

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-8B-2

A. JUSTIFICATION

1. Necessity for the Information Collection

Unit investment trusts (“UITs”) are required to register with the Securities and Exchange Commission (“Commission”) as investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 *et seq.*) (the “Investment Company Act”). Section 8(b) of the Investment Company Act (15 U.S.C. 80a-8(b)) provides that each registered investment company must file a registration statement with the Commission that includes certain information about the company and recites the company’s policies on certain significant matters. UITs other than separate accounts that are currently issuing securities, including UITs that are issuers of periodic payment plan certificates and UITs of which a management investment company is the sponsor or depositor, satisfy this requirement by filing on Form N-8B-2. Among other items, this Form requires disclosure about the organization of a UIT, its securities, the personnel and affiliated persons of the depositor, distribution and redemption of securities, the trustee or custodian, and financial statements.

UITs also may be required to register offerings of securities with the Commission 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 that, unless an exemption is available, a registration statement be filed before any securities are offered to the public by use of the mails or other facilities of interstate commerce, and that the statement be declared effective before any securities are sold. The purpose of the registration statement is not to gather information for the Commission to use,

but rather to provide disclosure of financial and other information on the basis of which investors may make informed decisions regarding the merits of the securities being offered for sale. To that end, section 5(b) of the Securities Act (15 U.S.C. 77e(b)) requires that investors be furnished a prospectus containing material information along with or prior to the confirmation of sale or delivery of securities, whichever occurs first. UITs that are required to file on Form N-8B-2 to register under the Investment Company Act satisfy the requirements imposed under the Securities Act by filing a registration statement on Form S-6. This form requires a prospectus that includes much of the information required in Form N-8B-2 and certain financial statements for the trust, in addition to undertakings by the UIT to file, among other things, periodic reports with the Commission.

For UITs that are required to file on Form N-8B-2 to register under the Investment Company Act, the Commission has yet to adopt an integrated registration form satisfying the requirements of the Securities Act and the Investment Company Act. Absent an integrated disclosure system, filings on Form N-8B-2 serve as the only means by which such UITs can satisfy the filing and disclosure requirements imposed by section 8(b) of the Investment Company Act.

On June 28, 2018, the Commission issued a release proposing amendments to Form N-8B-2 to include disclosures designed to provide investors who purchase shares of exchange-traded funds structured as UITs (“UIT-ETFs”) in secondary market transactions with information regarding UIT-ETFs, including information regarding costs associated with an investment in UIT-

ETFs.¹ Specifically, the proposed amendments to Form N-8B-2 would require new disclosures regarding UIT-ETF-related costs, such as bid-ask spreads, brokerage commissions for buying and selling shares of a UIT-ETF through a broker-dealer, and potential costs related to purchasing UIT ETF shares at a premium or discount to the UIT-ETF's net-asset value ("NAV") per share.²

The Commission believes that the proposed amendments will provide effective disclosure that better informs investors regarding the costs of investing in UIT-ETFs.

2. Purpose and Use of the Information Collection

The purpose of Form N-8B-2 is to satisfy the filing and disclosure requirements of the Investment Company Act. This information collection differs from many other federal information collections, which are primarily for the use and benefit of the collecting agency. The information required to be filed with the Commission assures the public availability and dissemination of the information and permits verification of compliance with Investment Company Act requirements.

¹ Exchange-Traded Funds, Investment Company Act Release No. 33-10515 (June 28, 2018) [83 FR 37332 (July 31, 2018)] (the "Proposing Release").

² *See generally* Proposing Release, sections II.I. ("Amendments to Form N-8B-2") and II.H. ("Amendments to Form N-1A").

3. Consideration Given to Information Technology

The Commission's electronic filing system, called "EDGAR" (for Electronic Data Gathering, Analysis and Retrieval), automates the filing, processing, and dissemination of all disclosure filings. EDGAR permits publicly-held companies to transmit their filings to the Commission electronically. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. All UITs filing Form N-8B-2 are required to use EDGAR to make such filings.³

4. Duplication

Form S-6, the form used by certain UITs to register their securities under the Securities Act, requires a prospectus that includes much of the information requested in Form N-8B-2. To eliminate presenting duplicative information in the registration forms used by those UITs, the Commission has proposed⁴ and repropoed,⁵ but has not yet adopted, Form N-7, an integrated disclosure form under the Securities Act and the Investment Company Act.

Other than the information required in Form S-6, the Commission believes that there are no federal rules duplicating, overlapping, or conflicting with Form N-8B-2.

³ See rule 101(a)(iv) of Regulation S-T [17 CFR 232.101(a)(iv)].

⁴ Investment Company Act Release No. 14513 (May 14, 1985) (50 FR 21282 (May 23, 1985)).

⁵ Investment Company Act Release No. 15612 (Mar. 9, 1987) (52 FR 8268 (Mar. 17, 1987)).

5. Effect on Small Entities

The current disclosure requirements for registration statements do not distinguish between small entities and other investment companies. The burden on smaller investment companies to prepare and file registration statements may be greater than for larger investment companies. The Commission believes, however, that it would not be in the best interest of investors to reduce the reporting and recordkeeping requirements for small entities.

6. Consequences of Not Conducting Collection

Section 8(b) of the Investment Company Act requires each registered investment company to file an initial registration statement with the Commission that includes certain information about the company and recites the company's policies on certain significant matters. Absent information collection on Form N-8B-2, UITs required to file on Form N-8B-2 to register under the Investment Company Act would fail to satisfy this legal requirement. Each UIT subject to the Form N-8B-2 filing requirement is required to file Form N-8B-2 only once and does not file post-effective amendments to Form N-8B-2.⁶

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

⁶ See also *infra* note 7 and accompanying text.

confronting the industry. The Commission requested public comment on the proposed amendments to Form N-8B-2 and related information collection requirements in the Proposing Release. Before adopting the proposed amendments to Form N-8B-2, the Commission will evaluate the public comments it receives regarding the proposal and its collection of information requirements.

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 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 1995 (44 U.S.C. 3501 et seq.) and are not derived from a

quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms. The information provided on Form N-8B-2 is mandatory. The information provided on Form N-8B-2 will not be kept confidential.

Each registrant subject to the Form N-8B-2 filing requirement files Form N-8B-2 for its initial filing and does not file post-effective amendments on Form N-8B-2. Rather, they use Form S-6 to file all post-effective amendments to their registration statements in order to update their prospectuses.⁷ In our most recent Paperwork Reduction Act submission for Form N-8B-2, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of Form N-8B-2 to be 10 burden hours (based on staff estimates of one respondent per year, one filing per respondent, and 10 hours per filing).⁸

We estimate that, as a result of the proposed amendments to Form N-8B-2, each newly created UIT-ETF would incur a one-time burden of an additional 20 hours, at a time cost of an additional \$6,710⁹ to comply with the proposed amendments and complete Form N-8B-2.¹⁰ In addition, based on the staff's estimate of one newly created UIT-ETF per year, we estimate that, in the aggregate, newly created UIT-ETFs would incur a one-time burden of an additional 20

⁷ Form S-6 incorporates by reference the disclosure requirements of Form N-8B-2 and allows UITs to meet the filing and disclosure requirements of the Securities Act.

⁸ This estimate is based on the last time the rule's information collection was submitted for PRA renewal in 2018.

⁹ This estimate is based on the following calculation: 20 hours x \$335.50 (blended rate for a compliance attorney (\$352) and a senior programmer (\$319)) = \$6,710. These per-hour figures are from 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.

¹⁰ Although no new UIT-ETFs have come to market since 2002, for purposes of calculating the time and cost burdens associated with completing Form N-8B-2, we estimate that 1 UIT-ETF will be created annually.

hours, at a time cost of an additional \$6,710, to comply with the proposed amendments and complete Form N-8B-2. Amortizing the one-time burden for newly created UIT-ETFs over a three-year period results in an average annual burden of an additional 7 hours (rounded to the nearest whole hour from 6.67 hours), at a time cost of an additional \$2,237.00 (rounded to the nearest dollar from \$2,236.67). Table 1 below summarizes these revisions to the annual responses, burden hours and burden-hour costs.

Table 1
Revisions to the Annual Responses, Burden Hours, and Burden-Hour Costs

Information Collection	Annual No. of Responses			Annual Time Burden			Annual Time Cost		
	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>
Completion of Form N-8B-2 as amended	1	1	0	10 hours	17 hours	7 hours	\$10,000	\$12,237	\$2,237

13. Cost to Respondents

The preparation and filing of Form N-8B-2 will not require any investment in capital equipment. The total external cost burden associated with the preparation and filing of Form N-8B-2 is the cost of services purchased to prepare Form N-8B-2. Commission staff estimates that the external cost burden per filing of preparing and filing Form N-8B-2 is \$10,000. As discussed above, staff estimates that approximately one respondent files one Form N-8B-2 filing annually with the Commission, and therefore the total cost burden of preparing and filing Form N-8B-2 is \$10,000 (1 respondent x one filing per respondent x \$10,000 per filing). This cost burden does not include the annual time cost discussed in item 12. We do not estimate any change to the external cost burden associated with the proposed amendments to Form N-8B-2.

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.

15. Changes in Burden

The estimated burden hours associated with preparing and filing registration statements on Form N-8B-2 has increased from the current allocation of 10 hours to 16.67 hours, an increase of 6.67 hours. This increase is due to the staff's estimate of the time costs that would result from our proposed amendments to Form N-8B-2 for UIT-ETFs.

The estimated annual external cost burden associated with preparing and filing registration statements on Form N-8B-2 has not changed.

16. Information Collection Planned for Statistical Purposes

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.