

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Form N-14**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 5(c) of the Securities Act of 1933 (“Securities Act”)<sup>1</sup> requires a company to have filed a registration statement with the Commission before it offers securities to the public by use of the mails or other channels of interstate commerce.<sup>2</sup> Section 5(b) requires that a prospectus containing the pertinent information set forth in the registration statement be furnished to the purchaser of a security prior to or with the confirmation of sale or delivery of the security after sale, whichever comes first.<sup>3</sup> Investment companies are required to register under Section 8(a) of the Investment Company Act of 1940 (“Investment Company Act”)<sup>4</sup> and to file a registration statement under Section 8(b) of the Investment Company Act containing such information as the Commission has determined to be necessary or appropriate in the public interest or for the protection of investors.<sup>5</sup>

Form N-14<sup>6</sup> is the form for registration under the Securities Act of securities to be issued by management investment companies registered under the Investment Company Act and business development companies as defined by Section 2(a)(48) of the Investment Company Act in: (1) a transaction of the type specified in rule 145(a) under the Securities Act;<sup>7</sup> (2) a merger in which a vote or consent of the security holders of the company being acquired is not required pursuant to applicable state law; (3) an exchange offer for securities of the issuer or another person; (4) a public reoffering or resale of any securities acquired in an offering registered on Form N-14; or (5) two or more of the transactions listed in (1) through (4) registered on one registration statement. Rule 145(a) provides that submitting a proposal for certain reclassification of securities, mergers, consolidations, or transfers of assets for the vote or consent of security holders, is deemed to involve an “offer,” “offer to sell,” “offer for sale,” or “sale” of the securities to be issued in the transaction. The effect of the rule is to require registration of the securities to be issued in connection with such transactions, unless an exemption from registration is available.

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<sup>1</sup> 15 U.S.C. 77a *et seq.*

<sup>2</sup> 15 U.S.C. 77e(c).

<sup>3</sup> *See* Securities Act Release No. 8591 (July 19, 2005) (70 FR 44722, 44782 (Aug. 3, 2005)).

<sup>4</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>5</sup> 15 U.S.C. 80a-8.

<sup>6</sup> 17 CFR 239.23.

<sup>7</sup> 17 CFR 230.145(a).

On October 11, 2017, the Commission issued a release proposing amendments to certain of the Commission’s forms that are used by investment companies, including Form N-14.<sup>8</sup> The Commission proposed amendments to Rule 102 of Regulation S-T to apply hyperlinking and HyperText Markup Language (“HTML”) format requirements to registrants filing Form N-14 to facilitate access to the Form’s exhibits for investors and other users of the information. Under the proposed amendments, affected registrants would be required to include a hyperlink to each exhibit identified in a filing’s exhibit index, unless the exhibit is filed in paper pursuant to a temporary or continuing hardship exemption under Rule 201 or Rule 202 of Regulation S-T, or pursuant to Rule 311 of Regulation S-T. This requirement would apply to registration statements on Form N-14. Consistent with its rules for operating companies, the Commission did not propose to require registrants to refile electronically any exhibits filed only in paper. Under the proposed amendments, an electronic filer would also be required to correct an inaccurate or nonfunctioning link or hyperlink to an exhibit.<sup>9</sup>

In connection with the proposed exhibit hyperlinking requirements, the Commission also proposed amendments to Rule 105 of Regulation S-T to require investment company registrants to make Form N-14 filings that include exhibits in HTML format. Currently, investment company registrants must submit electronic filings to the Commission using the EDGAR system in either American Standard Code for Information Interchange (“ASCII”) format or HTML format. Because the ASCII format does not support hyperlink functionality, the exhibit hyperlinking requirement would be feasible only if registrants are required to file in HTML. Under the proposed requirement, registrants would be required to file Form N-14 in HTML format. While the affected Form N-14 filings would be required to be filed in HTML pursuant to the proposed amendments to Rule 105, registrants would continue to be permitted to file in ASCII any schedules or forms that are not subject to the exhibit filing requirements, such as proxy statements, or other documents included with a filing, such as an exhibit. The proposed amendments are intended to facilitate access to these exhibits for investors and other users of the information.

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

The principal purpose of Form N-14 is to make material information regarding securities to be issued in connection with business combination transactions available to investors. The information required to be filed with the Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of such information. Without the registration statement requirement, material information may not necessarily be available to investors.

## **3. Consideration Given to Information Technology**

The Commission’s Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”) automates the filing, processing, and dissemination of full disclosure filings.

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<sup>8</sup> Investment Company Act Release No. 32858 (Oct. 11, 2017) (the “Proposing Release”).

<sup>9</sup> See Proposing Release at footnotes 315-18.

This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Registration statements on Form N-14 are required to be filed electronically on EDGAR.<sup>10</sup> The public may access filings on EDGAR through the Commission's website (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms. Prospectuses may be sent to investors by electronic means so long as certain requirements are met.<sup>11</sup>

#### **4. Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or a change in a rule. The information in Form N-14 is not generally duplicated elsewhere.

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

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,<sup>12</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-14 do not distinguish between small entities and other investment companies. The burden on smaller investment companies of preparing and filing registration statements may be proportionately greater than for larger investment companies. This burden includes the cost of producing, printing, filing, and disseminating prospectuses. 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**

The purpose of Form N-14 is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable filers to provide investors with information necessary to evaluate an investment in the security. Less frequent filing would be inconsistent with the filing and disclosure requirements of the Securities Act and the Investment Company Act. In addition, if the form were to be filed less frequently, investors may not be provided with the information necessary to evaluate an investment in the security.

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

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

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<sup>10</sup> See 17 CFR 232.101(a)(1)(i).

<sup>11</sup> See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233 (Oct. 6, 1995) [60 FR 53458 (Oct. 13, 1995)].

<sup>12</sup> 5 U.S.C. 601 *et seq.*

## **8. Consultation Outside the Agency**

Before adopting the proposed amendments to Form N-14, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements. Moreover, the Commission and the 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 the 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, work addresses and work 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 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<sup>13</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with Form N-14 is mandatory. Responses to the collection of information will not be kept confidential.

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<sup>13</sup> 44 U.S.C. 3501 *et seq.*

Table 1: Burden Estimates for Initial Registration Statements Filed on Form N-14<sup>1</sup>

	Burden Per Response						Aggregate Burden			
	Internal Burden		Wage Rate <sup>2</sup>	Cost of Internal Burden	Annual Cost Burden	Annual Responses	Internal Burden	Cost of Internal Burden	Annual Cost Burden	
<b>CURRENTLY APPROVED ESTIMATES</b>										
Preparing and filing reports on Form N-14 generally	497.31 hours	×	\$348 (1:1 blend of compliance attorney and senior programmer)	\$173,063.88	\$23,091	×	253	125,820 hours	\$43,758,162	\$5,842,000
<b>Total annual burden</b>								<b>125,820 hours</b>	<b>\$43,758,162</b>	<b>\$5,842,000</b>
<b>REVISED ESTIMATES</b>										
Preparing and filing reports on Form N-14 generally	497.31 hours	×	\$348 (1:1 blend of compliance attorney and senior programmer)	\$173,063.88	\$23,091	×	253	125,820 hours	\$43,758,162	\$5,842,000
Preparation and review of exhibit hyperlinks	0.25 hours	×	\$348 (1:1 blend of compliance attorney and senior programmer)	\$87	\$300	×	253	63 hours	\$22,011	\$75,900
<b>Total annual burden</b>								<b>125,883 hours</b>	<b>\$43,780,173</b>	<b>\$5,917,900</b>

**Notes:**

1. The Commission used updated estimates based on an extension in 2019 renewing the collection of information
2. 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.

Table 2: Change in Burden Estimates<sup>1</sup>

	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-14	253	253	0	125,820	125,883	+ 63	\$5,842,000	\$5,917,900	+ \$75,900

Note:

1. The Commission used updated estimates based on an extension in 2019 renewing the collection of information

As summarized in the tables above, the Commission previously estimated that about 253 funds will make about 253 filings on Form N-14 each year, incurring 125,820 hours of internal hour burden at a cost of about \$38.39 million. The hour burden estimates for preparing and filing reports on Form N-14 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 to Regulation S-T that will require funds filing reports on Form N-14 to submit these documents in HTML format and to include a hyperlink to each exhibit identified in the exhibit index of these documents are expected to increase the burdens and costs for funds that prepare and file these registration statements. For purposes of the Paperwork Reduction Act, we estimated the average burden for a fund to hyperlink to exhibits based on the median number of exhibits that are filed with an affected form. As summarized in Table 1 above, we estimate that the total internal burden associated with Form N-14 will be 125,883 hours per year, at a cost of about \$38.4 million.

### **13. Cost to Respondents**

Cost burden is the cost of goods and services purchased to prepare and amend registration statements on Form N-14, such as for the services of independent auditors and outside counsel. The cost burden does not include the hour burden discussed in Item 12 above. Estimates are based on the Commission's experience with the filing of registration forms.

As summarized in Table 1 above, in our most recent Paperwork Reduction Act submission for Form N-14, Commission staff estimated about \$5.84 million in external cost burden per year. We estimate that the revised external burden will be \$5.92 million.

### **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**

As summarized in Table 2 above, the estimated hourly burden associated with Form N-14 has increased from 125,820 hours to 125,883 hours (an increase of 63 hours). In addition, the cost burden associated with Form N-14 has increased from \$5,842,000 to \$5,917,900 (an increase of \$75,900). The changes in burden hours and external cost burdens

are due to the estimates of the time burden and external costs that will result from our amendments affecting Form N-14 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. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

The collection of information will not employ statistical methods.