

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

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-CSR¹ is a combined reporting form used by registered management investment companies (“funds”) to file certified shareholder reports under the Investment Company Act of 1940 (“Investment Company Act”)² and the Securities Exchange Act of 1934 (“Exchange Act”).³ Specifically, Form N-CSR is to be used for reports under section 30(b)(2) of the Investment Company Act⁴ and section 13(a) or 15(d) of the Exchange Act,⁵ filed pursuant to rule 30b2-1(a) under the Investment Company Act.⁶ Reports on Form N-CSR are to be filed with the Securities and Exchange Commission (“Commission”) no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act.⁷

2. Purpose and Use of the Information Collection

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. The information provided in reports on Form N-CSR may be used by the Commission in its regulatory, disclosure review, inspection, and policymaking roles. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is also for the use and benefit of investors. The information filed with the Commission permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

¹ 17 CFR 249.331 and 274.128.

² 15 U.S.C. 80a-1 *et seq.*

³ 15 U.S.C. 78a *et seq.*

⁴ 15 U.S.C. 80a-29(b)(2).

⁵ 15 U.S.C. 78m(a) and 78o(d).

⁶ 17 CFR 270.30b2-1(a).

⁷ 17 CFR 270.30e-1.

3. Consideration Given to Information Technology

The Commission's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system 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-CSR are filed with the Commission electronically on EDGAR.⁸ 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 requirements of Form N-CSR are not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁹ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for reports on Form N-CSR do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare reports on Form N-CSR may be proportionally greater than for larger funds. The Commission believes, however, that imposing different requirements on smaller funds would not be consistent with investor protection and the purposes of certified shareholder reports.

6. Consequences of Not Conducting Collection

Funds are required to file reports on Form N-CSR with the Commission no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act. 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)

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

⁸ See rule 101(a)(1)(iii)–(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iii)–(iv)].

⁹ 5 U.S.C. 601 *et seq.*

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 staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the collection of information requirements in Form N-CSR before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

9. Payment or Gift

No payment or gift to respondents was provided.

10. Confidentiality

No assurance of confidentiality was provided.

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 name and job title. 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 1995¹⁰ and are not derived from a comprehensive or even representative survey or study of the cost of Commission

¹⁰ 44 U.S.C. 3501 *et seq.*

rules and forms. Compliance with Form N-CSR is mandatory. Responses to the collection of information will not be kept confidential.

The current total annual burden hour inventory for Form N-CSR is 172,899 hours.¹¹ The hour burden estimates for preparing and filing reports on Form N-CSR are based on the Commission’s experience with the contents of the form. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the reports is performed by internal staff or outside counsel.

The Commission’s new estimate of burden hours that will be imposed by Form N-CSR is as follows:

HOUR BURDEN FOR REPORTS ON FORM N-CSR

Number of funds	11,856 ¹²
Number of filings per fund per year	2
Hour burden per fund per filing.....	7.31
Hour burden per fund per year (7.31 hours per filing × 2 filings per year)	14.62
Additional aggregate annual burden for closed-end funds	750 ¹³
Total annual hour burden	174,085 ¹⁴

In total, the Commission estimates it will take 174,085 burden hours per year for all funds to prepare and file reports on Form N-CSR. Based on the Commission’s estimate of 174,085 burden hours and an estimated wage rate of approximately \$324 per hour,¹⁵ the total internal annual cost to registrants of the hour burden for complying with Form N-CSR requirements is approximately \$56 million.¹⁶

¹¹ This estimate is based on the following calculations: 172,899 hours = (11,856 management investment companies x 14.52 hour burden per fund per year) + 750 additional hours for closed-end funds.

¹² This estimate is based on the following calculation: 11,856 management investment companies = (1,594 exchange-traded funds – eight organized as unit investment trusts + 750 closed-end funds + 481 money market funds + 9,039 other mutual funds).

¹³ This estimate is based on the following calculation: 750 hours = (750 closed-end funds x 1 hour per closed-end fund).

¹⁴ This estimate is based on the following calculation: 174,085 hours = 750 hours + (11,856 funds x 14.62 burden hours per fund per year).

¹⁵ The Commission’s estimate concerning the wage rate is based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. The estimated wage figure is based on published rates for compliance attorneys and senior programmers, modified to account for an 1,800-hour work year and

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and update filings on Form N-CSR, such as for the services of independent auditors and outside counsel. The cost burden does not include the hour burden discussed in Item 12 above. Estimates are based on the Commission's experience with the filing of reports on Form N-CSR.

We estimate that the annual cost of outside services associated with Form N-CSR is left unchanged at approximately \$132 per fund and the total annual external cost burden for Form N-CSR is \$3,129,984.¹⁷

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

15. Change in Burden

The estimated hourly burden associated with Form N-CSR has increased from 172,899 hours to 174,085 hours (an increase of 1,186 hours). This increase is primarily due to an increase in the estimated hourly burden to prepare and make each filing. The estimated cost burden associated with Form N-CSR has remained the same at \$3,129,984.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

inflation; multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead; and adjusted to account for the effects of inflation, yielding effective hourly rates of \$340 and \$308, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that compliance attorneys and senior programmers would divide their time equally, yielding an estimated hourly wage rate of \$324. ($\$340 \text{ per hour for compliance attorneys} + \$308 \text{ per hour for senior programmers} \div 2 = \324 per hour .)

¹⁶ $174,085 \text{ hours} \times \$324 \text{ per hour} = \$56,403,540 \text{ per year}$.

¹⁷ This estimate is based on the following calculation: $11,856 \text{ funds} \times \$132 \text{ per filing} \times 2 \text{ filings} = \$3,129,984$.

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.