

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-1A

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-1A (17 CFR 239.15A and 274.11A) is the form used by open-end management investment companies (“funds”) to register under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a fund to register as an investment company. Form N-1A also permits funds to provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about the fund when it makes an initial or additional offering of its securities. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities.

On June 28, 2018, the Commission issued a release adopting amendments to Form N-1A related to liquidity disclosures.¹ The Commission amended Form N-1A to require funds to discuss certain aspects of their liquidity risk management program as

¹ Investment Company Liquidity Disclosure, Investment Company Act Release No.33142 (June 28, 2018) [83 FR 31859 (July 10, 2018)] (the “Adopting Release”).

part of their reports to shareholders.² Specifically, the amendments require a fund to discuss the operation and effectiveness of their liquidity risk management program over the period covered.³ The Commission believes that this amendment will provide effective disclosure that better informs investors of how the fund's liquidity risk and liquidity risk management practices affect their investment than the Form N-PORT public liquidity risk profile.

2. Purpose and Use of the Information Collection

The title for the collection of information is: Form N-1A under the Investment Company Act of 1940 and Securities Act of 1933, Registration Statement of Open-End Management Investment Companies.” The purpose of Form N-1A is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable funds to provide investors with information necessary to evaluate an investment in the fund. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, 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 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 their filings to the Commission electronically. EDGAR has increased the speed,

² See Adopting Release at footnote 24.

³ See new Item 27(d)(7)(b) of Form N-1A.

accuracy and availability of information, generating benefits to investors and financial markets. All funds have been required to use EDGAR for their disclosure filings since November 6, 1995. Form N-1A is required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(i) and (iv)). 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. Prospectuses and SAIs may be sent to investors by electronic means so long as the fund meets certain requirements.⁴

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it adopts changes in its rules. The requirements of Form N-1A are not generally duplicated elsewhere.

5. Effect on Small Entities

The current disclosure requirements for reports on Form N-1A do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file registration statements may be greater than for larger funds. The 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.

⁴ See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233, Exchange Act Release No. 36345, Investment Company Act Release No. 21399 (Oct. 6, 1995) (60 FR 53458 (Oct. 13, 1995)).

6. Consequences of Not Conducting Collection

The Investment Company Act requires that funds file annual amendments to their registration statements. 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 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 proposed amendments to Form N-1A and related information collection requirements before it submitted this request for revision and approval to the OMB.

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 and work addresses. 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

Open-end funds register as investment companies under the Investment Company Act and register their securities under the Securities Act on Form N-1A. Compliance with the disclosure requirements of Form N-1A is mandatory. Form N-1A generally imposes two types of reporting burdens on investment companies: (i) the burden of preparing and filing the initial registration statement; and (ii) the burden of preparing and filing post-effective amendments to a previously effective registration statement (including post-effective amendments filed pursuant to rule 485(a) or 485(b) under the Securities Act, as applicable). Compliance with the disclosure requirements of Form N-1A is mandatory. Responses to the disclosure requirements will not be kept confidential.

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995⁵ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. In our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated the annual compliance burden to comply with the collection

⁵ 44 U.S.C. 3501 *et seq.*

of information requirement of Form N-1A to be 1,602,751 hours, and the total annual external cost burden is \$131,139,208.⁶

We estimate that, as a result of the amendments to Form N-1A, each fund would incur a one-time burden of an additional five hours, to draft and finalize the required disclosure and amend its registration statement. In aggregate, we estimate that funds would incur a one-time burden of an additional 54,890 hours,⁷ to comply with the new Form N-1A disclosure requirements. Amortizing the one-time burden over a three-year period results in an average annual burden of an additional 18,296.7 hours.⁸

Additionally, we estimate that each fund would incur an ongoing burden of an additional 2.5 hours each year to review and update the required disclosure and amend its registration statement. In aggregate, we estimate that funds would incur an annual burden of an additional 27,445 hours,⁹ to comply with the new shareholder report disclosure requirements in Form N-1A.

Amortizing these one-time and ongoing hour and cost burdens over three years results in an average annual increased burden of approximately 3.3 hours per fund.¹⁰

⁶ This estimate is based on the last time the rule's information collection was submitted for PRA renewal in 2018.

⁷ This estimate is based on the following calculations: 5 hours × 10,978 open-end funds (excluding money market funds and ETFs organized as UITs, and including ETFs that are management investment companies) = 54,890 hours. We estimate that there are 8 ETFs organized as UITs as of December 31, 2017.

⁸ This estimate is based on the following calculation: 54,890 hours ÷ 3 = 18,296.7 average annual burden hours.

⁹ This estimate is based on the following calculation: 2.5 hours x 10,978 open-end funds (excluding money market funds and ETFs organized as UITs, and including ETFs that are management investment companies) = 27,445 hours.

¹⁰ This estimate is based on the following calculation: 5 burden hours (year 1) + 2.5 burden hours (year 2) + 2.5 burden hours (year 3) ÷ 3 = 3.3.

In total, we estimate that funds will incur an average annual increased burden of approximately 45,741.7 hours,¹¹ to comply with the shareholder report disclosure requirements.

13. Cost to Respondents

In our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated the annual cost burden to comply with the collection of information requirement of Form N-1A is \$131,139,208.¹² The staff estimates that the amendments to Form N-1A do not impose any material cost burdens on funds, apart from the cost of the burden hours discussed above.

14. Cost to the 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 \$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.

15. Change in Burden

The total annual hour burden of 1,642,490.7 hours represents an increase of 45,741.7 hours over the previous burden hour estimate of 1,596,749 hours. The changes in burden hours are due to the staff's estimates of the time costs that would result from our amendments to Form N-1A regarding liquidity disclosures.

16. Information Collection Planned for Statistical Purposes

¹¹ This estimate is based on the following calculation: 18,296.7 hours + 27,445 hours = 45,741.7 hours.

¹² This estimate is based on the last time the rule's information collection was submitted for PRA renewal in 2018.

Not Applicable.

17. Approval to Omit OMB Expiration Date

Not Applicable.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not Applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not Applicable.