

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
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 (the “Investment Company Act”)¹ 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 30.²

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.³

2. Purpose and Use 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.

¹ 15 U.S.C. 80a-29.

² Rule 30b1-4 under the Investment Company Act; General Instruction A of Form N-PX.

³ Item 1 of Form N-PX.

3. Consideration Given to Information Technology

The Commission's Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR") automates the filing, processing, and dissemination of full disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Reports on Form N-PX are required to be filed electronically on EDGAR. The public may access filings on EDGAR through the Commission's website (<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 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,⁴ 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 of larger funds, the Commission believes that imposing different requirements on small entities would not be consistent with investor protection.

6. Consequences of Not Conducting 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).

⁴ 5 U.S.C. 601 *et seq.*

8. Consultation Outside the Agency

The Commission and the 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. These various forums provide the Commission and the staff with a means of ascertaining and acting upon the 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

No payment or gift to respondents was provided.

10. Assurance of Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

No information of a sensitive nature will be required under these collections of information. These information collections collect basic Personally Identifiable Information (PII) that may include name, business address, and residential address (for sole proprietor only), telephone/cellular/facsimile numbers, and email address. The information collection is covered under the following System of Records Notices (SORN). <http://www.sec.gov/about/privacy/sorn/secsorn8.pdf>

12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995 (“PRA”)⁵ 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 collection of information requirements will not be kept confidential.

The Commission estimates that there are approximately 2,431 funds registered with the Commission, representing approximately 9,794 fund portfolios that are required to file Form N-PX reports. The 9,794 portfolios are comprised of

⁵ 44 U.S.C. 3501 *et seq.*

approximately 6,574 portfolios holding equity securities and 3,220 portfolios holding no equity securities.⁶ The currently approved burden of Form N-PX for portfolios holding equity securities is 7.2 hours per response, and the current burden estimate for funds holding no equity securities is 0.17 hours (10 minutes) per response. Therefore, the number of currently approved aggregate burden hours, when calculated using the current number of portfolios, is approximately 47,880 hours.⁷ We continue to believe that these estimates for Form N-PX's current burden are appropriate. Based on the Commission's estimate of 47,880 burden hours and an estimated wage rate of approximately \$334 per hour,⁸ the total cost to reporting persons of the hour burden for filing Form N-PX is approximately \$16.0 million.⁹

13. Costs to Respondents

Cost burden is the cost of services purchased to prepare and update Form N-PX, such as for the services of outside counsel. The cost burden does not include the cost of the hour burden discussed in Item 12 above. The currently approved cost burden of Form N-PX is \$1,000 in external costs per portfolio holding equity securities that is paid to third-party service providers. External costs for portfolios holding no equity securities have previously been estimated to be zero because portfolios holding no equity securities generally have no proxy votes to report and therefore do not require

⁶ The estimate of 2,431 funds is based on the number of management investment companies currently registered with the Commission. The Commission staff estimates that there are approximately 5,917 portfolios that invest primarily in equity securities, 657 "hybrid" or bond portfolios that may hold some equity securities, 2,672 bond portfolios that hold no equity securities, and 548 money market fund portfolios, for a total of 9,794 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 2014); Investment Company Institute, Closed-End Fund Assets (Second Quarter 2014); Investment Company Institute, Exchange Traded Fund Assets (June 2014).

⁷ $(6,557 \text{ portfolios that hold equity securities} \times 7.2 \text{ hours per year}) + (3,220 \text{ portfolios holding no equity securities} \times 0.17 \text{ hours per year}) = 47,880 \text{ hours}$.

⁸ The Commission's estimate concerning the wage rate is based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. The estimated wage figure is based on published rates for compliance attorneys, modified to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding an effective hourly rate of \$334. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

⁹ $47,880 \text{ hours} \times \$334 \text{ per hour} = \$15,991,920$.

third-party service providers to assist with proxy voting and preparing reports on Form N-PX. Therefore, the amount of currently approved aggregate cost burden, when calculated using the current number of portfolios, is approximately \$6.6 million in external costs.¹⁰ We continue to believe that these estimates for Form N-PX's current cost burden are appropriate.

14. Costs to Federal Government

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$19.8 million in fiscal year 2012, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Changes in Burden

Previously, the Commission had estimated an annual total hour burden of approximately 45,300 hours for Form N-PX. This number was based on a yearly estimate of approximately 6,200 portfolios holding equity securities and 3,800 portfolios holding no equity securities with an estimated burden of 7.2 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 total annual cost burden of \$6.2 million.

The Commission estimates a net increase of 2,580 burden hours per year for Form N-PX from the previous submission under the Paperwork Reduction Act.¹¹ The change in the estimated hour burden is due to the increase in the number of portfolios holding equity securities from 6,200 to 6,574, partially offset by the decrease in the number of portfolios holding no equity securities from 3,800 to 3,220.

The Commission also estimates a net increase of \$374,000 in external costs per year for Form N-PX from the previous submission.¹² The change in the estimated cost burden is due to the increase in the number of portfolios holding equity securities from 6,200 to 6,574.

¹⁰ $(6,574 \text{ portfolios holding equity securities} \times \$1,000 \text{ per year}) + (3,220 \text{ portfolios holding no equity securities} \times \$0 \text{ per year}) = \$6,574,000.$

¹¹ $47,880 \text{ hours under current estimate} - 45,300 \text{ hours under previous estimate} = 2,580 \text{ hours}.$

¹² $\$6,574,000 \text{ under current estimate} - \$6,200,000 \text{ under previous estimate} = \$374,000.$

16. Information Collection Planned for Statistical Purposes

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. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

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.