

**SUPPORTING STATEMENT FOR PROPOSED RULES UNDER THE
SECURITIES ACT OF 1933, SECURITIES EXCHANGE ACT OF 1934 AND
INVESTMENT COMPANY ACT OF 1940**

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, et seq.

A. JUSTIFICATION

1. NECESSITY OF INFORMATION COLLECTION

Release No. 33-9070, the Securities and Exchange Commission proposed rule and form amendments, contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995. The titles for this information are:

“Regulation S-K” (OMB Control No. 3235-0071);¹

“Form S-1” (OMB Control No. 3235-0065);

“Form S-3” (OMB Control No. 3235-0073);

“Form S-4” (OMB Control No. 3235-0324);

“Form S-8” (OMB Control No. 3235-0066);

“Form S-11” (OMB Control No. 3235-0067);

“Form 10” (OMB Control No. 3235-0064);

“Form 8-A” (OMB Control No. 3235-0056);

“Form 8-K” (OMB Control No. 3235-0060);

“Form F-1” (OMB Control No. 3235-0258);

“Form F-3” (OMB Control No. 3235-0256);

“Form F-4” (OMB Control No. 3235-0325);

“Form 20-F” (OMB Control No. 3235-0288); and

“Form N-2” (OMB Control No. 3235-0026).²

¹ The paperwork burden from Regulation S-K is imposed through the forms that are subject to the requirements in this regulation and is reflected in the analysis of those forms. To avoid a Paperwork Reduction Act inventory reflecting duplicative burdens and for administrative convenience, we assign a one-hour burden to Regulation S-K.

These collections of information are necessary for the Commission to carry out the provisions of the Securities Act of 1933 (“Securities Act”), the Securities Exchange Act of 1934 (“Exchange Act”) and the Investment Company Act of 1940 (“Investment Company Act”). They set forth the disclosure requirements for periodic reports, registration statements and prospectuses. These documents are prepared by companies to ensure that investors have the information they need to make informed investment decisions in registered offerings and secondary market transactions, and informed decisions in voting their securities.

2. PURPOSE OF THE INFORMATION COLLECTION

The Commission is proposing amendments to its rules to require disclosure of information regarding credit ratings used by registrants, including closed-end management investment companies, in connection with a registered offering of securities so that investors will better understand the credit rating and its limitations. The proposed amendments also would require additional disclosure to inform investors about potential conflicts of interest that could affect the credit rating. In addition, the Commission is proposing amendments to require disclosure of preliminary credit ratings in certain circumstances so that investors have enhanced information about the credit ratings process that may bear on the quality or reliability of the rating. The Commission is also proposing amendments to require registrants to provide investors with updated disclosure regarding changes to a previously disclosed credit rating. The proposed amendments would be applicable to registration statements filed under the Securities Act, the Exchange Act and the Investment Company Act, and Exchange Act Forms 8-K and 20-F.

3. ROLE OF IMPROVED TECHNOLOGY AND OBSTACLES TO REDUCING BURDEN

All of the forms affected by the proposals are filed electronically with the Commission using the Commission’s Electronic Data Gathering, Analysis and Retrieval (EDGAR) system.

4. EFFORTS TO IDENTIFY DUPLICATION

We are not aware of any rules that conflict with or substantially duplicate the proposed rules.

5. EFFECT ON SMALL ENTITIES

The proposed amendments could affect some companies that are small entities. The disclosure requirements as proposed would apply to any registrant that uses a credit rating in connection with a registered offering, though based on the staff’s observations of market practice, we believe it is unlikely that a small entity would use a credit rating in

² Estimates have not been included for Form 10, Form 8-A, Form S-8, Form S-11, Form F-1, Form F-3 and Form F-4 because a negligible number of registrants use those forms to register debt securities. As a result, the burden hours per form would not be changed.

connection with a registered offering. We estimate that there are approximately 1,229 companies, other than registered investment companies, that may be considered small entities. We estimate that there are approximately 32 registered closed-end funds that may be considered small entities. The proposed amendments could affect small entities that have a class of securities that are registered under Section 12 of the Exchange Act, or that are required to file reports under Section 15(d) of the Exchange Act or Section 30 of the Investment Company Act. In addition, the proposals also could affect small entities that file, or have filed, a registration statement that has not yet become effective under the Securities Act or the Investment Company Act and that has not been withdrawn.

The disclosure standards do not vary based on the size of the issuer. The proposal seeks comment on whether the tiered approach is appropriate and workable.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION

Less frequent collection would frustrate the statutory intent of the Securities Act and the Investment Company Act because it would provide investors with less information about securities in which they might invest. Less frequent collection on Form 8-K would frustrate implementation of the proposed rules because shareholders would not have the information needed to evaluate new information about the companies required to make such disclosure.

7. INCONSISTENCIES WITH GUIDELINES IN 5 C.F.R. 1320.5(d)(2)

Not applicable.

8. CONSULTATION OUTSIDE THE AGENCY

The Commission has issued a proposing release soliciting comment on the revised “collection of information” requirements and the associated paperwork burdens. A copy of this release is attached. Comments on Commission releases are due 60 days after the release is published in the Federal Register. As a general matter, comments on Commission releases are received from registrants, investors and other market participants. In addition, the Commission and staff of the Division of Corporation Finance and Division of Investment Management participate in an ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. The Commission will consider all comments received.

9. PAYMENT OR GIFTS TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY

Not applicable.

11. JUSTIFICATION FOR SENSITIVE QUESTIONS

Not applicable.

12. ESTIMATES OF HOUR AND COST BURDENS, AND EXPLANATION OF CHANGES IN BURDEN

We estimate that over a three-year period the average annual incremental increase in the paperwork burden for non-investment company registrants to comply with our proposed collection of information requirements to be approximately 2,195 hours of in-house company personnel time and to be approximately \$826,000 for the services of outside professionals.³ For closed-end funds, we estimate the annual incremental increase to be approximately 157 hours of in-house company personnel time and approximately \$108,400 for the services of outside professionals. These estimates include the time and the cost of preparing and reviewing disclosure and filing documents. Our methodologies for deriving the above estimates are discussed below.⁴

Our methodologies for deriving the burden hour and cost estimates presented below represent the average burdens for all registrants who are required to provide the disclosure, both large and small. For registration statements, we estimate that 25% of the burden of preparation is carried by the company internally and that 75% of the burden is carried by outside professionals retained by the registrant at an average cost of \$400 per hour.⁵ The portion of the burden carried by outside professionals is reflected as a cost, while the portion of the burden carried by the company internally is reflected in hours.

Our estimates are based on the assumption that the proposed disclosure would add disclosure for a subset of affected registrants (*i.e.*, those issuing rated securities). We further assume that the new disclosure requirement would not affect the number of registrants. For registration statements, we estimate that the proposed amendments would impose an average of a 60-minute burden of preparation carried by the company internally and a \$1,200 cost for outside professionals retained by the registrant reflecting three hours of their time. This estimate includes the time necessary to obtain the relevant information, including certain information that would likely be provided by the credit rating agency, such as the relative rank of the rating in the credit rating agency's classification system. Further, based on statistics related to the number of registration statements filed for debt offerings in fiscal years 2007 and 2008 from the Office of EDGAR Information and Analysis, we estimate that 500 registration statements on Forms

³ We calculated an annual average over a three-year period because OMB approval of Paperwork Reduction Act submissions covers a three-year period. For administrative convenience, the presentation of the totals related to the paperwork burden hours have been rounded to the nearest whole number and the cost totals have been rounded to the nearest thousand.

⁴ The estimates reflect the burden of collecting and disclosing information under the PRA.

⁵ We estimate an hourly rate of \$400 as the average cost of outside professionals that assist registrants in preparing disclosure and conducting registered offerings.

S-1, S-3, and S-4 would be affected annually by the disclosure requirements.⁶ We have attempted to be conservative in our estimates of affected filings. We recognize that not all debt offerings have credit ratings associated with them; however, given the relatively low number of debt filings over the past two fiscal years, we have included most of those filings within our estimate. For closed-end funds, we also estimate that approximately 82 registration statements on Form N-2⁷ would be affected annually by the disclosure requirements. For purposes of Form 20-F, there would be an increased burden in Forms 20-F used as registration statements and as annual reports. There were an average of 77 Forms 20-F filed as registration statements in fiscal years 2007 and 2008. Based on a review of a sample of these filings, we estimate that 20 Form 20-F registration statements would include the required disclosure and that 20 Form 20-F annual reports would include disclosure regarding changes to a credit rating.

For current reports on Form 8-K, including Forms 8-K filed by closed-end funds, we estimate that registrants spend, on average, five hours completing the form. We estimate that 75% of that burden is carried by the company while 25% is carried by outside counsel at a cost of \$400 per hour. In order to estimate the number of additional Forms 8-K that would be required to be filed pursuant to our proposed amendments, we have looked to the number of Forms 8-K filed with disclosure pursuant to Item 2.04 (Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement). We believe that many rating changes may also accelerate financial obligations, so that looking to Item 2.04 gives some indication of the number of Forms 8-K that may be filed even though it does not cover the same disclosure. For example, we are aware that Item 2.04 likely would not be triggered by a credit rating upgrade. In the proposing release we solicit comment on better ways to estimate the number of Forms 8-K that would be filed pursuant to our proposed requirements. In fiscal year 2007 and 2008, there were an average of 396 Forms 8-K filed pursuant to Item 2.04. In addition, based on publicly available information concerning changes in credit ratings of senior securities issued by closed-end funds occurring during calendar years 2007 and 2008, Commission staff estimates that

⁶ All of the registration statements would be required to contain the proposed disclosure if the proposed trigger for the disclosure has been satisfied. We have assumed for purposes of this PRA analysis that the distribution of the estimated 500 filings would be proportional to the number of Forms S-1, S-3 and S-4 registration statements filed for debt offerings with approximately 60% of filings on Form S-3, 20% on Form S-1, and 20% on Form S-4.

⁷ Based on Commission filings, we estimate that there are approximately 802 active registered closed-end funds and approximately 205 annual responses to Form N-2. According to statistics maintained by the Investment Company Institute, approximately 322 of these closed-end funds have issued senior securities. See Investment Company Institute, Total Net Assets of Closed-End Funds, 2009: Q1, available at http://www.ici.org/pdf/cef_q1_09_sup_tables.pdf (last visited on Aug. 17, 2009) (showing data as of Mar. 31, 2009). Based on the proportion of the number of closed-end funds that have issued senior securities to the total number of active registered closed-end funds, we have assumed, for purposes of the PRA, that approximately 40% (322 divided by 802) of the annual Form N-2 responses will involve closed-end funds that have issued senior securities. We have further assumed that all closed-end funds issuing senior securities also will be required to disclose credit ratings in their registration statements under the proposed amendments. Therefore, we estimate that approximately 82 (40% of 205) registration statements on Form N-2 filed annually would include disclosure of credit ratings under the proposed amendments.

approximately 20 additional Forms 8-K would be filed annually by closed-end funds pursuant to proposed Item 3.04. As a result, we estimate that 420 additional Forms 8-K would be filed pursuant to proposed Item 3.04.

Table 1 below illustrates the incremental annual compliance burden in the collection of information in hours and cost for current reports and registration statements.⁸

Form	Current Annual Responses	Proposed Annual Responses	Current Burden Hours	Increase in Burden Hours	Proposed Burden Hours	Current Professional Costs	Increase in Professional Costs	Proposed Professional Costs
8-K	115,795	115,795	493,436	1,575	495,011	\$65,791,500	\$210,000	\$66,001,500
20-F	942	942	622,907	120	623,027	\$743,089,980	\$16,000	\$743,105,980
S-1	1,168	1,168	247,982	100	248,082	\$297,578,400	\$120,000	\$297,698,400
S-3	2,065	2,065	236,959	300	237,259	\$284,350,500	\$360,000	\$284,710,500
S-4	619	619	631,805	100	631,905	\$758,167,801	\$120,000	\$758,287,801
N-2	205	205	87,083	82	87,165	\$4,269,600	\$98,400	\$4,368,000
Total	120,794	120,794	2,320,172	2,277	2,322,449	\$2,153,247,781	\$924,400	\$2,154,172,181

13. ESTIMATE OF COST TO FEDERAL GOVERNMENT

The estimated costs to the federal government of preparing the proposed amendments are approximately \$50,000.

14. INFORMATION COLLECTIONS PLANNED FOR STATISTICAL PURPOSES

Not applicable.

15. EXPLANATION AS TO WHY EXPIRATION DATE WILL NOT BE DISPLAYED

Not applicable.

16. EXCEPTIONS TO CERTIFICATION

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

⁸ The number of responses for Form N-2 reflected in the table equals the actual number of forms filed with the Commission during the 2008 fiscal year.