

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.

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

3. Consideration Given to Information Technology

The Commission’s Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”) automates the filing, processing, and dissemination of full disclosure filings. This

⁷ 17 CFR 230.145(a).

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.⁸ 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.⁹

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 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 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.

⁸ See 17 CFR 232.101(a)(1)(i).

⁹ See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233 (Oct. 6, 1995) [60 FR 53458 (Oct. 13, 1995)].

6. Consequences of Not Conducting 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

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 of Form N-14 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, job title, work address, and telephone number. 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 January 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 rules and forms. Compliance with the disclosure requirements of Form N-14 is mandatory. Responses to the disclosure requirements will not be kept confidential.

We estimate that approximately 156 funds each file one new registration statement on Form N-14 annually, and that 97 funds each file one amendment to a registration statement on Form N-14 annually.¹¹ Based on conversations with fund representatives and the Commission's experience with the filing and amending of Form N-14 and with disclosure documents generally, we estimate that the reporting burden of compliance with Form N-14 is approximately 620 hours

¹⁰ 44 U.S.C. 3501 *et seq.*

per respondent for a new Form N-14 registration statement, and 300 hours per respondent for amending the Form N-14 registration statement. This time is spent, for example, preparing and reviewing the registration statements. Accordingly, we calculate the total estimated annual internal burden of responding to Form N-14 to be approximately 125,820 hours.¹² The average burden per response is 497.31 hours (125,820 burden hours ÷ 253 responses).

Of the 125,820 hours spent annually to comply with Form N-14, the Commission estimates that:

- Fifty percent (62,910 hours) are spent by in-house attorneys at an estimated hourly wage of \$401,¹³ for a total of approximately \$25,226,910 per year;¹⁴
- Forty percent (50,328 hours) are spent by senior accountants at an estimated hourly wage of \$209, for a total of approximately \$10,518,552 per year;¹⁵ and
- Ten percent (12,582 hours) are spent by in-house paralegals at an estimated hourly wage of \$210, for a total of approximately \$2,642,220 per year.¹⁶

¹¹ These estimates are based on a staff analysis of the average number of filings submitted over the years 2015, 2016, and 2017.

¹² (156 new Form N-14 registration statements x 620 hours per new N-14 registration statement) + (97 amendments to Form N-14 registration statements x 300 hours per amendment) = 125,820 hours.

¹³ The Commission's estimates concerning the allocation of burden hours are based on consultations with industry representatives. Estimates of the relevant wage rates are based 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. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

¹⁴ 62,910 hours x \$401 per hour = \$25,226,910.

¹⁵ 50,328 hours x \$209 per hour = \$10,518,552.

¹⁶ 12,582 hours x \$210 per hour = \$2,642,220.

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 \$38,387,682.¹⁷

Table 1: Summary of Revised Annual Responses, Burden Hours, and Burden Hour Costs Estimates for Each Information Collection

IC	IC Title	No. of Responses	Burden Hours	Burden Hour Costs
IC1	Form N-14	253	125,820	\$38,387,682
	Totals for all ICs	253	125,820	\$38,387,682

13. Cost to Respondents

The cost of compliance will vary considerably depending on factors such as whether a filing is a new registration statement or an amendment to a previously filed Form N-14; whether the contemplated merger or business combination presents novel or complex legal issues or is similar to other mergers; and whether amendments are required in response to staff comments.

Based on conversations with fund representatives, we estimate that the total cost burden of compliance with the information collection requirements of Form N-14 is approximately \$27,500 for preparing and filing an initial registration statement on Form N-14 and approximately \$16,000 for preparing and filing an amendment to a registration statement on Form N-14. This includes, for example, the cost of goods and services purchased to prepare and update registration statements on Form N-14, such as for the services of outside counsel. Accordingly, we calculate the total estimated annual cost burden of responding to Form N-14 to

¹⁷ \$25,226,910 + \$10,518,552 + \$2,642,220 = \$38,387,682.

be approximately \$5,842,000.¹⁸ The cost burden does not include the cost of the hour burden discussed in Item 12 above.

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 these activities and related overhead.

15. Changes in Burden

The estimates represent an increase of 28,540 hours in internal burden and an increase of \$1,344,000 in external costs per year. These changes are due to an increase in the estimated number of annual responses on Form N-14.

16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

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 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.

¹⁸ (156 new Form N-14 registration statements x \$27,500 per new N-14 registration statement) + (97 amendments to Form N-14 registration statements x \$16,000 per amendment) = \$5,842,000.