

**SUPPORTING STATEMENT
FORM N-PX**

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-PX is used for reports pursuant to Section 30 of the Investment Company Act of 1940 (15 U.S.C. 80a-29) (the “Investment Company Act”) and rule 30b1-4 under the Investment Company Act by all registered management investment companies, other than small business investment companies registered on Form N-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 the following 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: (i) the name of the issuer of the portfolio security; (ii) the exchange ticker symbol of the portfolio security; (iii) the Council on Uniform Securities Identification Procedures (“CUSIP”) number for the portfolio security; (iv) the shareholder meeting date; (v) a brief identification of the matter voted on; (vi) whether the matter was proposed by the issuer or by a security holder; (vii) whether the Fund cast its vote on the matter; (viii) how the Fund cast its vote (e.g., for or against proposal, or abstain; for or withhold regarding election of directors); and (ix) whether the Fund cast its vote for or against management.²

¹ Rule 30b1-4 under the Investment Company Act; General Instruction A of Form N-PX.

² Item 1 of Form N-PX.

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. This information collection is primarily for the use and benefit of investors. 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

Form N-PX is electronically filed with the Commission. The Commission's electronic filing system (Electronic Data Gathering, Analysis and Retrieval or "EDGAR") automates the filing, processing and dissemination of full disclosure filings. The system permits publicly held companies 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.

4. Efforts to Identify Duplication

The Commission periodically evaluates reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or form or a change in a rule or form. The information required by Form N-PX is not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,³ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for Form N-PX do not distinguish between small entities and other Funds. Although the burden on smaller Funds may be greater than those

³ 5 U.S.C. 601 *et seq.*

of larger Funds, the Commission believes that imposing different requirements on small entities would not be consistent with investor protection.

6. Consequences of Less Frequent Collection

Rule 30b1-4 under the Investment Company Act requires that reports of Funds' proxy voting records on Form N-PX be filed with the Commission annually. Less frequent collection would mean that current information might not be available to Fund investors.

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

The Commission and the Division of Investment Management staff 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-PX before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

9. Payment or Gift to Respondents

No payment or gift to respondents was provided.

10. Assurance of Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

No questions of a sensitive nature are involved.

12. Estimate of Hour Burden

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995 (“PRA”)⁴ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with Form N-PX is mandatory for Funds. Responses to the disclosure requirements will not be kept confidential.

The Commission estimates that there are approximately 2,500 Funds registered with the Commission, and representing approximately 10,000 Fund portfolios, which are required to file Form N-PX.⁵ The 10,000 portfolios are comprised of 6,200 portfolios holding equity securities and 3,800 portfolios holding no equity securities. 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.

The Commission is revising its current 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 reducing its estimate of the current PRA burden of Form N-PX for

⁴ 44 U.S.C. 3501 et seq.

⁵ The estimate of 2,500 Funds is based on the number of management investment companies currently registered with the Commission. We estimate that there are approximately 5,700 Fund portfolios that invest primarily in equity securities, 500 “hybrid” or bond portfolios that may hold some equity securities, 3,200 bond Funds that hold no equity securities, and 600 money market Funds, for a total of 10,000 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 2011); Investment Company Institute, Closed-End Fund Assets (Second Quarter 2011); Investment Company Institute, Exchange Traded Fund Assets (June 2011); Investment Company Institute, Supplemental Trends Tables (June 2011).

portfolios holding equity securities from 14.4 hours to 7.2 hours⁶ and, as outlined in Section A.13 below, adding external costs paid to third party service providers of \$1,000 per portfolio holding equity securities.

The Commission is not changing its 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. Using these revised hourly burden estimates, the Commission estimates the aggregate annual hour burden to be approximately 45,300 hours.⁷ Based on the estimated wage rate, the total cost to the industry of the hour burden for complying with Form N-PX is approximately \$14.5 million.⁸

13. Estimate of Total Annual Cost Burden

Cost burden is the cost of services purchased to prepare and update Form N-PX, such as for the services of outside counsel. There are currently no external costs associated with Form N-PX for purposes of the PRA.

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 portfolios holding equity securities x 7.2 hours per year) + (3,800 portfolios holding no equity securities x 0.17 hours per year) = 45,286 hours.

⁸ The industry burden is calculated by multiplying the total annual hour burden to prepare Form N-PX (45,286) by the estimated hourly wage rate of \$320. The estimated wage figure is based on published rates for compliance attorneys from the Securities Industry and Financial Markets Association's Report on Management & Professional Earnings in the Securities Industry 2010, 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 \$320.

The Commission is revising its current estimate of external costs by (1) adding external costs of \$1,000 per portfolio holding equity securities that is paid to third-party service providers, and (2) continuing its current 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.⁹ Using these revised external cost estimates, the Commission estimates that the total annualized cost burden for Form N-PX is \$6.2 million.¹⁰

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$21.3 million in fiscal year 2010, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

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. In addition, the Commission previously estimated no external cost burden for Form N-PX.

⁹ 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.

¹⁰ (6,200 portfolios holding equity securities x \$1,000 per year) + (3,800 portfolios holding no equity securities x \$0 per year) = \$6,200,000.

The Commission estimates a net decrease of 44,524 burden hours per year for Form N-PX from the previous submission.¹¹ The change in the estimated hour burden is due to (1) the reduction in estimated hour burden of Form N-PX for Fund portfolios holding equity securities from 14.4 hours to 7.2 hours, and (2) the increase in the number of portfolios holding no equity securities from 3,200 to 3,800.

The Commission also estimates a net increase of \$6,200,000 in external costs per year for Form N-PX from the previous submission. The change in the estimated cost burden is due to the Commission's revised estimate that portfolios holding equity securities will incur approximately \$1,000 per portfolio in payments to third-party service providers to assist with proxy voting and preparing reports on Form N-PX.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

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. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.

¹¹ 89,824 hours (under previous estimate) – 45,300 hours (under current estimate) = 44,524 hours.