report on Form N-PORT the liquidity classification of each portfolio investment, and we estimate that the average one-time compliance costs associated with this reporting will be \$15,576 per fund.⁴¹ Furthermore, we estimate that 9,347 funds will be required to file, on a monthly basis, additional information on Form N-PORT as a result of the amendments.⁴²

Assuming that 35% of funds (3,271 funds) will choose to license a software solution to file reports on Form N-PORT in house, we estimate an upper bound on the initial annual costs to file the additional information associated with the amendments for funds choosing this option of \$783 per fund⁴³ with annual ongoing costs of \$261 per fund.⁴⁴

We further assume that 65% of funds (6,076 funds) will choose to retain a third-party service provider to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-PORT, and we estimate an upper bound on the initial costs to file the additional information associated with the amendments for

⁴⁰ The estimate is based on the following calculation: (3,271 funds x 25.33 hours) + (6,076 funds x 14.33 hours) = 169,923.51 hours.

⁴¹ See *supra* footnote 32.

⁴² There were 10,633 open-end funds (excluding money market funds, and including ETFs) as of the end of 2015. See 2016 ICI Fact Book, *supra* footnote 13, at 22, 176, 183. We assume that 75% of ETFs, or 1,196 ETFs, will identify as In-Kind ETFs, which are exempt from the classification requirement, thereby reducing the total number of funds filing classification information to 9,347.

⁴³ This estimate is based upon the following calculations: \$783 in internal costs = (\$783 = 3 hours x \$261 (blended hourly rate for senior programmer (\$308), senior database administrator (\$312), financial reporting manager (\$266), senior accountant (\$192), intermediate accountant (\$157), senior portfolio manager (\$306), and compliance manager (\$283)).

⁴⁴ This estimate is based upon the following calculations: \$261 in internal costs (\$261 = 1 hour x \$261 (blended hourly rate for senior programmer (\$308), senior database administrator (\$312), financial reporting manager (\$266), senior accountant (\$192), intermediate accountant (\$157), senior portfolio manager (\$306), and compliance manager (\$283)).

funds choosing this option of \$1,044 per fund⁴⁵ with annual ongoing costs of \$131 per fund.⁴⁶ In sum, we estimate that funds will incur initial costs of \$154,493,409 and ongoing annual costs of \$3,299,374⁴⁷ or an average annual cost of an additional \$5,627 per fund⁴⁸ as a result of the adopted additional liquidity reporting information on Form N-PORT.

c. Estimated Total Burdens

We estimate that the hour burdens and time costs associated with Form N-PORT, including the burdens associated with the additional liquidity-related reporting items discussed in the Liquidity Release, will result in a total average annual hour burden of 1,803,826 hours⁴⁹ and an annual cost of \$595,631,442.⁵⁰

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and update filings on Form N-PORT, such as for licensing software solutions or for the services of external service providers. The cost burden does not include the hour burden discussed

⁴⁵ This estimate is based upon the following calculations: \$1,044 in internal costs ($\$1,044 = 4 \text{ hours} \times \261 (blended hourly rate for senior programmer (\$308), senior database administrator (\$312), financial reporting manager (\$266), senior accountant (\$192), intermediate accountant (\$157), senior portfolio manager (\$306), and compliance manager (\$283)).

⁴⁶ This estimate is based upon the following calculations: \$130.5 in internal costs ($\$130.5 = (0.5 \text{ hours} \times \261 (blended hourly rate for senior programmer (\$308), senior database administrator (\$312), financial reporting manager (\$266), senior accountant (\$192), intermediate accountant (\$157), senior portfolio manager (\$306), and compliance manager (\$283)).

⁴⁷ These estimates are based upon the following calculations: $\$154,493,409 = (3,271 \text{ funds} \times (\$15,576 + \$783 \text{ per fund})) + (6,076 \text{ funds} \times (\$15,576 + \$1,044 \text{ per fund}))$. $\$3,299,374 = (3,271 \text{ funds} \times (\$261 \times 2 \text{ per fund})) + (6,076 \text{ funds} \times (\$131 \times 2 \text{ per fund}))$.

⁴⁸ This estimate is based on the following calculations: $(.35 \times (((15,576+783) + (261 \times 2))/3)) + (.65 \times (((15,576+1,044) + (131 \times 2)/3)) = \$5,627.22$.

⁴⁹ This estimate is based on the following calculation: $1,633,902 \text{ hours} + 169,923.51 \text{ hours} = 1,803,825.51 \text{ hours}$.

⁵⁰ This estimate is based on the following calculation $(\$46,704 \times 11,382) + (\$5,627 \times 9,347) = \$584,180,497$.

in Item 12. Estimates are based on the Commission's experience with the filing of registration forms.

Based on our experience with other interactive data filings, we estimate that funds that would file reports on Form N-PORT in house will license a third-party software solution to assist in filing their reports at an average cost of \$4,805 per fund per year. In addition, we estimate that funds that will use a service provider to prepare and file reports on Form N-PORT would pay an average fee of \$11,440 per fund per year for the services of that third-party provider. In sum, we estimate that all applicable funds will incur on average, in the aggregate, external annual costs of \$103,776,240.⁵¹

We believe that any external annual costs associated with filing Form N-PORT will be only incrementally affected by compliance with the additional liquidity-related reporting items. Thus, we do not estimate any change to the external costs associated with the additional liquidity-related reporting items on Form N-PORT.

14. Cost to the Federal Government

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$19.5 million in fiscal year 2015, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Change in Burden

Not applicable. This is the first request for approval of the collection of

⁵¹ This estimate is based on the following calculation: (3,984 funds that will file reports on Form N-PORT in house x \$4,805 per fund, per year) + (7,398 funds will would file reports on Form N-PORT using a third-party service provider x \$11,440 per fund, per year) = \$103,776,240.

information for this rule and form.

16. Information Collection Planned for Statistical Purposes

Not applicable.

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

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.