

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Proposed Form N-CEN**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

All registered investment companies with the exception of face amount certificate companies are required to file periodic reports with the Commission under the Investment Company Act of 1940 (“Investment Company Act”) (15 U.S.C. 80a-1 et seq.). Section 30(a) of the Investment Company Act (15 U.S.C. 80a-29(a)) provides that each registered investment company must file annually with the Commission such information, documents and reports as investment companies having securities registered on a national securities exchange are required to file annually under the Securities Exchange Act of 1934 (“Exchange Act”) (15 U.S.C. 78a et seq.). In addition, Section 30(b) of the Investment Company Act (15 U.S.C. 80a-29(b)) requires each registered investment company to file, among other things, “such information, documents, and reports (other than financial statements), as the Commission may require to keep reasonably current the information and documents contained in the registration statement of such company....”

On May 20, 2015, the Commission issued a release proposing, among other things, to update and modernize the Form by which the Commission collects census-type information for registered funds by amending rule 30a-1 (17 CFR 270.30a-1) to require all funds to file reports on proposed Form N-CEN (17 CFR 274.101) on an annual basis. Similar to current Form N-SAR (17 CFR 274.101), proposed Form N-CEN would require reporting with the Commission of certain census-type information. However, unlike Form N-SAR, which requires semi-annual reporting for all management investment companies, proposed Form N-CEN would require annual reporting.

This new collection of information would be mandatory for all registered funds, and responses would not be kept confidential

## **2. Purpose and Use of the Information Collection**

The purpose of proposed Form N-CEN is to satisfy the filing and disclosure requirements of Section 30 of the Investment Company Act, and of proposed amended rule 30a-1 thereunder. The information required to be filed with the Commission assures the public availability of the information and is designed to facilitate the Commission's oversight of registered funds and its ability to monitor trends and risks.

## **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. Reports on proposed Form N-CEN would be required to be filed with the Commission electronically on EDGAR in a structured (XML) format which would permit the electronic analysis of the data in a single filing or in comparison over time or among similar investment companies. 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 information on proposed Form N-CEN either would not be

duplicated elsewhere at all or would not be duplicated in a format that permits the electronic analysis of the data in a single filing or in comparison over time or among similar investment companies. Any information solicited by proposed Form N-CEN that may be duplicated in other documents filed with the Commission is in narrative format so that it can be read and understood by investors. The Commission is not able to analyze narrative information electronically on a regular basis, using database or spreadsheet applications.

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

Form N-CEN must be filed by all registered investment companies other than face amount certificate companies, regardless of size. The burden on smaller funds, however, to prepare reports on proposed Form N-CEN 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 Section 30 of the Investment Company Act.

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 Not Conducting Collection**

The Commission requires the filing of proposed Form N-CEN annually for all registered investment companies so that it will have current information available for use in performing inspections, selectively reviewing registration documents, and conducting studies and other types of analyses necessary to keep the Commission's regulatory program for investment companies current with industry conditions. Less frequent collection would mean that current information may not be available to investors and

may potentially decrease investor confidence in the full and fair disclosure system that is the hallmark of the U.S. capital markets.

**7. Inconsistencies with Guidelines In 5 CFR 1320.5(d)(2)**

Not applicable.

**8. Consultation Outside The Agency**

Before adopting proposed Form N-CEN, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements. Moreover, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining the magnitude of and acting upon paperwork burdens confronting the industry.

**9. Payment or Gift**

Not applicable.

**10. Confidentiality**

Not applicable.

**11. Sensitive Questions**

No information of a sensitive nature will be required in the information collection. The (these) information collection (s) 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 Notice (SORN). <http://www.sec.gov/about/privacy/sorn/secsorn6.pdf>

**12. Burden of Information Collection**

The Commission estimates that registered management investment companies, would spend as much as 13.35 hours preparing and filing the form. The Commission

further estimates that UITs, including separate account UITs, would spend as much as 9.11 hours preparing and filing proposed Form N-CEN, since a UIT is required to answer fewer items.

The Commission also believes that, in the first year reports on the form are filed, funds may require additional time to prepare and file reports. We estimate that, for the first year, funds would require 20 additional hours.<sup>1</sup> Accordingly, we estimate that management investment companies would require 33.35 annual burden hours in the first year<sup>2</sup> and 13.35 annual burden hours in each subsequent year for preparing and filing reports on proposed Form N-CEN. Additionally, we estimate that UITs would require 29.11 annual burden hours in the first year<sup>3</sup> and 9.11 annual burden hours in each subsequent year for preparing and filing reports on proposed Form N-CEN.

We estimate that the average annual hour burden per response for proposed Form N-CEN for the first year would be 32.37 hours<sup>4</sup> and 12.37 hours in subsequent years.<sup>5</sup> Amortizing the burden over three years, we estimate that the average annual hour burden per fund per year would be 19.04<sup>6</sup> and the total average annual hour burden would be

---

<sup>1</sup> This additional time may be attributable to, among other things, reviewing and collecting new or revised data pursuant to the Form N-CEN requirements or changing the software currently used to generate reports on Form N-SAR in order to output similar data in a different format.

<sup>2</sup> This estimate is based on the following calculation: 13.35 hours for filings + 20 additional hours for the first filing = 33.35 hours.

<sup>3</sup> This estimate is based on the following calculation: 9.11 hours for filings + 20 additional hours for the first filing = 29.11 hours.

<sup>4</sup> This estimate is based on the following calculation:  $((2,419 \text{ management investment companies} \times 33.35 \text{ hours}) + (727 \text{ UITs} \times 29.11 \text{ hours})) / 3,146 \text{ total funds} = 32.37 \text{ hours}$ .

<sup>5</sup> This estimate is based on the following calculation:  $((2,419 \text{ management investment companies} \times 13.35 \text{ hours}) + (727 \text{ UITs} \times 9.11 \text{ hours})) / 3,146 = 12.37 \text{ hours}$ .

<sup>6</sup> This estimate is based on the following calculation:  $(32.37 + (12.37 \times 2)) / 3 = 19.04$ .

59,900.<sup>7</sup> We therefore estimate that filers would have total average annualized paperwork related expenses of \$19,078,150 for reports on Form N-CEN.<sup>8</sup>

### 13. Cost to Respondents

The Commission estimates that, with respect to the initial filing of a report on Form N-CEN, we estimate an external cost of \$220 per fund and, with respect to subsequent filings, we estimate an annual external cost of \$120 per fund.<sup>9</sup> We estimate the amortized annual external cost per fund would be \$153.<sup>10</sup> External costs include the cost of goods and services, which with respect to reports on Form N-CEN, would include the costs of registering and maintaining an LEI for the registrant/funds.<sup>11</sup> In sum, we

---

<sup>7</sup> This estimate is based on the following calculation:  $3,146 \times 19.04 = 59,900$  hours.

<sup>8</sup> This estimate is based on average annual burden estimate of 59,900 hours. This was then multiplied by a blended hourly wage of \$318.50 per hour, \$303 per hour for Senior Programmers and \$334 per hour for compliance attorneys, as we believe these employees would commonly be responsible for completing reports on proposed Form N-CEN ( $\$318.50 \times 59,900 = \$19,078,150$ ). The estimated wage figures are based on published rates for in-house attorneys, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$378. See Securities Industry and Financial Markets Association, *Report on Management & Professional Earnings in the Securities Industry 2013*.

<sup>9</sup> As of December 26, 2014, the cost of obtaining an LEI from the Global Markets Entity Identifier (“GMEI”) Utility in the United States was \$200, plus a \$20 surcharge for the LEI Central Operating Unit. The annual cost of maintaining an LEI from the GMEI Utility was \$100, plus a \$20 surcharge for the LEI Central Operating Unit. See <https://www.gmeiutility.org/frequentlyAskedQuestions.jsp>. The Commission has further estimated the one-time burden associated with obtaining an LEI is one hour, with ongoing administration of an LEI corresponding to one hour per year.

<sup>10</sup> This estimate is based on the following calculation:  $\$220 + (2 \text{ years} \times \$120) / 3 = \$153$ .

<sup>11</sup> See Items 2.d. and 25.c. of Form N-CEN (requiring LEI for the registrant and each management company).

estimate that all applicable funds would incur, in the aggregate, external annual costs of \$1,748,637.<sup>12</sup>

**14. Costs to Federal Government**

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$19.2 million in fiscal year 2014, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. The RIN number for the Reporting Modernization Proposal is 3235-AL42.

**15. Changes in Burden**

Not applicable. This is the first request for approval of the collection of information for this rule.

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

Not applicable.

**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 for Paperwork Reduction Act Submissions**

Not applicable.

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

---

<sup>12</sup> This estimate includes 9,259 mutual funds (including money market funds), 1,403 ETFs (1,411 ETFs – 8 UIT ETFs), 568 closed-end funds, and 727 UITs (including UIT ETFs) based on ICI statistics, Form N-SAR filings, and internal SEC data as of December 31, 2014. See ICI statistics available at <http://www.ici.org/research/stats>. This estimate is based on the following calculation: \$153 x 11,429 funds = \$1,748,637.

Not applicable.