

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

¹ Investment Company Reporting Modernization, Investment Company Act Release No. 31610

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.

On December 11, 2015, the Commission issued a release proposing rule 18f-4, a new exemptive rule under the Investment Company Act designed to address the investor protection purposes and concerns underlying section 18 of the Act and to provide an updated and more comprehensive approach to the regulation of funds' use of derivatives, as well as proposed amendments to proposed Forms N-PORT and N-CEN.³ The proposed rule would permit mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and companies that have elected to be treated as business development companies

(May 20, 2015) [80 FR 33590 (June 12, 2015)] ("Investment Company Reporting Modernization Release").

² 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 (Sep. 22, 2015) [80 FR 62274 (Oct. 15, 2015)] ("Liquidity Proposal").

³ Use of Derivatives by Registered Investment Companies and Business Development Companies (Dec. 11, 2015) (Proposing Release) [80 FR 80883 (Dec. 28, 2015)] ("Derivatives Proposal").

(“BDCs”) under the Investment Company Act (collectively, “funds”) to enter into derivatives transactions and financial commitment transactions (as those terms are defined in the proposed rule) notwithstanding the prohibitions and restrictions on the issuance of senior securities under section 18 of the Act, provided that the funds comply with the conditions of the proposed rule. With respect to reporting and disclosure, among other things, the Commission proposed amendments to proposed Form N-CEN that would require reporting and disclosure of certain information regarding a fund’s derivatives usage.

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.

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. Efforts to Identify 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 to Respondents

Not applicable.

10. Assurances of Confidentiality

Not applicable.

11. Sensitive Questions

No SSNs collected. A System of Records Notice (SEC-6) can be found at <http://www.sec.gov/about/privacy/secprivacyoffice.htm>.

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.⁴ 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.⁵ We also 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.

In the Liquidity Proposal, we estimated that the annual average burden per additional response to proposed Form N-CEN as a result of the proposed liquidity amendments would be 0.5 hour per fund per year for a total average annual hour burden of 4,367 hours.⁶ We also estimated that the one time and ongoing annual costs associated with providing additional responses to proposed Form N-CEN as a result of the proposed amendments would be approximately \$160 per fund, for a total cost of approximately \$1,397,440.⁷ We did not estimate any change to the external costs associated with proposed Form N-CEN.

⁴ Investment Company Reporting Modernization Release, at n. 762 and accompanying text.

⁵ *Id.* at n. 765 and accompanying text.

⁶ Liquidity Proposal, at n. 865 and accompanying text.

⁷ *Id.* at n. 800 and accompanying text. \$160 x 8734 funds = \$1,397,440.

We are proposing amendments to Form N-CEN to identify whether the fund relied upon proposed rule 18f-4. Specifically, the proposed amendments to Form N-CEN would require a fund to identify the portfolio limitation(s) on which the fund relied during the reporting period.

We estimate that 2,419 funds would be required to file responses on Form N-CEN as a result of the proposed amendments to the form.⁸ We therefore estimate that 2,419 funds would incur an average annual hour burden of .25 hours for the first year to compile (including review of the information), tag, and electronically file the additional information in light of the proposed amendments, and an average annual hour burden of approximately .1 hours for each subsequent year's filing. We further estimate an upper bound on the initial costs of \$80 per fund⁹ with annual ongoing costs of \$32 per fund.¹⁰ Amortized over three years, the aggregate average annual hour burden would be an additional .15 hours per fund,¹¹ with average annual ongoing costs of \$48 per fund.¹²

In sum, we estimate that the proposed amendments to Form N-CEN would impose an average total annual hour burden of an additional 363 hours on applicable

⁸ This estimate is based on 2,419 management companies and 727 UITs filing reports on Form N-SAR as of Dec. 31, 2014. UITs would not be required to complete Item 31 of proposed Form N-CEN. *See* General Instruction A of proposed Form N-CEN.

⁹ This estimate is based on multiplying .25 hours 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 .25 = \80). *See* Investment Company Reporting Modernization Release, at n.723 and accompanying text.

¹⁰ This estimate is based on multiplying .1 hours 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 .1 = \32). *See* Investment Company Reporting Modernization Release, at n.723 and accompanying text.

¹¹ The estimate is based on the following calculation: $(.25 + (.1 \times 2)) \div 3 = .15$ hours

¹² The estimate is based on the following calculation: $(\$80 + (\$32 \times 2)) \div 3 = \$48$

funds,¹³ and an average additional total cost of \$115,616 on applicable funds.¹⁴ We do not anticipate any change to the total external annual costs of \$1,748,637.¹⁵

13. Estimate of Total Annual Cost Burden

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

Not applicable. This request for approval of the collection of information for this rule and form 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 and also in the Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of the Comment Period for Investment Company Reporting Modernization Release, which was submitted to OMB on December 1, 2015.

15. Explanation of Changes in Burden

Not applicable. This request for approval of the collection of information for this form has not been previously approved by OMB.

16. Information Collection Planned For Statistical Purposes

Not applicable.

¹³ The estimate is based on the following calculation: (2,419 funds x .15 hours) = 363 hours.

¹⁴ This estimate is based on annual ongoing burden estimate of 363 burden hours for management companies (2,419 management companies x .15 hours per filing). 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 ($318.50 \times 363 = 115,616$). See Investment Company Reporting Modernization Release, at n.723 and accompanying text.

¹⁵ See Investment Company Reporting Modernization Release, at n.769 and accompanying text.

17. Approval to Not Display 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.