

**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 “Act”)<sup>1</sup> and rule 30b1-4 under the 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.<sup>2</sup>

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.<sup>3</sup>

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<sup>1</sup> 15 U.S.C. 80a-29.

<sup>2</sup> Rule 30b1-4 under the Act; General Instruction A of Form N-PX.

<sup>3</sup> Item 1 of Form N-PX.

## **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 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.

## **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,<sup>4</sup> 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 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)**

None.

## **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

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<sup>4</sup> 5 U.S.C. 601 *et seq.*

Office of Management and Budget. The Commission received no comments in response to its request.

**9. Payment or Gift**

Not applicable.

**10. Confidentiality**

Not applicable.

**11. Sensitive Questions**

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include names, job titles, work addresses and telephone numbers. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on 1/29/2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

**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”)<sup>5</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance

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<sup>5</sup> 44 U.S.C. 3501 *et seq.*

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 2,376 funds registered with the Commission, representing approximately 11,818 fund portfolios that are required to file Form N-PX reports. The 11,818 portfolios are comprised of approximately 7,111 portfolios holding equity securities, 3,249 portfolios holding no equity securities, and 1,458 portfolios holding fund securities (*i.e.*, fund of funds).<sup>6</sup> The currently approved burden of Form N-PX for portfolios holding equity securities is 7.2 hours per response, the current burden estimate for funds holding no equity securities is 0.17 hours (10 minutes) per response, and the current burden estimate for fund of funds is 1 hour per response. Therefore, the number of aggregate burden hours, when calculated using the current number of portfolios, is approximately 53,210 hours.<sup>7</sup> We continue to believe that these estimates for Form N-PX's current burden are appropriate. Based on the Commission's estimate of 53,210 burden hours and an estimated wage rate of approximately \$345 per hour,<sup>8</sup> the total cost to reporting persons of the hour burden for filing Form N-PX is approximately \$18.44 million.<sup>9</sup>

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<sup>6</sup> The estimate of 2,376 funds is based on the number of management investment companies currently registered with the Commission. The Commission staff estimates that there are approximately 6,385 portfolios that invest primarily in equity securities, 726 "hybrid" or bond portfolios that may hold some equity securities, 2,831 bond portfolios that hold no equity securities, and 418 money market fund portfolios, and 1,458 fund of funds, for a total of 11,818 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 (April 2017); Investment Company Institute, Closed-End Fund Assets and Net Issuance (First Quarter 2017); Investment Company Institute, ETF Assets and Net Issuance (April 2017).

<sup>7</sup>  $(7,111 \text{ portfolios that hold equity securities} \times 7.2 \text{ hours per year}) + (3,249 \text{ portfolios holding no equity securities} \times 0.17 \text{ hours per year}) + (1,458 \text{ portfolios holding fund securities} \times 1 \text{ hour per year}) = 53,210 \text{ hours.}$

<sup>8</sup> The hourly wage figure for a compliance attorney is from the Securities Industry and Financial Markets Association's Management & Professional Salaries in the Securities Industry 2013,

### **13. Cost 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 estimated 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 third-party service providers to assist with proxy voting and preparing reports on Form N-PX. The estimated cost burden of Form N-PX for fund of funds is estimated to be \$100 per portfolio because fund of funds generally either have no proxy votes to report; or if proxy votes are reported, they are generally limited in the number of securities and the number of voting matters relative to portfolios holding equity securities. Therefore, the aggregate cost burden, when calculated using the current number of portfolios, is approximately \$7.3 million in external costs.<sup>10</sup> We continue to believe that these estimates for Form N-PX's current cost burden are appropriate.

### **14. Cost to the 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 \$22.9 million in fiscal year

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modified by Commission staff to account for an 1800-hour work-year and inflation and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

<sup>9</sup> 53,210 hours × \$345 per hour = \$18,357,288.

<sup>10</sup> (7,111 portfolios holding equity securities × \$1,000 per year) + (3,249 portfolios holding no equity securities × \$0 per year) + (1,458 fund of funds × \$100) = \$7,256,800.

2016, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

### **15. Change in Burden**

Previously, the Commission had estimated an annual total hour burden of approximately 47,880 hours for Form N-PX. This number was based on a yearly estimate of approximately 6,574 portfolios holding equity securities and 3,220 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 \$6.6 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.<sup>11</sup> The change in the estimated hour burden is due to the increase in the number of portfolios from 9,794 to 11,818.

The Commission also estimates a net increase of \$682,800 in external costs per year for Form N-PX from the previous submission.<sup>12</sup> The change in the estimated cost burden is due to the increase in the number of portfolios from 9,794 to 11,818.

### **16. Information Collection Planned for Statistical Purposes**

The results of any information collected will not be published.

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<sup>11</sup> 53,210 hours under current estimate – 47,880 hours under previous estimate = 5,330 hours.

<sup>12</sup> \$7,256,800 under current estimate – \$6,574,000 under previous estimate = \$682,800.

**17. Approval to Omit OMB Expiration Date**

The Commission is not seeking approval to not display the expiration date for OMB approval.

**18. Exceptions to Certification Statement for Paperwork Reduction Act Submission**

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.