

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.¹ 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.

¹ 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 December 19, 2018, the Commission issued a release proposing amendments to Form N-CEN, relating to proposed new rule 12d1-4 under the Investment Company Act.² Proposed rule 12d1-4 would permit registered funds and BDCs that satisfy certain conditions to acquire shares of another fund in excess of the limits of section 12(d)(1) of the Investment Company Act without obtaining an exemptive order from the Commission. In relevant part, the proposed Form N-CEN amendments would require management companies and unit investment trusts (“UITs”) to report whether they relied on section 12(d)(1)(G) of the Investment Company Act or rule 12d1-4 during the reporting period to participate in a fund of funds arrangement (“FOF”).³

2. Purpose and Use of the Information Collection

Form N-CEN contains “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.

² See Fund of Funds Arrangements, Investment Company Act Release No. 33329 (December 19, 2018) (the “FOF Release”).

³ See proposed Items C.7.l. and C.7.m. of Form N-CEN (relating to management companies) and proposed Items F.18 and F.19 of Form N-CEN (relating to UITs).

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 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 FOF 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.⁴ We further estimated the total aggregate annual hour burden to be 74,425 hours.

We estimate in the FOF Release that, based on Commission staff experience, we believe that our proposal to require management companies and UITs to report if they are relying on section 12(d)(1)(G) or rule 12d1-4 during the reporting period would increase the estimated burden hours associated with Form N-CEN by approximately 0.1 hours,⁵ both initially and on an ongoing basis.⁶ Therefore, in the aggregate, we estimate that management companies and UITs would incur an annual burden of an additional 303.8 hours to comply with the proposed amendments to Form N-CEN,⁷ for a new annual aggregate total of 74,728.8 hours.⁸ The monetized value of these 74,728.8 burden hours is estimated to be \$25.07 million.⁹

⁴ See Reporting Modernization Adopting Release at text accompanying n.1524.

⁵ 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.

⁶ We also have revised our estimate of the number of reports on Form N-CEN per year down from 3,113 reports to 3,038 reports to reflect updates to the industry data figures that were utilized in the Reporting Modernization Release. This estimate is based on the number of entities as of December 2017 that we expect will be required to make filings on Form N-CEN. See Reporting Modernization Adopting Release, *supra* footnote 1 at text accompanying n.1524.

⁷ This estimate is based on the following calculation: 0.1 hours x 3,038 filers = 303.8 hours.

⁸ This estimate is based on the following calculation: 74,425 hours + 303.8 hours = 74,728.8 hours.

⁹ 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 per hour for senior programmers + \$3352 per hour for compliance attorneys) ÷ 2 = \$335.50 per hour. Based on the Commission's estimate of 74,728.8 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 \$25.07

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
ICI	Form N-CEN	3,038	74,728.8	\$25,070,000
	Totals for all ICs	3,038	74,728.8	\$25,070,000

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 filings, an annual external cost of \$119 per fund.¹⁰ We estimated that the amortized annual external cost per fund would be \$152.33.¹¹ 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.¹² In sum, we estimated that all applicable funds will incur, in the aggregate, external annual costs of \$2,088,176.¹³

million. This estimate is based upon the following calculation: 74,728.8 hours per year × \$335.50 per hour = \$25.07 million.

¹⁰ 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.

¹¹ This estimate is based on the following calculation: $\$219 + (2 \text{ years} \times \$119) / 3 = \$152.33$.

¹² See Items B.1.d. and C.1.c. of Form N-CEN (requiring LEI for the registrant and each management investment company).

¹³ This estimate is based on the following calculation: \$152 per registrant or fund per year × (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 × 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

We estimate in the FOF Release that the proposed amendments to Form N-CEN would impose no additional external costs associated with this collection of information. Based on the updated number of respondents discussed above,¹⁴ we now estimate that estimated that all applicable funds will incur, in the aggregate, external annual costs of \$2,076,776, a reduction of \$11,400.¹⁵

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 \$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 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 FOF Release is an increase of 303.8 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.

COMPANY FACT BOOK (56th ed., 2016) at 22, 176, *available at* https://www.ici.org/pdf/2016_factbook.pdf.

¹⁴ See *supra* footnote 6.

¹⁵ This estimate is based on the following calculation: \$2,088,176 per year – (\$152 per registrant or fund per year × 75 fewer reports) = \$2,076,776 per year.

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.