

**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”).<sup>1</sup> Section 30(a) of the Investment Company Act<sup>2</sup> 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”).<sup>3</sup> 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.”<sup>4</sup>

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.

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

<sup>2</sup> 15 U.S.C. 80a-29(a).

<sup>3</sup> 15 U.S.C. 78a *et seq.*

<sup>4</sup> 15 U.S.C. 80a-29(b).

## **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 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,<sup>5</sup> 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 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.

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

## **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**

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. The Commission requested public comment on the collection of information requirements of Form N-CEN before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to this request.

## **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 1995<sup>6</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-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 estimates that registered management investment companies, would spend as much as 13.35 hours preparing and filing the form. The Commission further estimates that UITs, including separate account UITs, would spend as much as 9.11 hours preparing and filing Form N-CEN, since a UIT is required to answer fewer items.

We estimate that the average annual hour burden to complete the generally applicable items on Form N-CEN response will be 12.31 hours per year.<sup>7</sup> We estimate that the

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<sup>6</sup> 44 U.S.C. 3501 *et seq.*

<sup>7</sup> This estimate is based on the following calculation:  $((2,139 \text{ management investment companies} \times 13.35 \text{ hours per year}) + (696 \text{ UITs} \times 9.11 \text{ hours per year})) \div 2,835 \text{ total funds} = 12.31 \text{ hours per year}$ .

aggregate annual hour burden to complete the generally applicable items will be 34,899 hours per year.<sup>8</sup> We therefore estimate that filers would have total average annualized paperwork related expenses related to complete the generally applicable items of \$12,248,496 for reports on Form N-CEN.<sup>9</sup> Additionally, we estimate that filers will be required to file 12,365 responses related to liquidity risk management items on Form N-CEN. We estimate that the average annual hour burden of the liquidity risk management items on Form N-CEN will be one hour per response per year, for an additional average annual hour burden of 12,365 hours and average aggregate time costs of \$4,340,115.<sup>10</sup> Additionally, we estimate that filers will be required to file 9,854 responses regarding swing pricing.<sup>11</sup> We estimate that the average annual hour burden as a result of the swing pricing-related items on Form N-CEN will be an additional 0.5 hour per fund per year for an average annual hour burden of 4,927 hours and average aggregate time costs of

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<sup>8</sup> This estimate is based on the following calculation: 2,835 funds × 12.31 hours per year = 34,896 hours per year.

<sup>9</sup> This estimate is based on average annual burden estimate of 34,896 hours. This was then multiplied by a blended hourly wage of \$351 per hour, \$334 per hour for Senior Programmers and \$368 per hour for compliance attorneys, as we believe these employees would commonly be responsible for completing reports on Form N-CEN ( $\$351 \times 34,896 = \$12,248,496$ ). The estimated wage figures are based on published rates for senior programmers and compliance attorneys, 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, yielding effective hourly rates of \$334 and \$368, respectively. *See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.*

<sup>10</sup> These estimates are based on the following calculation: 12,365 funds × 1 hour = 12,365 hours. 12,365 hours × \$351 per hour = \$4,340,115.

<sup>11</sup> As of the end of March 31, 2020, there were 9,854 open-end mutual funds (including funds that invest in other funds) and 2,091 ETFs.

\$1,729,377.<sup>12</sup> We estimate that filers will be required to file 2,091 responses regarding rule 6c-11. For these responses related to rule 6c-11, we an average annual hour burden of 0.1 hour per response per year, for an average annual hour burden of 209.1 hours and average aggregate time costs of \$73,394.1.<sup>13</sup>

We estimate that the total hour burdens and time costs associated with Form N-CEN, including the burdens associated with the liquidity-related, swing pricing-related, and rule 6c-11-related items, will result in an average annual hour burden of 52,397 hours<sup>14</sup> and average aggregate time costs of \$18,391,382.1.<sup>15</sup>

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<sup>12</sup> These estimates are based on the following calculation: 9,854 funds x .5 hour = 4,927 hours.  
4,927 hours x \$351 per hour = \$1,729,377.

<sup>13</sup> These estimates are based on the following calculation: 2,091 ETFs x 0.1 hour = 209.1 hours.  
209.1 hours x \$351 per hour = \$73,394.1.

<sup>14</sup> This estimate is based on the following calculation: 34,896 hours + 12,365 hours + 4,927 hours  
+ 209.1 hours = 52,397 hours.

<sup>15</sup> This estimate is based on the following calculation \$12,248,496 + \$4,340,115 + \$1,729,377 +  
\$73,394.1 = \$18,391,382.1. *See supra* footnote 9.

**TABLE 1: FORM N-CEN PRA ESTIMATES**

	Internal Burden		Wage Rate	Cost of Internal Burden
<b>BURDEN FOR UPDATING FILING</b>				
Preparing and filing initial registration statement	12.31 hours	×	\$351 (blended rate of \$368 for compliance attorney and \$334 for senior programmer)	\$4,320.81
Number of annual filings	×	2,835		×
<b>Total annual burden</b>	<b>34,896 hours</b>			<b>\$12,248,496</b>
<b>BURDEN FOR LIQUIDITY RISK MANAGEMENT ITEMS</b>				
Liquidity Risk Management Items	1 hour	×	\$351 blended rate	\$351
Number of funds filing	×	12,365		×
	<b>12,365 hours</b>			<b>\$4,340,115</b>
<b>BURDEN FOR SWING PRICING ITEMS</b>				
Swing Pricing Items	.5 hours	×	\$351 blended rate	\$175.5
Number of funds filing	×	9,854		×
	<b>4,927 hours</b>			<b>\$1,729,377</b>
<b>BURDEN FOR RULE 6c-11 ITEMS</b>				
Rule 6c-11 Items	.1 hours	×	\$351 blended rate	\$35.1
Number of ETFs	×	2,091		×
	<b>209.1 hours</b>			<b>\$73,394.1</b>
<b>TOTAL BURDEN</b>				
<b>Total annual burden</b>	<b>52,397 hours</b>			<b>\$18,391,382.1</b>

**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	2,835	-278	74,598	52,397	-22,201	\$19,204,128	\$18,391,382.1	-\$812,745.90

### 13. Cost to Respondents

The Commission estimates that, with respect to the initial filing of a report on Form N-CEN, we estimate an annual external cost of \$91 per fund.<sup>16</sup> External costs

<sup>16</sup> As of 2020 the annual cost of maintaining an LEI from the GMEI Utility was \$80, plus a \$11 surcharge for the LEI Central Operating Unit. See GMEI Utility, Frequently Asked Questions, available at <https://www.gmeiutility.org/frequentlyAskedQuestions.jsp>. The Commission has



include the cost of goods and services, which with respect to reports on Form N-CEN, would include the costs of registering and maintaining an LEI for the registrant/funds.<sup>17</sup> In sum, we estimate that all applicable funds will incur, in the aggregate, external annual costs of \$1,344,980.<sup>18</sup>

#### **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 \$21.9 million in fiscal year 2019, 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 decrease from 74,598 hours to 52,397 hours (a decrease of 22,201 hours). The change in burden hours is primarily due to the change from the previously approved estimate as an estimate of the initial filing burden over the first

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further estimated the one-time burden associated with obtaining an LEI is one hour, with ongoing administration of an LEI corresponding to one hour per year.

<sup>17</sup> See Items B.1.d. and C.1.c. of Form N-CEN (requiring LEI for the registrant and each management investment company).

<sup>18</sup> This estimate is based on the following calculation: \$91 per registrant or fund per year × (2,835 investment company registrants + 9,854 mutual funds (which reflects the number of mutual fund series, but excludes money market funds, which would have already obtained LEIs pursuant to the requirements of Form N-MFP) + 2,091 ETFs) = \$91 per fund per year × 14,780 registrants and funds = \$1,344,980 per year.

three years of the filing requirement to the revised estimate of the routine filing burden now that the requirement has been in effect for several years.

**16. Information Collection Planned for Statistical Purposes**

The results of any information collection 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.