

**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....”

Form N-CEN is a structured form that requires registered funds to provide census-type information to the Commission on an annual basis.<sup>1</sup> Filers must submit this report electronically using the Commission’s electronic filing system (“EDGAR”) in Extensible Markup Language (“XML”) format. This collection of information is mandatory for all registered funds, and responses will not be kept confidential.

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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”).

On June 28, 2018, the Commission issued a release proposing amendments to Form N-CEN, relating to proposed new rule 6c-11 under the Investment Company Act.<sup>2</sup> Proposed rule 6c-11 would permit exchange-traded funds (“ETFs”) that satisfy certain conditions to operate without obtaining an exemptive order. In relevant part, the proposed Form N-CEN amendments would require ETFs to report whether they are relying on rule 6c-11.<sup>3</sup>

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

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.

## **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

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<sup>2</sup> See Exchange-Traded Funds, Investment Company Act Release No. 33140 (June 28, 2018) (the “ETF Release”).

<sup>3</sup> See proposed Item C.7.k. of Form N-CEN.

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 also requested public comment on changes in information collection requirements related to the proposed Form N-CEN

amendments in the ETF Release 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, 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**

We previously estimated that the Commission would receive an average of 3,113 reports on Form N-CEN.<sup>4</sup> We further estimated the total aggregate annual hour burden to be 74,425 hours.

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<sup>4</sup> See Reporting Modernization Adopting Release at text accompanying n.1524.

We estimate in the ETF Release that, based on Commission staff experience, we believe that our proposal to require ETFs to report if they are relying on rule 6c-11 would increase the estimated burden hours associated with Form N-CEN by approximately 0.1 hours, both initially and on an ongoing basis.<sup>5</sup> Therefore, in the aggregate, we estimate that ETFs would incur an annual burden of an additional 163.5 hours to comply with the proposed amendments to Form N-CEN,<sup>6</sup> for a new annual aggregate total of 74,588.5 hours.<sup>7</sup> The monetized value of these 74,588.5 burden hours is estimated to be \$25.02 million.<sup>8</sup>

### **13. Cost to Respondents**

The Commission previously estimated, with respect to the initial filing of a report on Form N-CEN, an external cost of \$219 per fund and, with respect to subsequent

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<sup>5</sup> This estimate stems from the Commission staff's understanding of the time it takes to complete initially complete and review items on Form N-CEN.

<sup>6</sup> This estimate is based on the following calculation: 0.1 hours x 1,635 ETFs = 163.5 hours.

<sup>7</sup> This estimate is based on the following calculation: 74,425 hours + 163.5 hours = 74,588.5 hours.

<sup>8</sup> The Commission estimates the wage rate associated with these burden hours 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 senior programmers and compliance attorneys, modified to account for an 1,800-hour work year; 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 \$319 and \$352, respectively. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that senior programmers and compliance attorneys would divide their time equally, yielding an estimated hourly wage of \$335.50. ( $\$319 \text{ per hour for senior programmers} + \$3352 \text{ per hour for compliance attorneys}$ )  $\div 2 = \$335.50 \text{ per hour}$ . Based on the Commission's estimate of 74,588.5 burden hours per year and the estimated wage rate of \$335.50 per hour, the total annual paperwork expenses for funds associated with the internal hour burden imposed by the reporting requirements of Form N-CEN are about \$25.02 million. This estimate is based upon the following calculation:  $74,588.5 \text{ hours per year} \times \$335.50 \text{ per hour} = \$25.02 \text{ million}$ .

filings, an annual external cost of \$119 per fund.<sup>9</sup> We estimated that the amortized annual external cost per fund would be \$152.33.<sup>10</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>11</sup> In sum, we estimated that all applicable funds will incur, in the aggregate, external annual costs of \$2,088,176.<sup>12</sup>

We estimate in the ETF Release that the proposed amendments to Form N-CEN would impose no additional external costs associated with this collection of information.

#### **14. Costs to Federal Government**

We previously estimated that 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.

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<sup>9</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>10</sup> This estimate is based on the following calculation:  $\$219 + (2 \text{ years} \times \$119) / 3 = \$152.33$ .

<sup>11</sup> *See* Items B.1.d. and C.1.c. of Form N-CEN (requiring LEI for the registrant and each management investment company).

<sup>12</sup> This estimate is based on the following calculation: \$152 per registrant or fund per year  $\times$  (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  $\times$  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).

More recently, we estimated that 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. We estimate that the proposed amendments to Form N-CEN, however, would impose no additional costs to the federal government associated with this collection of information.

**15. Changes in Burden**

The estimated change in burden for the collection of information for Form N-CEN associated with the proposed amendments to Form N-CEN in the ETF Release is an increase of 163.5 hours. We estimate that the proposed amendments to Form N-CEN would impose no additional external costs associated with this collection of information.

**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.

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

Not applicable.