

**SUPPORTING STATEMENT  
for the Paperwork Reduction Act  
Information Collection Submission  
“Form N-1A”**

**A. JUSTIFICATION**

**1. Information Collection Necessity**

Form N-1A (17 CFR 239.15A and 274.11A) is the form used by open-end management investment companies (“funds”) under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a fund to register as an investment company. Form N-1A also permits funds to provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about the fund when it makes an initial or additional offering of its securities. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities.

**2. Information Collection Purpose**

The title for the collection of information is: Form N-1A under the Investment Company Act of 1940 and Securities Act of 1933, Registration Statement of Open-End Management Investment Companies.” The purpose of Form N-1A is to meet the filing and disclosure requirements of the Securities Act of 1933 (“Securities Act”) and the

Investment Company Act of 1940 (“Investment Company Act”) and to enable funds to provide investors with information necessary to evaluate an investment in the fund.

Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, 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. Consideration Given to Information Technology**

The Commission’s electronic filing system (Electronic Data Gathering, Analysis and Retrieval or “EDGAR”) is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits publicly held companies 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. Form N-1A is required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(i) and (iv)). 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. Prospectuses and SAIs may be sent to investors by electronic means so long as the fund meets certain requirements.<sup>1</sup>

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<sup>1</sup> See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233, Exchange Act Release No. 36345, Investment Company Act Release No. 21399 (Oct. 6, 1995) (60 FR 53458 (Oct. 13, 1995)).

#### **4. Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it adopts changes in its rules. The requirements of Form N-1A are not generally duplicated elsewhere.

#### **5. Effect on Small Entities**

The current disclosure requirements for reports on Form N-1A do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file registration statements may be greater than for larger funds. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the registration statements. We review all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

#### **6. Consequences of Less Frequent Collection**

The Investment Company Act requires that funds file annual amendments to their registration statements. 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)**

Not Applicable.

#### **8. Consultation Outside the Agency**

Form N-1A has previously been amended through rulemaking actions pursuant to the Administrative Procedures Act. Comments are generally received from registrants, trade associations, the legal and accounting professions, and other interested parties. In

addition, the Commission and 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. The Commission requested public comment on the collection of information requirements in Form N-1A 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 of Gift**

Not Applicable. No payment or gift to respondents is provided.

**10. Assurance of Confidentiality**

Not Applicable. No assurance of confidentiality is provided.

**11. Sensitive Questions**

Not Applicable. No questions of a sensitive nature are involved.

**12. Time Burden Estimate**

Open-end funds register as investment companies under the Investment Company Act and register their securities under the Securities Act on Form N-1A. Compliance with the disclosure requirements of Form N-1A is mandatory.

The estimate of the annual number of registration statements filed on Form N-1A is based on the average annual number of filings received by the Commission over the past three years. The hour burden estimates for preparing and filing Form N-1A are based on the Commission's experience with the contents of the form and discussions with industry representatives. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the form is performed by fund staff or outside counsel. This estimate is made solely for purposes of

the Paperwork Reduction Act and is not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms.

Form N-1A generally imposes two types of reporting burdens on investment companies: (1) the burden of preparing and filing the initial registration statement; and (2) the burden of preparing and filing post-effective amendments to a previously effective registration statement.

Commission staff estimate that the burden hours required to comply with requirements of Form N-1A are as follows:

Calculation of Hour Burden of Initial Form N-1A Filings

• Number of initial Form N-1A filings annually	48
• Average number of portfolios per filing	7.5
• Number of portfolios/funds referenced in initial Form N-1A filings annually	360
• Hour burden per portfolio/fund for preparing initial Form N-1A filing	830.47
• Total annual hour burden for initial Form N-1A filings (360 x (830.47))	298,969

Calculation of Hour Burden of Post-Effective Amendments

• Number of post-effective amendments filed annually	5,642
• Average number of portfolios per filing	1.7
• Number of portfolios/funds referenced in post-effective amendments filed annually	9,568
• Hour burden per portfolio/fund for preparing post-effective amendments	133.75
• Total annual hour burden to prepare post-effective amendments (9,568 x (133.75))	1,279,720

Total Annual Hour Burden

- Annual hours for initial Form N-1A filings + annual

hours for post-effective amendments (298,969 + 1,279,720)	1,578,689
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Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with Form N-1A is approximately \$505.2 million.<sup>2</sup>

### **13. Total Annual Cost Burden**

Cost burden is the cost of goods and services purchased to prepare and update reports filed on Form N-1A, such as for the services of outside counsel. The cost burden does not include the hour burden discussed in Item 12. Estimates are based on the Commission's experience with the filing of Form N-1A.

Commission staff estimates that the cost burden for preparing an initial Form N-1A is \$35,433 per portfolio and for preparing a post-effective amendment to a previously effective registration statement is \$11,494 per portfolio. These costs include expenses related to the preparation and review of materials by outside counsel to the fund and independent counsel to the board, accounting and audit expenses, and printer costs. The Commission estimates that, on an annual basis, 360 portfolios will be referenced in initial filings on Form N-1A and 9,568 portfolios will be referenced in post-effective amendments of Form N-1A filings. Thus, the total cost burden allocated to Form N-1A would be as follows:

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<sup>2</sup> The cost to the industry is calculated by multiplying the total annual hour burden (1,578,689 hours) by the estimated hourly wage rate of \$320. The staff estimates that the average hourly rate for a compliance attorney is \$322 and the average hourly rate for a senior programmer is \$318. The estimated wage rate was further based on the estimate that attorneys and programmers would divide time equally, resulting in a weighted wage rate of \$320 (( $\$322 \times .50$ ) + ( $\$318 \times .50$ )). All hourly rates for the occupations in this statement are from SIFMA's Management & Professional Earnings in the Securities Industry (2011), 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.

Cost Burden of Preparing and Filing Initial Form N-1A

- Cost burden per portfolio/fund of preparing and filing initial Form N-1A \$35,433
- Number of portfolios/funds referenced in initial Form N-1A filings annually 360
- Cost burden of preparing and filing portfolio/fund on initial Form N-1A (number of portfolios x cost per portfolio) \$12,755,880

Cost Burden of Preparing and Filing Post-Effective Amendments

- Cost burden per portfolio/fund of preparing and filing post-effective amendments \$11,494
- Number of portfolios/funds referenced in post-effective amendments filed annually 9,568
- Cost burden of preparing and filing portfolio/fund post-effective amendments (number of portfolios x cost per portfolio) \$109,974,592

Total Cost Burden

- Initial Form N-1A + post-effective amendments (\$12,755,880 + \$109,974,592) \$122,730,472

**14. Federal Government Cost**

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$20.5 million in fiscal year 2011, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

**15. Changes in Burden**

Currently, the approved annual hour burden for preparing and filing registration statements on Form N-1A is 1,248,589 hours based on the previous estimate of 1,935 responses. The new estimate of the total annual hour burden is 1,578,689 hours based on

the new estimated total number of responses of 6,002, referencing a total of 9,928 portfolios. The increase in the total annual hour burden is 330,100 hours. This increase is due to the increase in our estimates of the average number of post-effective amendments filed annually and an increase in our estimates of the average current hour burden per portfolio/fund for preparing post-effective amendments.

**16. Information Collection Planned for Statistical Purposes**

Not Applicable. The results of any information collected will not be published.

**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**

Not Applicable.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not Applicable.