

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-CEN

A. JUSTIFICATION

1. Necessity for the 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”).¹ Section 30(a) of the Investment Company Act² 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”).³ In addition, Section 30(b) of the Investment Company Act 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.”⁴

Form N-CEN is used to collect annual, census-type information for registered funds. 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 are not kept confidential.

On September 25, 2019, the Commission issued a release adopting a new rule that will permit exchange-traded funds (“ETFs”) that satisfy certain conditions to operate without the expense and delay of obtaining an exemptive order.⁵ The release also includes an amendment to Form N-CEN to require ETFs to report if they are relying on new rule 6c-11.

2. Purpose and Use of the Information Collection

The purpose of Form N-CEN is to satisfy the filing and disclosure requirements of Section 30 of the Investment Company Act, and of rule 30a-1 thereunder. The information

¹ 15 U.S.C. 80a-1 *et seq.*

² 15 U.S.C. 80a-29(a).

³ 15 U.S.C. 78a *et seq.*

⁴ 15 U.S.C. 80a-29(b).

⁵ Exchange-Traded Funds, Investment Company Act Release No. 33646 (Sept. 25, 2019) [84 FR 57162 (Oct. 24, 2019)].

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") provides for automated filing, processing, and dissemination of full disclosure filings. 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 permits the electronic analysis of the data in a single filing and comparisons over time or across similar investment companies.

4. Efforts to Identify 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 is not duplicated elsewhere at all or is not duplicated in a format that permits the electronic analysis of the data in a single filing or in comparison over time or across 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

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁶ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. 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.

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

⁶ 5 U.S.C. 601 *et seq.*

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)

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

Before adopting the amendments affecting Form N-CEN, the Commission solicited and evaluated public comments on the proposal's collection of information requirements. The Commission did not receive public comment on its proposed estimates, but the Commission revised its estimates as a result of updated industry data. 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 staff with a means of ascertaining and acting upon paperwork burdens confronting the industry.

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 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 1995⁷ and are not derived from a comprehensive, or

⁷ 44 U.S.C. 3501 *et seq.*

even representative, survey or study of the cost of Commission rules and forms. Compliance with Form N-CEN is mandatory. Responses to the collection of information will not be kept confidential.

Form N-CEN is a structured form that requires registered funds to provide census-type information to the Commission on an annual basis. The Commission currently estimates for Form N-CEN total burden hours of 74,425 and external costs of \$2,088,176.⁸ The Commission adopted amendments to Form N-CEN to require ETFs to report if they are relying on new rule 6c-11.

⁸ This estimate is based on the last time the form's information collection was submitted for PRA approval in 2017.

TABLE 1: FORM N-CEN PRA ESTIMATES

	Annual hours	Annual external cost burden
Report reliance on rule 6c-11	0.1 hours	
Number of ETFs	× 1,735	
Total new annual burden	173.5 hours	\$ 0
Current burden estimates	+ 74,425 hours	+ \$2,088,176
Revised burden estimates	74,598 hours	\$2,088,176

TABLE 2: CHANGE IN BURDEN ESTIMATES

	Annual Number of Responses			Annual Time Burden (hours)			Cost Burden (dollars)		
	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change
Form N-CEN	3,113	3,113	0	74,425	74,598	+ 173	\$2,088,176	\$2,088,176	0

Table 1 above summarizes the final PRA estimates associated with Form N-CEN as amended. The Commission did not receive public comment on these estimates, but it revised its proposed estimates as a result of updated industry data. The Commission estimated that the total hour burdens associated with the amendments to Form N-CEN will result in an average aggregate annual burden of 173.5 hours. Therefore, the revised aggregate estimate for Form N-CEN, including the new amendments, is 74,598 hours.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and submit reports on Form N-CEN. The cost burden does not include the hour burden discussed in Item 12 above.

As summarized in Table 1 above, in its most recent Paperwork Reduction Act submission for Form N-CEN, the Commission estimated total external cost burden of \$2,088,176 per year.⁹ The Commission does not estimate any change in external cost. Therefore, the revised aggregate estimate for Form N-CEN, including the new amendments, is \$2,088,176 in external costs.

14. Costs to 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

As summarized in Table 2 above, the estimated hourly burden associated with Form N-CEN has increased from 74,425 hours to 74,598 hours (an increase of 173 hours). The change in burden hours is due to the estimates of the time burden that will result from our amendments affecting Form N-CEN. The Commission does not estimate any change in cost burden.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

⁹ This estimate is based on the last time the form's information collection was submitted for PRA approval in 2017.

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. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.