

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

A. JUSTIFICATION

1. Necessity for the 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.¹ 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

On September 22, 2015, the Commission issued a release proposing new rule and amendments to its rules and forms designed to promote effective liquidity risk management throughout the open-end fund industry, thereby reducing the risk that funds will be unable to meet redemption obligations and mitigating dilution of the interests of fund shareholders in accordance with section 22(e) and rule 22c-1 under the Investment Company Act.² The proposed amendments also seek to enhance disclosure regarding fund liquidity and redemption practices. With respect to report and disclosure, among other things, the Commission proposed amendments to proposed Form N-CEN that would require disclosure of certain information regarding a fund's liquidity risk management practices.

2. Purpose 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.

¹ Investment Company Reporting Modernization, Investment Company Act Release No. 31610 (May 20, 2015) [80 FR 33590] (June 12, 2015)] ("Investment Company Reporting Modernization Release").

² See Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of Comment Period for Investment Company Reporting Modernization Release, Securities Act Release No. 33-9922 (September 22, 2015) ("Liquidity Proposal").

3. Role of Improved 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 Less Frequent 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

Form N-CEN does not collect Social Security Numbers. Form N-CEN collects information about certain officers of the fund. The SEC has published a System of Records Notice (<https://www.sec.gov/about/privacy/sorn/secsorn6.pdf>) for this information collection.

12. Estimate of Hour Burden

In the Investment Company Reporting Modernization Release, we estimated that the average annual hour burden per response for proposed Form N-CEN for the first year would be 32.37 hours and 12.37 hours in subsequent years.³ Amortizing the burden over three years, we estimated that the average annual hour burden per fund per year would be 19.04 and the total average annual hour burden would be 59,900 hours.⁴ We also

³ Investment Company Reporting Modernization Release, at n. 762 and accompanying text.

⁴ *Id.* at n. 765 and accompanying text.

estimated that all applicable funds would incur, in the aggregate, external annual costs of \$1,748,637, which would include the costs of registering and maintaining LEIs for funds.

We are proposing amendments to Form N-CEN to enhance the reporting of a fund's liquidity risk management practices. Specifically, the proposed amendments to Form N-CEN would require a fund to disclose information about committed lines of credit, including the size of the line of credit, the number of days that the line of credit was used, and the identity of the institution with whom the line of credit is held. The proposed amendments to Form N-CEN also would require a fund to report whether it engaged in interfund lending or interfund borrowing. Funds other than money market funds and ETFs would be required to report whether they used swing pricing during the reporting period. In addition, proposed amendments to Form N-CEN would require an ETF to report whether it required that an authorized participant post collateral to the ETF or any of its designated service providers in connection with the purchase or redemption of ETF shares during the reporting period.⁵

We estimate that 8,734 funds would be required to file responses on Form N-CEN as a result of the proposed amendments to the form. We estimate that the average annual hour burden per additional response to Form N-CEN as a result of the proposed amendments would be 0.5 hour per fund per year for a total average annual hour burden of 4,367 hours.⁶ We do not estimate any change to the external costs associated with proposed Form N-CEN.

13. Estimate of Total Annual Cost Burden

⁵ We do not estimate any change in burden as a result of proposed Item 60(g) of Form N-CEN because the proposed new item only requires a yes or no response.

⁶ This estimate is based on the following calculation: 8,734 funds x 0.5 hours = 4,367 hours.

We do not estimate any change to the external costs associated with proposed amendments to proposed Form N-CEN.

14. Estimate of Costs to the 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.

15. Explanation of Changes in Burden

Not applicable. This collection of information has not been previously approved by OMB. This submission does not include other Form N-CEN collection of information requirements, which were proposed by the Commission in the Investment Company Reporting Modernization Release and submitted to OMB on July 22, 2015.

16. Information Collection Planned For Statistical Purposes

Not applicable.

17. Approval to Omit the 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.