

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
FORM N-14

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 5(c) of the Securities Act of 1933 (“Securities Act”)¹ requires a company to have filed a registration statement with the Commission before it offers securities to the public by use of the mails or other channels of interstate commerce.² Section 5(b) requires that a prospectus containing the pertinent information set forth in the registration statement be furnished to the purchaser of a security prior to or with the confirmation of sale or delivery of the security after sale, whichever comes first.³ Investment companies are required to register under Section 8(a) of the Investment Company Act of 1940 (“Investment Company Act”)⁴ and to file a registration statement under Section 8(b) of the Investment Company Act containing such information as the Commission has determined to be necessary or appropriate in the public interest or for the protection of investors.⁵

Form N-14⁶ is the form for registration under the Securities Act of securities to be issued by management investment companies registered under the Investment Company Act and business development companies as defined by Section 2(a)(48) of the Investment Company Act

¹ 15 U.S.C. 77a *et seq.*

² 15 U.S.C. 77e(c).

³ *See* Securities Act Release No. 8591 (July 19, 2005) (70 FR 44722, 44782 (Aug. 3, 2005)).

⁴ 15 U.S.C. 80a-1 *et seq.*

⁵ 15 U.S.C. 80a-8.

⁶ 17 CFR 239.23.

in: (1) a transaction of the type specified in rule 145(a) under the Securities Act;⁷ (2) a merger in which a vote or consent of the security holders of the company being acquired is not required pursuant to applicable state law; (3) an exchange offer for securities of the issuer or another person; (4) a public reoffering or resale of any securities acquired in an offering registered on Form N-14; or (5) two or more of the transactions listed in (1) through (4) registered on one registration statement. Rule 145(a) provides that submitting a proposal for certain reclassification of securities, mergers, consolidations, or transfers of assets for the vote or consent of security holders, is deemed to involve an “offer,” “offer to sell,” “offer for sale,” or “sale” of the securities to be issued in the transaction. The effect of the rule is to require registration of the securities to be issued in connection with such transactions, unless an exemption from registration is available.

On October 11, 2017, the Commission issued a release proposing amendments to certain of the Commission’s forms that are used by investment companies, including Form N-14.⁸ The Commission proposed amendments to Rule 102 of Regulation S-T to apply hyperlinking and HyperText Markup Language (“HTML”) format requirements to registrants filing Form N-14 to facilitate access to the Form’s exhibits for investors and other users of the information. Under the proposed amendments, affected registrants would be required to include a hyperlink to each exhibit identified in a filing’s exhibit index, unless the exhibit is filed in paper pursuant to a temporary or continuing hardship exemption under Rule 201 or Rule 202 of Regulation S-T, or pursuant to Rule 311 of Regulation S-T. This requirement would apply to registration statements on Form N-14. Consistent with our rules for operating companies, we are not proposing to

⁷ 17 CFR 230.145(a).

require registrants to refile electronically any exhibits filed only in paper. Under the proposed amendments, an electronic filer would also be required to correct an inaccurate or nonfunctioning link or hyperlink to an exhibit.⁹

In connection with the proposed exhibit hyperlinking requirements, the Commission is also proposing amendments to Rule 105 of Regulation S-T to require investment company registrants to make Form N-14 filings that include exhibits in HTML format. Currently, investment company registrants must submit electronic filings to the Commission using the EDGAR system in either American Standard Code for Information Interchange (“ASCII”) format or HTML format. Because the ASCII format does not support hyperlink functionality, the exhibit hyperlinking requirement would be feasible only if registrants are required to file in HTML. Under the proposed requirement, registrants would be required to file Form N-14 in HTML format. While the affected Form N-14 filings would be required to be filed in HTML pursuant to the proposed amendments to Rule 105, registrants would continue to be permitted to file in ASCII any schedules or forms that are not subject to the exhibit filing requirements, such as proxy statements, or other documents included with a filing, such as an exhibit. The proposed amendments are intended to facilitate access to these exhibits for investors and other users of the information.

2. Purpose of the Information Collection

The principal purpose of Form N-14 is to make material information regarding securities to be issued in connection with business combination transactions available to investors. The information required to be filed with the Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of such

⁸ Investment Company Act Release No. 32858 (Oct. 11, 2017) (the “Proposing Release”).

⁹ See Proposing Release at footnotes 315-18.

information. Without the registration statement requirement, material information may not necessarily be available to investors.

3. Role of Improved 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. Registration statements on Form N-14 are required to be filed electronically on EDGAR.¹⁰ 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. Prospectuses may be sent to investors by electronic means so long as certain requirements are met.¹¹

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 in Form N-14 is not generally duplicated elsewhere.

5. Effect on Small Entities

With respect to registering securities to be offered in a merger or other business combination, Form N-14 applies equally to all registrants, regardless of size. The burden on smaller investment companies may be greater than for larger investment companies. This burden includes the cost of producing, printing, filing, and disseminating prospectuses. The

¹⁰ See 17 CFR 232.101(a)(1)(i).

¹¹ See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233 (Oct. 6, 1995) [60 FR 53458 (Oct. 13, 1995)].

Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the registration statements. 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 purpose of Form N-14 is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable filers to provide investors with information necessary to evaluate an investment in the security. Less frequent filing would be inconsistent with the filing and disclosure requirements of the Securities Act and the Investment Company Act. In addition, if the form were to be filed less frequently, investors may not be provided with the information necessary to evaluate an investment in the security.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

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

8. Consultation Outside the Agency

Before adopting the proposed amendments to Form N-14, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements. Moreover, 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 paperwork burdens confronting the industry.

9. Payment or Gift to Respondents

No payment or gift to respondents was provided.

10. Assurance of Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

Form N-14 collects Personally Identifiable Information (PII). Records include information on officers, directors, principal shareholders, and certain other persons having a relationship with or transaction with a registrant. The records describe the individual's relationship to a registrant and other relevant material business information about the individual.

The records do not include Social Security Numbers. A System of Records Notice has been published in the Federal Register at 4 FR 4550 and can also be found at

<https://www.sec.gov/about/privacy/sorn/secsorn1.pdf>.

12. Estimate of Hour and Cost Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995¹² and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with the disclosure requirements of Form N-14 is mandatory. Responses to the disclosure requirements will not be kept confidential.

In our most recent Paperwork Reduction Act submission for Form N-14, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of Form N-14 is 97,280 hours and \$4,498,000.¹³ The proposed amendments to Form N-14 are expected to increase the burdens and costs for registrants to prepare and file

¹² 44 U.S.C. 3501 *et seq.*

registration statements and reports on the affected forms, but we believe the burdens associated with hyperlinking exhibits would be small.¹⁴ We assume that the average burden hours of requiring exhibit hyperlinks would vary based on the number of exhibits that are included with a filing. For purposes of the PRA, based on an estimated average and median number of exhibits filed with Form N-14 and the staff's experience, we estimate that the average burden for a registrant to hyperlink to exhibits would be one hour per response for each of the affected forms. As discussed in the Proposing Release, we are not making any adjustments to the paperwork burden of affected forms due to the proposed amendments to simplify and modernize the rules and forms governing incorporation by reference.¹⁵

The table below shows the total annual compliance burden, in hours and in costs, of the collection of information on Form N-14 resulting from the proposed amendments.¹⁶ The burden estimates were calculated by multiplying the estimated number of responses by the estimated average amount of time it would take an issuer to prepare and review the exhibit hyperlinks. The portion of the burden carried by outside professionals is reflected as a cost, while the portion of the burden carried by the issuer internally is reflected in hours. For purposes of the PRA, we estimate that 25% of the burden of preparation is carried by the registrant internally and that 75%

¹³ This estimate is based on the last time the rule's information collection was submitted for PRA renewal in 2015.

¹⁴ See Proposing Release at Section IV.B.2.c.

¹⁵ See Proposing Release at Section IV.B.3.b.

¹⁶ For convenience, the estimated hour and cost burdens in the table have been rounded to the nearest whole number.

of the burden of preparation is carried by outside professionals retained by the company at an average cost of \$400 per hour.¹⁷

Form	Proposed number of affected responses (A)	Incremental burden hours/form (B)	Total incremental burden hours (C) = (A) × (B)	25% internal burden (D) = (C) × 0.25	75% outside professional (E) = (C) × 0.75	Professional costs (F) = E × \$400
Form N-14	192	1	192	48	144	\$57,600

Additionally, of the 97,328 hours spent annually to comply with Form N-14, the Commission estimates the internal burden to be:

- Fifty percent (48,664 hours) are spent by in-house attorneys at an estimated hourly wage of \$386,¹⁸ for a total of approximately \$18,784,304 per year;¹⁹
- Forty percent (38,931 hours) are spent by senior accountants at an estimated hourly wage of \$201, for a total of approximately \$7,825,171 per year;²⁰ and
- Ten percent (9,733 hours) are spent by in-house paralegals at an estimated hourly wage of \$202, for a total of approximately \$1,966,026 per year.²¹

¹⁷ We recognize that the costs of retaining outside professionals may vary depending on the nature of the professional services, but for purposes of this PRA analysis, we estimate that such costs would be an average of \$400 per hour. These estimates are based on our estimates for the parallel requirement for operating companies

¹⁸ The Commission’s estimates concerning the allocation of burden hours and the relevant wage rates are based on consultations with industry representatives and on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association’s Office Salaries in the Securities Industry 2013. The estimated wage figures are modified by Commission staff to account for an 1800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits, overhead, and adjusted to account for the effects of inflation, yielding effective hourly rates of \$386, \$201, and \$202, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

¹⁹ 48,664 hours x \$386 per hour = \$18, 784,304.

²⁰ 38, 931 hours x \$201 per hour = \$7,825,171.

²¹ 9,733 hours x \$202 per hour = \$1,966,026.

Based on these estimated wage rates, the total cost to the industry of the hour burden for complying with Form N-14 filings is approximately \$28,617,779.²²

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing 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 these activities and related overhead.

15. Explanation of Changes in Burden

The total annual hour burden of 97,328 hours represents an increase of 48 hours over the previous burden hour estimate of 97,280 hours. In addition, the annual external cost burden of \$4,555,600 represents an increase of \$57,600 over the previous annual external cost burden estimate of \$4,498,000. The changes in burden hours and external cost burdens are due to the staff's estimates of the time costs and external costs that would result from our proposed amendments.

16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

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

The Commission is not seeking an exception to the certification statement.

²² \$18,784,304 + \$7,825,171 + \$1,966,026 = \$28,575,501.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.