

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

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-Q (17 CFR 249.332 and 274.130) is a reporting form used by registered management investment companies, other than small business investment companies registered on Form N-5 (“funds”), under Section 30(b) of the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”). Pursuant to Rule 30b1-5 under the Investment Company Act,¹ funds are required to file quarterly reports with the Commission on Form N-Q not more than 60 days after the close of the first and third quarters of each fiscal year containing their complete portfolio holdings. Additionally, fund management is required to evaluate the effectiveness of the fund’s disclosure controls and procedures within the 90-day period prior to the filing of a report on Form N-Q,² and such report must also be signed and certified by the fund’s principal executive and financial officers.³

2. Purpose and Use of the Information Collection

The purpose of Form N-Q is to require funds to report their complete portfolio schedules as of the end of their first and third fiscal quarters. The required certification of the financial information in Form N-Q is consistent with the intent of the certification requirement of Section 302 of the Sarbanes-Oxley Act,⁴ which is to improve the quality of the disclosure that a company provides about its financial condition in its periodic reports to investors. Failure to collect this

¹ 17 CFR 270.30b1-5.

² 17 CFR 270.30a-3(b).

³ 17 CFR 270.30a-2(a).

information would impede the Commission's regulatory program and investors' access to portfolio holdings information on a more frequent basis than semi-annually. The information required to be filed with the Commission permits verification of compliance with securities law requirements and assures public availability of the information.

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 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-Q are required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(iii) and (iv)). The public may access filings on EDGAR through the Commission's Internet 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 a change in a rule.⁵ The requirements of Form N-Q are not generally duplicated elsewhere.

5. Effect on Small Entities

⁴ 15 U.S.C. 7241.

⁵ Pursuant to Investment Company Reporting Modernization, Rel. No. IC-32936 (Dec. 8, 2017), Form N-Q is rescinded on May 1, 2020.

Form N-Q does not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file reports on the form may be greater than for larger funds. This burden includes the cost of producing and filing the reports. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection. 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

Funds are required to file their portfolio schedules for the first and third fiscal quarters on Form N-Q. Funds are also required to file their portfolio holdings schedules with the Commission for the second and fourth fiscal quarters as part of their shareholder reports. Reports on Form N-Q provide investors with current information necessary to evaluate an investment in the fund. 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)

Not applicable.

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 paperwork burdens confronting the industry. The Commission requested public comment on the collection of information requirements in Form N-Q 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

Not applicable.

10. Confidentiality

Not applicable.

11. Sensitive Questions

No PII collected/not applicable.

12. Burden of Information Collection

The following internal hour burden estimates for preparing and filing reports on Form N-Q 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 form is performed by internal staff or outside counsel. The estimated average burden hours are made solely for purposes of the Paperwork Reduction Act and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms.

We estimate that there are 11,960 funds required to file reports on Form N-Q. Based on staff experience and conversations with industry representatives, we estimate that it takes approximately 26 hours per fund to prepare reports on Form N-Q annually.⁶ Accordingly, we estimate that the total annual burden associated with Form N-Q is 310,960 hours (26 hours per fund x 11,960 funds) per year.

⁶ This figure is consistent with our previous estimate of 26 hours per fund.

The Commission estimates that the appropriate compensation rate for professionals commonly used in the preparation of Form N-Q reports is \$352 per hour.⁷ Based on this estimate, the total cost to the fund industry of the hour burden is approximately \$109,457,920.⁸

13. Cost to Respondents

The Commission estimates that there are no external costs associated with reports on Form N-Q.

14. 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 \$22.2 million in fiscal year 2017, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. A portion of those costs relate to processing and reviewing Form N-Q reports filed with the Commission.

15. Changes in Burden

The total annual hour burden of 310,960 hours represents an increase 15,912 hours over the previous burden hour estimate of 295,048 hours. This increase is primarily due to an increase in the estimated number of funds filing Form N-Q reports per year.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

Not applicable.

⁷ The estimated wage figure is based on published rates for Compliance Attorneys (\$352) in SIFMA's Management & Professional Earnings in the Securities Industry 2013, 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.

⁸ This estimate is based on the following calculation: \$352 per hour x 310,960 hours = \$109,457,920.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.