

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
FORM N-2

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-2 (17 CFR 239.14 and 274.11a-1) is the form used by closed-end management investment companies (“registered closed-end funds”) to register as investment companies under the Investment Company Act of 1940 (“Investment Company Act”) (15 U.S.C. 80a-1 et seq.) and to register their securities under the Securities Act of 1933 (“Securities Act”) (15 U.S.C. 77a et seq.). Form N-2 is also used by business development companies (“BDCs”), which are closed-end management investment companies that do not register under the Investment Company Act (but instead elect to be subject to certain provisions of the Investment Company Act (15 U.S.C. 80a-2(a)(48)) to register and offer their securities under the Securities Act.

Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale, or at the time of confirmation or delivery, of the securities. The primary purpose of the registration process is to provide disclosure of financial and other information to current and potential investors so they may evaluate an investment in a security.

A closed-end management investment company (that is not a BDC) is required to register as an investment company under Section 8(a) of the Investment Company Act (15 U.S.C. 80a-8(a)). Form N-2 permits registered closed-end funds and BDCs to

provide investors with a prospectus covering essential information about the fund when they make an initial or additional offering of their securities. More-detailed information is available in the Statement of Additional Information (“SAI”), which is provided to investors upon request and without charge.

On March 20, 2019, the Commission issued a release adopting rules that will modernize and simplify certain disclosure requirements in Regulation S-K, and related rules and forms.¹ In particular, the Commission adopted amendments to Regulation S-T that will require investment companies filing on Form N-2 to submit the document in HTML format and to include a hyperlink to each exhibit identified in the exhibit index of the document.

In several cases, some of these amendments presented only a negligible or offsetting impact on the cost and hourly burdens associated with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) for certain investment company registration forms, and consequently, we believe did not warrant making any adjustments to those forms’ burdens. For example, we noted in the Adopting Release that because less than 1% of confidential treatment request applications received in fiscal year 2018 were related to exhibits filed with the Investment Company Act forms, we did not believe the reduction in burden associated with Investment Company Act forms would be significant enough to warrant an adjustment to our burden estimates. Similarly, with respect to our adoption of new Item 601(a)(5) in Regulation S-K and the analogous amendments to certain investment company registration forms, we noted that although we expected some reduction in burden associated with these amendments, we do not

¹ FAST Act Modernization and Simplification of Regulation S-K, Securities Act Release No. 10618 (March 20, 2019) [84 FR 12674 (April 2, 2019)] (“Adopting Release”).

believe the reduction will be significant enough to warrant an adjustment to our burden estimates. Third, with respect to the impact our amendments would have on personally identifiable information (“PII”), we assumed in the Adopting Release that the amendments would result in some incremental reduction in burden, although we did not believe the reduction would be significant enough to warrant an additional adjustment to our burden estimates. Finally, we did not make any adjustments to the paperwork burden for forms impacted by our amendments to simplify and modernize the rules and forms governing incorporation by reference, because the amendments resulted in offsetting adjustments to the paperwork burden per affected form. Given the negligible or offsetting impacts noted above, we did not incorporate any changes to the burden hours or costs associated with the foregoing areas because we did not believe the adjustment would be significant enough to warrant an additional adjustment to our burden estimates in sections 12 and 13 below.

2. Purpose and Use of the Information Collection

The purpose of Form N-2 is to meet the filing and disclosure requirements of the Securities and Investment Company Acts and to enable funds to provide investors with information necessary to evaluate an investment in a registered closed-end fund or BDC. This information collection differs significantly from many other federal information collections, which are primarily for the use and benefit of the collecting agency. The information specified by Form N-2 required to be filed with the Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

3. Consideration Given to Information Technology

The Commission's Electronic Data Gathering, Analysis, and Retrieval System

(“EDGAR”) automates the filing, processing, and dissemination of disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Registration statements filed on Form N-2 by registered closed-end funds and BDCs are required to be filed with the Commission electronically on EDGAR (17 CFR 232.101(a)(1)(i) and (iv)). The public may access filings on EDGAR through the Commission’s website (<http://www.sec.gov>).

4. Efforts to Identify Duplication

The Commission periodically evaluates rule- and form-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes or adopts changes in its rules or forms. Form N-2’s requirements generally are not duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act (5 U.S.C. 601 et seq.) to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements filed on Form N-2 do not distinguish between small entities and other funds. The burden on smaller funds to prepare and file registration statements may be proportionately greater than for larger funds. 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.

6. Consequences of Not Conducting Collection

In the absence of the disclosure requirements in Form N-2, investors in registered closed-end funds and BDCs may not receive information necessary to make informed investment decisions, and consumer confidence in the securities industry could be

adversely affected. Form N-2 also satisfies Investment Company Act requirements that certain investment companies must register with the Commission before they conduct business. In the absence of a Form N-2 registration statement, registered closed-end funds would not be able to comply with the registration requirements of the Investment Company Act, and registered closed-end funds and BDCs would not be able to offer their shares under the Securities Act.

A registered closed-end fund or BDC must file a registration statement on Form N-2 only when making initial or additional offerings of securities under the Securities Act, or when amending its registration statement. Less frequent collection would mean that information current to a particular offering would not be available to fund investors and the Commission would not have current information to perform its regulatory functions.

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-2, the Commission solicited and evaluated public comments on the proposal and its collection of information requirements. The Commission received no comments in response to its request. Moreover, 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 informal 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. Assurance of 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 for Form N-2 collects basic Personally Identifiable Information (“PII”) that may include names, job titles and work addresses. However, the agency has determined that this information collection does not constitute a system of record for purposes of the Privacy Act (the 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 available at <https://www.sec.gov/privacy>.

12/13. Estimates of Hour and Cost Burdens

Form N-2 generally imposes two types of reporting burdens on investment companies: (1) the burden of preparing and filing the initial registration statement; and (2) the burden of preparing and filing post-effective amendments to a previously effective registration statement. The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens and costs associated with Commission rules and forms. Compliance with the disclosure

requirements of Form N-2 is mandatory. Responses to the disclosure requirements are not kept confidential.

As summarized in Tables 1 and 2 below, in our most recently approved Paperwork Reduction Act submission for Form N-2, Commission staff estimated that registered closed-end funds and BDCs would make approximately 136 initial registration statement filings and 30 post-effective amendments annually, based on filings with the Commission.² As summarized in Table 3 below, the current estimate for the annual internal compliance burden for Form N-2 is 74,103 burden hours, with an external cost burden estimate of \$4,668,396. The estimates for preparing and filing Form N-2 are based on the Commission's experience with the contents of the form. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the forms is performed by internal staff or outside counsel.

The amendments in connection with the adoption of the FAST Act include amendments to Regulation S-T that will require registered closed-end funds and BDCs that file on Form N-2 to submit these documents in HTML format and include a hyperlink to each exhibit identified in the form's exhibit index. These new requirements are expected to increase the burdens and costs for funds that prepare and file Form N-2 registration statements. For purposes of the PRA, we estimated the average burden for a fund to hyperlink to exhibits based on the median number of exhibits filed with a Form N-2 registration statement.

² Form N-2's most recent information collection, which OMB approved in July 2019, reflects the adoption of certain form amendments associated with new rule 30e-3 under the Investment Company Act. *See* Optional Internet Availability of Investment Company Shareholder Reports, Securities Act Release No. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)].

The tables below show the changes in internal time burdens and external professional costs between the burden estimates currently approved by OMB, and the new burden estimates under the amendments.³ The burden estimates were calculated by multiplying the estimated number of responses by the estimated average amount of time—one hour—it would take a fund to prepare and review the exhibit hyperlinks. For purposes of the PRA, we estimate the portion of the burden carried by the fund internally (25%) reflected in hours (or 0.25 internal burden hours per response), while the portion carried by outside professionals retained by the fund (75%) is reflected as a cost (based on a \$400 per hour average).⁴

³ For convenience, we rounded total estimated hour and cost burdens in the tables to the nearest whole number.

⁴ This estimate includes the cost of outside counsel, independent auditors and the services of other professionals retained to assist in the preparation and filing of the form. We estimate the external cost associated with the new hyperlinking requirements to be \$300 per filing ($\$400 \times .75 = \300).

TABLE 1: BURDEN ESTIMATES FOR INITIAL FORM N-2 FILINGS

	Internal Burden Per Response		Hourly Wage Rate	Annual Internal Cost Burden	Annual External Cost Burden
CURRENTLY APPROVED ESTIMATES					
Current Form N-2 requirements	517.35 hours	X	\$284 ⁵ (blended rate of \$401 for attorneys and \$166 for intermediate accountants)	\$146,928	\$31,941
Number of annual responses	× 136			× 136	× 136
TOTAL ANNUAL BURDEN	70,360 hours			\$19,982,240	\$4,343,976
REVISED ESTIMATES					
Current Form N-2 requirements	517.35 hours	×	\$269 ⁶ (blended rate of \$365 for compliance attorneys and \$172 for intermediate accountants)	\$139,167	\$31,941
+ Preparation and review of exhibit hyperlinks	0.25 hours	×	\$269	\$67.25	\$300
Annual burden per response	517.6 hours			\$139,234	\$32,241
Number of annual responses	× 136			× 136	× 136
TOTAL ANNUAL BURDEN	70,394 hours			\$18,935,824	\$4,384,776

⁵ The Commission’s estimates concerning the allocation of burden hours and the relevant wage rates are based on consultations with industry representatives and 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.

⁶ The Commission used a different attorney position and more recent estimate for the respective wage rates when issuing these amendments in than it did when making the prior wage rate estimates, resulting in a lower internal burden than previously estimated.

TABLE 2: BURDEN ESTIMATES FOR POST-EFFECTIVE AMENDMENTS

	Internal Burden Per Response		Hourly Wage Rate	Annual Internal Cost Burden	Annual External Cost Burden
CURRENTLY APPROVED ESTIMATES					
Current Form N-2 requirements	124.75 hours	×	\$284 (blended rate for attorneys and intermediate accountants)	\$35,429	\$10,814
Number of annual responses	×	30		×	30
TOTAL ANNUAL BURDEN	3,743 hours			\$1,063,012	\$324,420
REVISED ESTIMATES					
Current Form N-2 requirements	124.75 hours	×	\$269 (blended rate for compliance attorneys and intermediate accountants)	\$33,557	\$10,814
+ Preparation and review of exhibit hyperlinks	0.25 hours		\$269	\$67.25	\$300
Annual burden per response	125 hours			\$33,625	\$11,114
Number of annual responses	×	30		×	30
TOTAL ANNUAL BURDEN	3,751 hours			\$1,008,750	\$333,420

TABLE 3: TOTAL BURDEN ESTIMATES FOR FORM N-2

	Internal Burden	Annual Internal Cost Burden	Annual External Cost Burden
CURRENTLY APPROVED ESTIMATES⁷			
Initial Form N-2 filings	70,360 hours	\$19,982,240	\$4,343,976
Post-effective amendments	3,743 hours	\$1,063,012	\$324,420
Total annual burden	74,103 hours	\$21,045,252	\$4,668,396
REVISED ESTIMATES			
Initial Form N-2 filings	70,394 hours	\$18,935,824	\$4,384,776
Post-effective amendments	3,751 hours	\$1,008,750	\$333,420
Total annual burden	74,145 hours	\$19,944,574	\$4,718,196

TABLE 4: CHANGE IN FORM N-2 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-2	166	166	0	74,103	74,145	+ 42	\$4,668,396	\$4,718,196	+\$49,800

As reflected above, we estimate that taken together, registered closed-end funds and BDCs will annually incur an additional internal burden of 42 hours to comply with the FAST Act amendments to Form N-2. We further estimate that with the additional hour burdens associated with the FAST Act amendments coupled with the revised wage rates, the total annual internal burden to comply with Form N-2 would be 75,145 hours per year, at an internal cost of about \$19,944,574. The total external cost to comply with Form N-2 would be \$4,718,196.

14. Cost to the Federal Government

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment

⁷ The currently approved burden hours reflected in Table 3 differ from the current burden hours reflected in the Adopting Release, which estimated 73,250 collective burden hours to prepare and file Form N-2 based on the (then) most currently-approved PRA submission. *See supra* footnote **Error! Bookmark not defined.**, at 12714. Our figures here reflect the most recently approved PRA

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. A portion of those costs relate to processing and reviewing Form N-2 filings submitted to the Commission.

15. Change in Burden

The estimated hourly burden associated with preparing and filing registration statements on Form N-2 has increased from 74,103 hours to 74,145 hours (an increase of 42 hours). In addition, the estimated annual external cost burden has increased from \$4,668,396 to \$4,718,196 (an increase of \$49,800). The changes in burden hours and external costs are due to the estimates of the internal time burden and external costs that will result from the amendments affecting Form N-2 regarding hyperlinking.

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. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.

submission, which includes the additional burdens associated with new rule 30e-3. *See supra* footnote **Error! Bookmark not defined.**