

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Rule 20a-1**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Rule 20a-1 (17 CFR 270.20a-1) was adopted under Section 20(a) of the Investment Company Act of 1940 (“1940 Act”) (15 U.S.C. 80a-20(a)) and concerns the solicitation of proxies, consents, and authorizations with respect to securities issued by registered investment companies (“Funds”).

Rule 20a-1 under the 1940 Act (15 U.S.C. 80a-1 et seq.) requires that the solicitation of a proxy, consent, or authorization with respect to a security issued by a Fund be in compliance with Regulation 14A (17 CFR 240.14a-1 et seq.), Schedule 14A (17 CFR 240.14a-101), and all other rules and regulations adopted pursuant to section 14(a) of the Securities Exchange Act of 1934 (“1934 Act”) (15 U.S.C. 78n(a)). It also requires, in certain circumstances, a Fund’s investment adviser or a prospective adviser, and certain affiliates of the adviser or prospective adviser, to transmit to the person making the solicitation the information necessary to enable that person to comply with the rules and regulations applicable to the solicitation. In addition, rule 20a-1 instructs Funds that have made a public offering of securities and that hold security holder votes for which proxies, consents, or authorizations are not being solicited, to refer to section 14(c) of the 1934 Act (15 U.S.C. 78n(c)) and the information statement requirements set forth in the rules thereunder.

The types of proposals voted upon by Fund shareholders include not only the typical matters considered in proxy solicitations made by operating companies, such as

the election of directors, but also include issues that are unique to Funds, such as the approval of an investment advisory contract and the approval of changes in fundamental investment policies of the Fund. Through rule 20a-1, any person making a solicitation with respect to a security issued by a Fund must, similar to operating company solicitations, comply with the rules and regulations adopted pursuant to Section 14(a) of the 1934 Act. Some of those Section 14(a) rules and regulations, however, include provisions specifically related to Funds, including certain particularized disclosure requirements set forth in Item 22 of Schedule 14A under the 1934 Act.

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

Rule 20a-1 is intended to ensure that investors in Fund securities are provided with appropriate information upon which to base informed voting decisions regarding the actions for which Funds solicit proxies. Also, proxy information filed with the Commission permits verification of compliance with securities law information and assures the public availability and dissemination of such 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. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. All Funds are required to use EDGAR for filing most documents with the Commission. Proxy statements that comply with rule 20a-1 are required to be submitted to the Commission on EDGAR to the extent filing with the Commission is

required by rule 14a-6 under the 1934 Act (17 CFR 240.14a-6). 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. In addition, rule 14a-3 under the 1934 Act (17 CFR 240.14a-3) requires Funds to make certain proxy statements available electronically to shareholders on publicly accessible websites.

#### **4. Duplication**

Rule 20a-1 does not call for duplicative, overlapping, or conflicting disclosure. The Commission staff reviews the collection of information requirements on an ongoing basis to find and eliminate duplicative requirements.

#### **5. Effect on Small Entities**

The Commission staff reviews all rules periodically, as required by the Regulatory Flexibility Act of 1980 (5 U.S.C. 601-612), to identify methods to minimize recordkeeping or filing requirements affecting small businesses. Rule 20a-1 does not distinguish between small entities and other entities. The burden for smaller Funds related to proxy solicitation may be greater than for larger Funds due to economies of scale.

#### **6. Consequences of Not Conducting Collection**

The information required by rule 20a-1 under the 1940 Act and Schedule 14A under the 1934 Act is given to shareholders and filed with the Commission only when proxies are solicited for a shareholder meeting, usually less than once each year. Because the Commission does not have authority over the frequency of shareholder meetings, it cannot require less frequent collection unless it does not require the collection with respect to every proxy solicitation. Not requiring disclosure of the information required

by rule 20a-1 and Schedule 14A in proxy statements would harm investors by denying them information that may be useful in making decisions, such as with regard to the election of directors.

**7. Inconsistencies With Guidelines in 5 CFR 1320.5(d)(2)**

Not applicable.

**8. Consultation Outside the Agency**

On occasion, the rules under the 1934 and 1940 Acts have been amended to improve disclosure requirements. Comments on the proxy rules are generally received from registrants, the legal and accounting professions, and other interested parties. In addition, the Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the Fund industry through public conferences, meetings and informal exchanges. These various forums provide the Commission with sufficient information for acting upon paperwork burdens confronting the industry.

The Commission requested public comment on the collection of information requirements in rule 20a-1 before it submitted this request for extension to the Office of Management and Budget. The Commission received no comments in response to its request.

**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 these collections of information. The information collections collect basic Personally Identifiable Information (PII) that may include name and job title. However, the agency has determined that the information collections do 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**

Proxy statements filed by Funds must comply with rule 20a-1 under the 1940 Act. The staff currently estimates that approximately 1,333 proxy statements are filed by Funds annually.

Based on staff estimates and information from the industry, the staff estimates that the average annual burden associated with the preparation and submission of proxy statements is 85 hours per response, for a total annual burden of 113,305 hours (1,333 responses x 85 hours per response = 113,305). The burden of compliance will vary depending upon the nature of the proposals included in the proxy materials filed with the Commission. Proxy solicitations that relate to complex matters such as reorganizations or involve an increase in the advisory fee rate are typically more involved than those proxies that pertain to more routine matters such as the election of directors. Whether

amended filings will be necessary to respond to staff comments and whether outside legal counsel is used in preparing proxy materials will also affect the hour burden of rule 20a-1.

Based on the estimated wage rate, the total cost to the fund industry of the hour burden is approximately \$32,971,755.<sup>1</sup> These estimates are made solely for the purposes of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms. We estimate that all of these hours will be related to satisfying reporting obligations under rule 20a-1.

The estimates associated with rule 20a-1’s burden hours are as follows:

**Table 1: Summary of Burden Hours and Burden Hour Costs Estimates Per Response for the Information Collection in Rule 20a-1**

	<b>Time Per Response (hours)</b>	<b>Cost Per Response</b>
Reporting	85	\$24,735
Record Keeping	0	\$0
Third Party Disclosure	0	\$0
<b>Total</b>	<b>85</b>	<b>\$24,735</b>

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<sup>1</sup> The industry burden is calculated by multiplying the total annual hour burden to prepare and file a proxy statement (113,305 hours) by the estimated hourly wage rate (\$291). The estimated wage rate figure is based on hourly wage rates for compliance attorneys (\$365) and senior accountants (\$216), and the estimate that attorneys and accountants will divide time equally on compliance with the proxy voting disclosure requirements, yielding a weighted wage rate of \$291  $((\$365 \times .50) + (\$216 \times .50) = \$291)$ . Hourly wage estimates are based upon SIFMA’s report on Management & Professional Earnings in the Securities Industry 2013, modified 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.

**Table 2: Summary of Annual Responses, Burden Hours, and Burden Hour Costs Estimates for the Information Collection in Rule 20a-1**

	<b>Annual Number of Responses</b>	<b>Annual Time Burden (Hours)</b>	<b>Annual Cost Burden (Dollars)</b>
Reporting	1,333	113,305	\$32,971,755
Record Keeping	0	0	\$0
Third Party Disclosure	0	0	\$0
<b>Total</b>	<b>1,333</b>	<b>113,305</b>	<b>\$32,971,755</b>

**13. Cost to Respondents**

Preparing, filing, and distributing proxy materials will not require any investment in capital equipment. Proxy solicitation activities will typically involve costs for purchased services such as outside legal counsel, proxy statement mailing, and proxy tabulation services not included in Item 12 of this Supporting Statement. The staff estimates these to be approximately \$30,000 per proxy solicitation. This estimate is based on a range of costs depending upon the nature and complexity of the matters disclosed in the proxy materials and the number of Fund shareholders receiving proxy materials. Estimates range from \$7,500 to in excess of \$117,000. Based on the staff's estimate, the total annual cost to the Fund industry (not including Item 12 costs) for preparing, filing and distributing proxy materials is approximately \$39,990,000 (1,333 responses x \$30,000 per response = \$39,990,000). We estimate that 1% of these costs will be related to satisfying reporting obligations under rule 20a-1, and 99% of these costs will be related to satisfying third party disclosure obligations.

The estimates associated with rule 20a-1's cost burden are as follows:

**Table 3: Summary of Costs Estimates Per Response  
for the Information Collection in Rule 20a-1**

	<b>Cost Per Response</b>
Reporting	\$300
Record Keeping	\$0
Third Party Disclosure	\$29,700
<b>Total</b>	<b>\$30,000</b>

**Table 4: Summary of Annual Responses and Costs Estimates  
for the Information Collection in Rule 20a-1**

	<b>Annual Number of Responses</b>	<b>Annual Cost Burden (Dollars)</b>
Reporting	1,333	\$399,900
Record Keeping	0	\$0
Third Party Disclosure	1,333	\$39,590,100
<b>Total</b>	<b>1,333</b>	<b>\$39,990,000</b>

**14. Cost to the Federal Government**

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$22.2 million in fiscal year 2018, based on the Commission’s computation of the value of staff time devoted to this activity and related overhead.

**15. Changes in Burden**

The increase in the total annual hour burden and total annual cost burden is due to an increase in the estimated number of proxy solicitations filed annually. The estimated number of proxy solicitations filed annually increased from 1,196 to 1,333. As a result, the changes in burdens associated with rule 20a-1’s requirements are as follows:

**Table 5: Summary of Changes in Burden  
for the Information Collection in Rule 20a-1**

	<b>Requested</b>	<b>Program Change Due to New Statute</b>	<b>Program Change Due to Agency Discretion</b>	<b>Change Due to Adjustment in Agency Estimate</b>	<b>Change Due to Potential Violation of the PRA</b>	<b>Previously Approved</b>
Annual Number of Responses for this IC	1,333			137		1,196
Annual IC Time Burden (Hour)	113,305			11,645		101,660
Annual IC Cost Burden (Dollars)	\$39,990,990			\$4,110,000		\$35,880,000

**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 Submissions**

Not applicable.

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

Not applicable.