

**SUPPORTING STATEMENT
for the Paperwork Information Collection
“Form N-Q”**

A. JUSTIFICATION

1. Information Collection Necessity

Form N-Q (17 CFR 249.332 and 274.130) is a combined reporting form that is used for reports of registered management investment companies (“funds”), other than small business investment companies registered on Form N-5, under Section 30(b) of the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”). Pursuant to Rule 30b1-5 under the Investment Company Act,¹ funds are required to file with the Commission quarterly reports on Form N-Q not more than 60 days after the close of the first and third quarters of each fiscal year containing their complete portfolio holdings. Pursuant to Rule 30a-3(b) under the Investment Company Act,² fund management is required to evaluate the effectiveness of the fund’s disclosure controls and procedures within the 90-day period prior to the filing of a report on Form N-Q, and such report must also be signed and certified by its principal executive and financial officers, consistent with Section 302 of the Sarbanes-Oxley Act of 2002.³

2. Information Collection Purpose

The purpose of Form N-Q is to meet the disclosure requirements of the Investment Company Act and the Exchange Act and to provide investors with information necessary to evaluate an investment in the fund. The Commission designated Form N-Q as a filing required under the Exchange Act because the fund’s portfolio schedule constitutes financial information

¹ 17 CFR 270.30b1-5.

² 17 CFR 270.30a-3(b).

of great significance to investors. Requiring certification of this financial information is consistent with the intent of the certification requirement of Section 302 of the Sarbanes-Oxley Act, which is to improve the quality of the disclosure that a company provides about its financial condition in its periodic reports to investors. Failure to collect this information would seriously impede the Commission's regulatory program and make selective review of disclosure documents registered investment companies send to the public less effective as the industry continues to grow. The information required to be filed with the Commission permits 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 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-Q is required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(iii) 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.

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. The requirements of Form N-Q are not generally duplicated elsewhere.

³ 15 U.S.C. 7241.

5. Effect on Small Entities

The current disclosure requirements for Form N-Q do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file the form may be greater than for larger funds. This burden includes the cost of producing, printing, filing, and disseminating the reports. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection. The Commission reviews 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

Funds currently file their complete portfolio holdings schedules with the Commission on a semi-annual basis as part of their shareholder reports. In addition, funds are required to file their portfolio schedules for the first and third fiscal quarters on Form N-Q. Reports on Form N-Q provide investors with current information necessary to evaluate an investment in the fund. 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

The Commission requested public comment on the collection of information requirements in Form N-Q 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

Not applicable.

10. Confidentiality

Confidentiality is not applicable because the information collected on Form N-Q is publicly available.

11. Sensitive Questions

Not applicable.

12. Annual Time Burden

The estimate of the annual number of registration statements filed on Form N-Q 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-Q are based on the Commission's experience with the contents of the form. 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 internal staff or outside counsel. The estimated average burden hours are made solely for purposes of the Paperwork Reduction Act and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms.

We estimate that there are 10,453 portfolios required to file reports on Form N-Q. Based on conversations with industry representatives, we estimate that it takes approximately 21 hours per portfolio to prepare Form N-Q. Accordingly, we estimate that the total annual burden estimated associated with Form N-Q is 219,513 hours (21 hours per portfolio x 10,453 portfolios) per year.

The Commission estimates that the appropriate compensation rate for professionals commonly used in the preparation of Form N-Q filings is \$322 per hour.⁴ Based on this estimate, the total cost to the fund industry of the hour burden is approximately \$70,683.186.⁵

13. Annual Cost Burden

The Commission estimates that there are no external costs associated with the certification requirement or with preparation of reports on Form N-Q in general.

14. Cost to the Federal Government

The annual cost of reviewing and processing registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings 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. A portion of those costs relate to processing and reviewing Form N-Q filings submitted to the Commission.

15. Changes in Burden

The total annual hour burden of 219,513 hours represents an increase 51,513 hours over the previous burden hour estimate of 168,000 hours. This increase is primarily due to an increase in the estimated number of portfolios submitting Form N-Q per year from 8,000 to 10,453.

16. Information Collection Planned for Statistical Purposes

Not applicable.

⁴ The estimated wage figure is based on published rates for Compliance Attorneys (\$322). The \$322/hour figure for a Compliance Attorney is 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.

⁵ This estimate is based on the following calculation: \$322 per hour x 219,513 hours = \$70,683.186.

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. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.