

**SUPPORTING STATEMENT
FORM N-PX**

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-PX (17 CFR 274.129) is currently used for reports of proxy voting records required under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”). Form N-PX reports are filed pursuant to Section 30 of the Investment Company Act (15 U.S.C. 80a-29) and rule 30b1-4 under the Investment Company Act (17 CFR 270.30b1-4) by all registered management investment companies, other than small business investment companies registered on Form N-5 (17 CFR 239.24; 274.5) (“funds”), to file their complete proxy voting records not later than August 31 of each year for the most recent twelve-month period ended June 30.¹ Funds are required to disclose information on Form N-PX for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the fund was entitled to vote.

The Commission is proposing rule and form amendments under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”) that, if adopted, would require an institutional investment manager that is subject to Section 13(f) of the Exchange Act to report annually how it voted proxies relating to executive compensation matters as required by Section 14A of the Exchange Act, which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act.² More specifically, new

¹ 17 CFR 270.30b1-4; General Instruction A and Item 1 of Form N-PX (17 CFR 274.129).

² Pub. L. 111-203, 124 Stat. 1376 (2010).

Section 14A(d) of the Exchange Act requires that every institutional investment manager subject to Section 13(f) of the Exchange Act report at least annually how it voted on the executive compensation-related shareholder votes required by Sections 14A(a) and (b) (the “Section 14A Votes”), unless such vote is otherwise required to be reported publicly by rule or regulation of the Commission. To implement Section 14A(d), the Commission is proposing new rule 14Ad-1 under the Exchange Act, which, if adopted, would require institutional investment managers that are required to file reports under Section 13(f) of the Exchange Act to file their record of Section 14A Votes with the Commission annually on Form N-PX. The Commission is also proposing to amend Form N-PX to accommodate the new filings by institutional investment managers.

The amended form, as proposed, would consist of three parts: a cover page, a summary page, and required proxy voting information. Under the proposed amendments, funds and institutional investment managers would be required to disclose the following proxy voting information: (a) the name of the issuer of the security; (b) the exchange ticker symbol of the security; (c) the Council on Uniform Securities Identification Procedures (“CUSIP”) number for the security; (d) the shareholder meeting date; (e) a brief identification of the matter voted on; (f) for reports filed by funds, whether the matter was proposed by the issuer or by a security holder; (g) the number of shares the reporting person was entitled to vote (for funds) or had or shared voting power over (for institutional investment managers); (h) the number of shares that were voted; (i) how the reporting person voted those shares (e.g., for or against proposal, or abstain; for or withhold regarding election of directors) and, if the votes are cast in multiple manners (e.g., for and against), the number of shares voted in each manner; (j) whether the vote

was for or against management’s recommendation; and (k) an identification of each institutional investment manager on whose behalf the Form N-PX report is filed (other than the reporting person) and who had or shared voting power as to the securities voted.

Form N-PX, including the proposed amendments, contains collection of information requirements. Compliance with the disclosure requirements of the form is mandatory. Responses to the disclosure requirements would not be kept confidential unless granted confidential treatment.

2. Purpose of the Information Collection

The purpose of Form N-PX is to meet the filing and disclosure requirements of rules under the Investment Company Act and also to enable funds to provide investors with information necessary to evaluate an investment in the fund. If the proposed amendments are adopted, Form N-PX would also make important information about Section 14A Votes by institutional investment managers publicly available. We believe that the information required to be provided by our proposal would increase the transparency regarding Section 14A Votes by institutional investment managers and funds. 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.

3. Role of Improved Information Technology

The Commission’s Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) automates the filing, processing, and dissemination of full disclosure filings. The system permits persons to transmit their filings to the Commission electronically. This automation has increased the speed, accuracy, and availability of information,

generating benefits to investors and financial markets. Form N-PX is required to be filed electronically on EDGAR.³ Under the proposed amendments to Form N-PX, the form would continue to be required to be filed electronically. The public may access filings on EDGAR through the Commission's Internet website (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

4. Efforts to Identify Duplication

Current Form N-PX and the proposed amendments do not call for duplicative, overlapping, or conflicting disclosure. Under the proposed amendments, to prevent duplicative reporting, the proposed amendments to Form N-PX would permit (1) a single institutional investment manager to report Section 14A Votes in cases where multiple institutional investment managers share voting power; and (2) an institutional investment manager to satisfy its reporting obligations by reference to the Form N-PX report of a fund that includes the manager's Section 14A Votes. The Commission staff reviews the collection of information requirements on an ongoing basis to find and eliminate duplicative requirements.

5. Effect on Small Entities

The proposed disclosure requirements for the reports on Form N-PX do not distinguish between small entities and other funds or institutional investment managers. The burden on smaller funds or institutional investment managers, however, to prepare and file the reports may be greater than for larger funds or institutional investment managers. The Commission believes that imposing different requirements on smaller funds or institutional investment managers would not be consistent with investor protection.

³ See rule 101(a)(1) of Regulation S-T (17 CFR 232.101(a)(1)).

With respect to institutional investment managers, the proposal is intended to implement the disclosure required by Section 14A(d) of the Exchange Act, which was added by Section 951 of the Dodd-Frank Act. In light of the congressional mandate, the Commission believes it is important for the disclosure to apply to all institutional investment managers that are required to file reports under Section 13(f) of the Exchange Act, regardless of their size. With respect to funds, the proposal is intended to improve transparency of fund proxy voting records and enable fund shareholders to better monitor their funds' involvement in the governance activities of portfolio companies. Therefore, the Commission believes it is important for the proposed amendments to apply to all funds, regardless of size.

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act of 1995, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. We have endeavored through the proposed amendments to Form N-PX to minimize the regulatory burden on institutional investment managers and funds, including small entities, while meeting our regulatory objectives. Form N-PX is supported by a number of third-party service providers and is already used by the many institutional investment managers who currently file Form N-PX reports on behalf of funds.

6. Consequences of Less Frequent Collection

Rule 30b1-4 under the Investment Company Act requires that reports of funds' proxy voting records be filed with the Commission annually. Consistent with Section 14A(d) of the Exchange Act, which requires institutional investment managers to report Section 14A Votes at least annually, proposed rule 14Ad-1 under the Exchange Act

would require institutional investment managers to report their Section 14A Votes with the Commission annually. Less frequent collection would mean that current information might not be publicly available.

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

Prior to its adoption in January 2003, Form N-PX was subject to public comment. The form was adopted after consideration by the Commission of all views and comments received. Since that time, the Commission has requested public comment on the collection of information requirements of Form N-PX as part of its requests for extension and approval to the Office of Management and Budget. Proposed rule 14Ad-1 and the proposed modifications to Form N-PX have been submitted for public notice and comment pursuant to the Administrative Procedures Act.

In addition, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment management 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 has solicited and will consider comment on the proposed amendments, and on the collection of information that would be imposed by the amendments.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Registered management investment companies and institutional investment managers are required to disclose the information specified by Form N-PX, and the Commission will make this information public.

11. Sensitive Questions

Not applicable. No issues of a sensitive nature are involved.

12. Estimate of Hourly Burden

The Commission estimates that there are approximately 2,800 funds registered with the Commission, representing approximately 10,100 fund portfolios that are required to file Form N-PX reports. The 10,100 portfolios are comprised of approximately 6,200 portfolios holding equity securities and 3,900 portfolios holding no equity securities.⁴ The current PRA burden associated with Form N-PX is estimated to be 14.4 hours per response for portfolios holding equity securities and 0.17 hours (10 minutes) per response for portfolios holding no equity securities, for a total annual hour burden of approximately 89,943 hours when calculated using the current number of portfolios.⁵

⁴ The estimate of 2,800 funds is based on the number of management investment companies currently registered with the Commission. The Commission staff estimates that there are approximately 5,700 portfolios that invest primarily in equity securities, 500 “hybrid” or bond portfolios that may hold some equity securities, 3,200 bond portfolios that hold no equity securities, and 700 money market fund portfolios, for a total of 10,100 portfolios required to file Form N-PX reports. The staff has based its portfolio estimates on a number of publications. See Investment Company Institute, Trends in Mutual Fund Investing (June 2010); Investment Company Institute, Closed-End Fund Assets (Second Quarter 2010); Investment Company Institute, Exchange Traded Fund Assets (June 2010); Investment Company Institute, Supplemental Trends Tables (June 2010).

⁵ $(6,200 \text{ portfolios that hold equity securities} \times 14.4 \text{ hours per year}) + (3,900 \text{ portfolios holding no equity securities} \times 0.17 \text{ hours per year}) = 89,943 \text{ hours.}$

The Commission is proposing to revise its current PRA estimates of the burden to funds of complying with Form N-PX. It is the Commission's understanding that most funds hire third-party service providers, such as proxy advisory firms, to assist with the administrative tasks associated with voting, recording voting decisions, and preparing the reports to be filed on Form N-PX. As a result, the Commission is proposing to reduce its estimate of the current PRA burden of Form N-PX for portfolios holding equity securities from 14.4 hours to 7.2 hours⁶ and, as outlined in Section A.13 below, add external costs of \$1,000 per portfolio paid to third party service providers.

The Commission is proposing no changes to our current estimate for portfolios holding no equity securities because they generally have no proxy votes to report and therefore do not require third-party service providers to assist with proxy voting and preparing reports on Form N-PX. The revised aggregate annual PRA burden is approximately 45,303 internal hours.⁷ The Commission has requested comment on any aspect of the proposed revised PRA burden to funds of complying with Form N-PX.

The Commission is also proposing to revise its estimates of the PRA burden associated with Form N-PX to reflect its proposed amendments to Form N-PX. For funds, the Commission estimates that compliance attorneys would spend an average of

⁶ When the Commission adopted Form N-PX in 2003, it estimated a PRA burden of 14.4 hours and no external costs. Investment Company Act Release No. 25922 (Jan. 31, 2003) [68 FR 6564, 6569, 6573-74 (Feb. 7, 2003)]. The Commission also estimated that attorneys and programmers would divide time equally on compliance with the proxy voting disclosure requirements. *Id.* at 6576 n.77. The Commission's revised estimate removes the estimated hours allocated to programmers because the Commission believes that this burden is now generally borne through external costs charged by third-party service providers.

⁷ $(6,200 \text{ portfolios holding equity securities} \times 7.2 \text{ hours per year}) + (3,900 \text{ portfolios holding no equity securities} \times 0.17 \text{ hours per year}) = 45,303 \text{ hours.}$

1.5 hours per portfolio holding equity securities⁸ to comply with the proposed amendments to Form N-PX, which would include preparation of the amended Cover Page and the new Summary Page, disclosure of the proposed additional proxy voting information relating to the number of shares the fund was entitled to vote and the number of shares that were voted, the identification of each institutional investment manager on whose behalf the Form N-PX report is filed, and compliance with the requirements that information appear in a standardized order and use standardized descriptions for Section 14A Votes. The Commission further estimates that the proposed amendments would not increase the hour burden for funds holding no equity securities because their reporting requirements would remain substantially the same. Therefore, the Commission estimates that the proposed amendments would increase the total annual PRA burden for funds to comply with Form N-PX by approximately 9,300 hours.⁹

The Commission estimates that there are approximately 4,000 institutional investment managers that are required to file reports under Section 13(f) of the Exchange Act that would be required under the proposed amendments to file their record of Section 14A Votes with the Commission annually on Form N-PX.¹⁰ The Commission also estimates that approximately 200 amendments to Form N-PX reports will be filed annually by institutional investment managers as a result of the final adverse disposition of a request for confidential treatment or upon expiration of previously granted

⁸ The Commission estimates that the revised current PRA burden of Form N-PX is 7.2 hours. For the proposed changes, the Commission estimates an additional 1.5 hours based on the scope of the proposed additional disclosures in Form N-PX as compared to the current disclosures in Form N-PX.

⁹ 6,200 portfolios holding equity securities x 1.5 hours per year = 9,300 hours per year.

¹⁰ Based on Commission staff analysis of Form 13F reports filed with the Commission.

confidential treatment.¹¹ The Commission further estimates that for each institutional investment manager required to file its record of Section 14A Votes on Form N-PX, compliance attorneys would spend an average of 8.7 hours per year to review filings on Form N-PX made under the proposal,¹² and 1 hour per amendment to review confidential treatment-related amendments to filings on Form N-PX under the proposal.¹³ The Commission estimates that the proposed amendments would result in a total annual PRA

¹¹ The Commission's estimate is based on the number of Form 13F amendments received by the Commission during the year ended June 30, 2010, divided by four. The Commission has assumed there will be fewer amendments for Form N-PX because the Commission believes that an annual filing (as opposed to quarterly filings in the case of Form 13F) will result in fewer confidential treatment requests for Form N-PX. For purposes of this estimate, the Commission is conservatively assuming that all 200 amendments filed are related to the adverse disposition of a request for confidential treatment or the expiration of previously granted confidential treatment, although some may be amendments filed to correct errors or omissions in a previous filing. Like the current PRA estimate for Form N-PX, the proposed estimate does not allocate a separate burden to amendments that merely correct errors or omissions in a separate filing. For that reason, and because the Commission does not expect funds to file confidential treatment-related amendments, the Commission is not including a burden estimate for amendments filed by funds.

¹² This estimate for institutional investment managers is the same as the revised estimate for funds under the proposed amendments (7.2 hours under the revised estimate + 1.5 hours under the proposed amendments). In arriving at this estimate, the Commission is taking a conservative approach in assuming that institutional investment managers will incur the same hourly burden for filing reports on Form N-PX as funds, even though managers will only be required to report Section 14A Votes whereas funds are required to file their complete voting record. In addition, for purposes of this estimate, the Commission is assuming that every manager will file its full record of Section 14A Votes on an institutional investment manager "voting" report, and not file an institutional investment manager "notice" or institutional investment manager "combination" report. The "notice" and "combination" reports would likely require a lesser hourly burden than the "voting" report because, while the "voting" report requires a manager to report all of its Section 14A Votes, the "notice" and "combination" reports permit a manager to reference another manager's report that includes all or part of the first manager's Section 14A Votes.

¹³ The Commission estimates that the burden for amendments to Form N-PX reports will be the same as the current hour burden for amendments to Form 13F reports, which is estimated to be 1 hour per amendment. See 74 FR 28076 (June 12, 2009) (most recent submission to OMB to request extension of the previously approved collection of information for Form 13F).

burden for institutional investment managers to comply with Form N-PX of approximately 35,000 hours.¹⁴

The Commission estimates that if the proposed amendments to Form N-PX are adopted, the total annual PRA burden for all reporting persons (both funds and institutional investment managers) to comply with the requirements of Form N-PX would be approximately 89,603 hours.¹⁵ The Commission does not believe that there will be any initial PRA burden that will be incurred beyond the annual PRA burden.¹⁶ The Commission further believes that many reporting persons are already tracking the data required to be reported by the proposal.¹⁷

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

¹⁴ (4,000 institutional investment managers making annual filings x 8.7 hours per filing) + (200 amendments filed annually x 1 hour per amendment) = 35,000 hours per year.

¹⁵ 45,303 hours under revised current burden for funds + 9,300 hours estimated to be incurred by funds under proposed amendments + 35,000 hours estimated to be incurred by institutional investment managers under proposed amendments = 89,603 hours.

¹⁶ Based on Commission staff consultations with funds and third-party service providers.

¹⁷ Id. See also 29 CFR 2509.08-2 (noting the Department of Labor's view that an investment manager or other ERISA plan fiduciary would be required to maintain accurate records as to proxy voting decisions).

Based on the Commission's estimate of 89,603 hours and an estimated wage rate of approximately \$291 per hour,¹⁸ the total cost to reporting persons of the hour burden for filing Form N-PX would be approximately \$26,074,473.¹⁹

13. Estimate of Total Annual Cost Burden

Cost burden is the cost of services purchased to comply with rule 30b1-4 under the Investment Company Act and proposed rule 14Ad-1 under the Exchange Act requiring the filing of Form N-PX reports with the Commission. There are currently no external costs associated with Form N-PX for purposes of the PRA. The Commission is proposing to revise its current PRA estimate of external costs by adding external costs of \$1,000 per portfolio holding equity securities that is paid to third-party service providers and continuing its estimate of zero external costs for portfolios holding no equity securities as they generally have no proxy votes to report and therefore do not require third-party service providers to assist with proxy voting and preparing reports on Form N-PX.²⁰ This change results in a revised aggregate annual PRA burden of approximately \$6.2 million in external costs.²¹ The Commission estimates that funds would incur no additional external costs to comply with the proposed amendments to Form N-PX.²²

¹⁸ The estimated wage rate figure is based on published hourly wage rates for compliance attorneys from SIFMA's Management & Professional Earnings in the Securities Industry 2009, modified by Commission staff to account for an 1800 hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, yielding an effective hourly rate of \$291.

¹⁹ 89,603 hours x \$291 per hour = \$26,074,473.

²⁰ This estimate is based on the Commission staff's consultations with third-party service providers that assist funds with the administrative tasks associated with voting, recording voting decisions, and preparing reports to be filed on Form N-PX.

²¹ (6,200 portfolios holding equity securities x \$1,000 per year) + (3,900 portfolios holding no equity securities x \$0 per year) = \$6,200,000.

²² Based on Commission staff consultations with third-party service providers, the Commission believes that the external costs of the proposed amendments will be included in the current fees already charged by the service providers for Form N-PX compliance.

The Commission estimates that the proposed amendments would result in certain external costs for institutional investment managers to generate and maintain the information disclosed in Form N-PX reports, which the Commission estimates to be \$1,000 per year.²³ The Commission estimates that the proposed amendments would result in annual external costs for institutional investment managers to comply with Form N-PX of approximately \$4 million.²⁴

The Commission estimates that if the proposed amendments to Form N-PX are adopted, the total annual external costs for all reporting persons (both funds and institutional investment managers) to comply with the requirements of Form N-PX would be approximately \$10.2 million.²⁵

14. Estimate of Cost to the Federal Government

The annual operational cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of all investment companies amounted to approximately \$20.4 million in fiscal year 2009, based on the Commission's computation of the value of staff time devoted to these activities and related overhead.

15. Explanation of Changes in Burden

²³ The external cost estimate for institutional investment managers is the same as the Commission's revised estimate for funds. Based on the Commission staff's consultations with third-party service providers, the Commission believes that the external costs to institutional investment managers under the proposed amendments would be approximately the same as the external costs to funds.

²⁴ 4,000 institutional investment managers x \$1,000 per year = \$4,000,000 per year.

²⁵ \$6,200,000 under revised current burden for funds + \$4,000,000 estimated to be incurred by institutional investment managers under proposed amendments = \$10,200,000.

Previously, the Commission had estimated an annual total hour burden of approximately 89,824 hours for Form N-PX. This number was based on a yearly estimate of approximately 6,200 portfolios holding equity securities and 3,200 portfolios holding no equity securities with an estimated burden of 14.4 hours per response for portfolios holding equity securities and 0.17 hours per response for portfolios holding no equity securities. The Commission estimates a net decrease of 221 burden hours per year for Form N-PX from the previous submission under the PRA.²⁶ This change is due to the reduction in estimated burden of Form N-PX for fund portfolios holding equity securities from 14.4 hours to 7.2 hours and the increase in the number of non-equity holding portfolios from 3,200 to 3,900 (resulting in 45,303 burden hours), the addition of 1.5 burden hours for fund portfolios holding equity securities to comply with the proposed amendments (resulting in an addition of 9,300 burden hours), and the addition of 8.7 burden hours for institutional investment managers to review filings on Form N-PX made under the proposed amendments and the addition of 1.0 burden hours per amendments to review confidential treatment-related amendments to filings on Form N-PX made under the proposal (resulting in an addition of 35,000 burden hours).²⁷

Previously the Commission estimated no external cost burden for Form N-PX. The change in the estimated cost burden is due to the Commission's understanding that most funds would hire third-party service providers, such as proxy advisory firms, to assist with the administrative tasks associated with voting, recording voting decisions,

²⁶ 89,603 burden hours estimated in current PRA submission - 89,824 burden hours estimated in previous PRA submission = -221 burden hours.

²⁷ (45,303 hours under the revised current burden for funds) + (9,300 burden hours for funds holding equity securities to comply with the proposed amendments) + (35,000 burden hours for institutional investment managers to comply with the proposed amendments) = 89,603 total burden hours.

and preparing the reports to be filed on Form N-PX, resulting in a revised external cost estimate of \$6,200,000 in the aggregate for funds. Additionally, the proposed amendments would result in estimated external costs of \$4,000,000 for institutional investment managers. The Commission estimates that if the proposed amendments to Form N-PX are adopted, the total annual external costs for all reporting persons (both funds and institutional investment managers) to comply with the requirements of Form N-PX would be approximately \$10.2 million.²⁸

16. Information Collection Planned for Statistical Purposes

Not applicable. The information is not published for statistical use.

17. Approval to not Display Expiration Date

The Commission is not seeking approval to not display the expiration date for OMB approval.

18. Exceptions to Certification Statement

The Commission is not seeking an exception to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable because the collection of information will not employ statistical methods.

²⁸ \$6,200,000 under revised current burden for funds + \$4,000,000 estimated to be incurred by institutional investment managers under proposed amendments = \$10,200,000.