

**SUPPORTING STATEMENT  
For the Paperwork Reduction Act Information Collection Submission for  
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 October 13, 2016, the Commission issued a release adopting, among other things, a new form 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 Form N-CEN (17 CFR 274.101) on an annual basis.<sup>1</sup> On that same day, the Commission also issued two companion releases adopting

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<sup>1</sup> See Investment Company Reporting Modernization, Investment Company Act Release No. 32314 (October 13, 2016) (“Reporting Modernization Adopting Release”). Form N-CEN was proposed in Investment Company Reporting Modernization, Investment Company Act Release No. 31610 (May 20, 2015) (“Proposing Release”).

additional reporting requirements on Form N-CEN related to liquidity risk management<sup>2</sup> and the use of swing pricing.<sup>3</sup> Similar to current Form N-SAR (17 CFR 274.101), Form N-CEN will 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, Form N-CEN will require annual reporting. Form N-CEN sets forth the specific reporting items that registered investment companies must provide. Filers must submit this report electronically using the Commission's electronic filing system "(EDGAR") in Extensible Markup Language ("XML") format.

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

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

New Form N-CEN contain "collections of information" within the meaning of the Paperwork Reduction Act of 1995 ("PRA"), and the Commission is submitting the collection of information to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The purpose of Form N-CEN is to satisfy the filing and disclosure requirements of Section 30 of the Investment Company Act, and of 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.

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<sup>2</sup> See Investment Company Liquidity Risk Management Programs, Investment Company Act Release No. 32315 (October 13, 2016) (the "Liquidity Release").

<sup>3</sup> See Investment Company Swing Pricing, Investment Company Act Release No. 32316 (October 13, 2016) (the "Swing Pricing Release").

### **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 Form N-CEN are 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 form or a change in a rule or form. The information provided under reports on 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 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 investment companies, however, to prepare reports on Form N-CEN may be greater than for larger investment companies. 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 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**

The Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through

public conferences, meetings, and information exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the information collection requirements in Form N-CEN before it submitted this request for revision and approval to the OMB.

One commenter expressed the general belief that requiring census-type data on Form N-CEN on an annual basis, rather than on a semi-annual basis on Form N-SAR, would significantly lessen reporting burdens for funds and lower costs for fund shareholders when compared to the status quo.<sup>4</sup> We agree and continue to believe the estimated hour and cost burdens associated with Form N-CEN estimated in the Proposing Release reflect this reduction in burdens and costs. With the exception of this comment, we did not receive comments on the estimated hour and costs burdens discussed above associated with reporting census-type information on Form N-CEN.

Our adoption of Form N-CEN includes a number of modifications or clarifications from the proposal that address concerns raised by commenters and that are intended, in part, to decrease reporting and implementation burdens relative to the proposal. For example, we have extended the filing period for Form N-CEN from 60 days, as proposed, to 75 days to, in part, respond to commenters' concerns that 60 days would not provide funds the time necessary to collect, verify, and report information on Form N-CEN.<sup>5</sup> We also have modified the proposal by moving the management's statement regarding a change in independent public accountant originally filed on Form N-SAR from an attachment to Form N-CEN, as proposed, to an exhibit to Form N-CSR,

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<sup>4</sup> See Comment Letter of the Investment Company Institute (Aug. 11, 2015).

<sup>5</sup> See Reporting Modernization Adopting Release, *supra* footnote Error: Reference source not found at section II.D.3.

thereby shifting burden associated with this exhibit filing from Form N-CEN to Form N-CSR. However, we recognize a few reporting items and sub-items have been added to the form that were not contemplated in the burden hours and costs we estimated in the Proposing Release. For example, we are adopting a requirement that a fund (other than a money market fund) provide its monthly average net assets during the reporting period,<sup>6</sup> and we are also requiring the reporting of CRD numbers for directors.<sup>7</sup>

We believe that certain of the modifications from and clarifications to the proposal that we are adopting will generally reduce the estimated burden hours and costs associated with implementation of Form N-CEN reporting requirements relative to the proposal, while a few others will increase those estimates. For these reasons, we believe that the net effect of such modifications from the proposal will not have a net impact on the estimated burden hours and costs stated in the Proposing Release. Accordingly, we are not estimating a change to the proposed per-fund estimates as a result of the modifications we have made to the proposed requirements. The Commission, however, has modified the estimated increase in aggregate annual burden hours and external costs that will result from reporting requirements on Form N-CEN in light of updated data regarding the number of management investment companies and UITs.

## **9. Payment or Gift**

Not applicable.

## **10. Confidentiality**

Not applicable.

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<sup>6</sup> See Reporting Modernization Adopting Release, *supra* footnote Error: Reference source not found, at footnotes 1016-1021 and accompanying and following text.

<sup>7</sup> See *id.*, at footnotes 823-824 and accompanying text.

## **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 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 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>8</sup> Accordingly, we estimate that management investment companies would require 33.35 annual burden hours in the first

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<sup>8</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.

year<sup>9</sup> and 13.35 annual burden hours in each subsequent year for preparing and filing reports on Form N-CEN. Additionally, we estimate that UITs would require 29.11 annual burden hours in the first year<sup>10</sup> and 9.11 annual burden hours in each subsequent year for preparing and filing reports on Form N-CEN.

We estimate that the average annual hour burden per response for Form N-CEN for the first year will be 32.37 hours<sup>11</sup> and 12.37 hours in subsequent years.<sup>12</sup> Amortizing the burden over three years, we estimate that the average annual hour burden per fund per year will be 19.04 hours<sup>13</sup> and the total aggregate annual hour burden will be 59,272 hours.<sup>14</sup> We therefore estimate that filers would have total average annualized paperwork related expenses of \$19,204,128 for reports on Form N-CEN.<sup>15</sup>

a. Liquidity Risk Management Reporting Items for Management Investment Companies, excluding Money Market Funds but including ETFs

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<sup>9</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>10</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>11</sup> This estimate is based on the following calculation: ((2,392 management investment companies × 33.35 hours per management investment company in the first year) + (721 UITs × 29.11 hours per UIT in the first year)) ÷ 3,113 total funds = 32.37 hours in the first year.

<sup>12</sup> This estimate is based on the following calculation: ((2,392 management investment companies × 13.35 hours per subsequent year) + (721 UITs × 9.11 hours per subsequent year)) ÷ 3,113 total funds = 12.37 hours per subsequent year.

<sup>13</sup> This estimate is based on the following calculation: (32.37 hours in first year + (12.37 per subsequent year × 2 years)) ÷ 3 years = 19.04 hours per year.

<sup>14</sup> This estimate is based on the following calculation: 3,113 funds × 19.04 hours per year = 59,272 hours per year.

<sup>15</sup> This estimate is based on average annual burden estimate of 59,272 hours. This was then multiplied by a blended hourly wage of \$324 per hour, \$308 per hour for Senior Programmers and \$340 per hour for compliance attorneys, as we believe these employees would commonly be responsible for completing reports on Form N-CEN (\$324 x 59,272 = \$19,204,128). The estimated wage figures are based on published rates for senior programmers and compliance attorneys, 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, yielding effective hourly rates of \$308 and \$340, respectively. See Securities Industry and Financial Markets Association, *Report on Management & Professional Earnings in the Securities Industry 2013*.

As adopted in the Liquidity Release, additional reporting items to Form N-CEN require management investment companies, including ETFs but not including money market funds, to report information about the use of lines of credit, interfund lending, and interfund borrowing. Furthermore, the additional liquidity reporting items to Form N-CEN will require an ETF to report whether it qualifies as an “In-Kind ETF” for purposes of rule 22e-4 of the Investment Company Act.

We estimate that 10,633 funds will be required to file responses on Form N-CEN as a result of the liquidity risk management additions to the form.<sup>16</sup> We estimate that the average annual hour burden per additional response to Form N-CEN as a result of the adopted additions to Form N-CEN will be one hour per fund per year, for a total average annual hour burden of 10,633 hours.<sup>17</sup>

b. Swing Pricing Reporting Items for Management Investment Companies, excluding Money Market Funds and ETFs

In the Swing Pricing Release, the Commission adopted a new reporting item on Form N-CEN to require funds (other than money market funds and ETFs) to report whether they used swing pricing during the reporting period and, if so, the fund’s swing factor upper limit. We estimate that 9,039 funds will be required to file responses to Form N-CEN regarding swing pricing.<sup>18</sup> For these funds, we estimate that the average annual hour burden per additional response to Form N-CEN as a result of the adopted

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<sup>16</sup> See Investment Company Institute, 2016 Investment Company Fact Book (2016) (“2016 ICI Fact Book”), available at [https://www.ici.org/pdf/2016\\_factbook.pdf](https://www.ici.org/pdf/2016_factbook.pdf), at 22, 176, 183.

<sup>17</sup> This estimate is based on the following calculation: 10,633 funds x 1 hour = 10,633 hours.

<sup>18</sup> See 2016 ICI Fact Book, *supra* footnote Error: Reference source not found, at 22, 176, 183. Specifically, as of the end of 2015, there were 9,039 open-end mutual funds (including funds that invest in other funds) and 1,594 ETFs. There were approximately 50 ETFs that invest in other ETFs, which are not included in our figures.

swing pricing-related additions to Form N-CEN will be 0.5 hour per fund per year for a total average annual hour burden of 4,519.5 hours.<sup>19</sup>

c. Estimated Total Burdens

We estimate that the hour burdens and time costs associated with Form N-CEN, including the burden associated with the additional liquidity-related reporting items discussed in the Liquidity Release and swing-pricing-related reporting item discussed in the Swing Pricing Release, will result in a total average annual hour burden of 74,425 hours<sup>20</sup> and average aggregate time costs of \$19,204,128.<sup>21</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 \$219 per fund and, with respect to subsequent filings, we estimate an annual external cost of \$119 per fund.<sup>22</sup> We estimate the amortized annual external cost per fund would be \$152.33.<sup>23</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>24</sup> In sum,

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<sup>19</sup> This estimate is based on the following calculation: 9,039 funds x .5 hour = 4,519.5 hours.

<sup>20</sup> This estimate is based on the following calculation: 59,272 hours + 10,633 hours + 4,519.5 hours = 74,424.5 hours.

<sup>21</sup> See *supra* footnote Error: Reference source not found.

<sup>22</sup> As of June 30, 2016, the cost of obtaining an LEI from the Global Markets Entity Identifier (“GMEI”) Utility in the United States was \$200, plus a \$19 surcharge for the LEI Central Operating Unit. The annual cost of maintaining an LEI from the GMEI Utility was \$100, plus a \$19 surcharge for the LEI Central Operating Unit. See GMEI Utility, Frequently Asked Questions, available at <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>23</sup> This estimate is based on the following calculation: \$219 + (2 years x \$119) / 3 = \$152.33.

<sup>24</sup> See Items B.1.d. and C.1.c. of Form N-CEN (requiring LEI for the registrant and each management investment company).

we estimate that all applicable funds will incur, in the aggregate, external annual costs of \$2,088,176.<sup>25</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 \$19.5 million in fiscal year 2015, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

#### **15. Changes in Burden**

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

#### **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.

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<sup>25</sup> This estimate is based on the following calculation: \$152 per registrant or fund per year × (3,113 investment company registrants + 9,039 mutual funds (which reflects the number of mutual fund series, but excludes money market funds, which would have already obtained LEIs pursuant to the requirements of Form N-MFP) + 1,586 ETFs (excluding 8 UITs that are not ETFs)) = \$152 per fund per year × 13,738 registrants and funds = \$2,088,176 per year. This estimate is based on data obtained from the Investment Company Institute ("ICI") and reports filed by registrants on Form N-SAR. See [ICI](#), 2016 Investment Company Fact Book (56<sup>th</sup> ed., 2016) at 22, 176, available at [https://www.ici.org/pdf/2016\\_factbook.pdf](https://www.ici.org/pdf/2016_factbook.pdf).

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

Not applicable.