

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Form N-1A**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form N-1A (17 CFR 239.15A and 274.11A) is the form used by open-end management investment companies (“funds”) to register under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“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, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a fund to register as an investment company. Form N-1A also permits funds to provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about the fund when it makes an initial or additional offering of its securities. 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.

On June 5, 2018, the Commission issued a release adopting new rule 30e-3 under the Investment Company Act and certain amendments to other rules and forms.<sup>1</sup> Rule 30e-3 provides certain funds and unit investment trusts with an optional method to satisfy shareholder report transmission requirements by making such reports and certain other

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<sup>1</sup> See Securities Act Release No. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)] (“Adopting Release”).

materials publicly accessible on a website, as long as they satisfy certain other conditions of the rule regarding (a) availability of the report and other materials; (b) notice to investors of the website availability of the report; and (c) delivery of paper copies of materials upon request. In connection with our adoption of rule 30e-3, the Commission amended certain rules and forms including Form N-1A. Form N-1A was amended to require certain legend requirements on the prospectuses and annual and semi-annual reports if relying on rule 30e-3. Responses to the disclosure requirements are not kept confidential.

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

The title for the collection of information is: Form N-1A under the Investment Company Act of 1940 and Securities Act of 1933, Registration Statement of Open-End Management Investment Companies.” The purpose of Form N-1A is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable funds to provide investors with information necessary to evaluate an investment in the fund. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is primarily for the use and benefit of investors. The information filed with the Commission also permits the 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 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. EDGAR has increased the speed,

accuracy and availability of information, generating benefits to investors and financial markets. All funds have been required to use EDGAR for their disclosure filings since November 6, 1995. Form N-1A is 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 Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms. Prospectuses and SAIs may be sent to investors by electronic means so long as the fund meets certain requirements.<sup>2</sup>

#### **4. Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it adopts changes in its rules. The requirements of Form N-1A are not generally duplicated elsewhere.

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

The current disclosure requirements for reports on Form N-1A do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file registration statements may be 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. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

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

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<sup>2</sup> See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233, Exchange Act Release No. 36345, Investment Company Act Release No. 21399 (Oct. 6, 1995) (60 FR 53458 (Oct. 13, 1995)).

The Investment Company Act requires that funds file annual amendments to their registration statements. Less frequent collection would mean that current information might not be available to fund investors.

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

Not Applicable.

**8. Consultation Outside the Agency**

The Commission requested public comment on the collection requirements for conditioning reliance on rule 30e-3 with requirements to require legends on prospectuses and semi-annual and annual reports before it submitted this request for revision and approval to the Office of Management and Budget. The Commission's solicitation of public comments included estimating and requesting public comments on the burden estimates for all information collections under this OMB control number (*i.e.*, both changes associated with the rulemaking and other burden updates). In addition, 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**

Not Applicable.

**10. Confidentiality**

Not Applicable.

**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 1/29/2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## **12. Burden of Information Collection**

Open-end funds register as investment companies under the Investment Company Act and register their securities under the Securities Act on Form N-1A. Compliance with the disclosure requirements of Form N-1A is mandatory. Form N-1A generally imposes two types of reporting burdens on investment companies: (i) the burden of preparing and filing the initial registration statement; and (ii) the burden of preparing and filing post-effective amendments to a previously effective registration statement (including post-effective amendments filed pursuant to rule 485(a) or 485(b) under the Securities Act, as applicable). Compliance with the disclosure requirements of Form N-1A is mandatory. Responses to the disclosure requirements will not be kept confidential.

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995<sup>3</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules

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<sup>3</sup> 44 U.S.C. 3501 *et seq.*

and forms. In our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of Form N-1A to be 1,662,190 burden hours.<sup>4</sup>

Pursuant to the amendments in connection with the rule 30e-3 adoption, we estimate that these funds will incur 1 burden hour for the first summary prospectus, statutory prospectus, or shareholder report reflecting these requirements and 0.5 hours for each additional summary prospectus, statutory prospectus, or annual and semi-annual report reflecting these requirements. These related disclosure requirements will only apply during the extended transition period. In light of the short period during which these additional requirements will be effective and the modest impact they are likely to have on external service providers such as website hosting services, outside counsel and auditors, and printing and mailing services, we do not expect them to result in additional expenses passed on to funds by their service providers in the form of additional external cost burden. Thus, we do not estimate there will be any external costs to comply with these disclosure requirements.

We estimate that there are 11,181 funds that could file registration statements or amendments to registration statements on Form N-1A.<sup>5</sup> Of this group, we estimate that

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<sup>4</sup> This estimate is based on the last time the rule's information collection was submitted for PRA revision in 2020.

<sup>5</sup> 11,181 funds = 9,360 mutual funds + 1,821 ETFs (1,829 ETFs less 8 UIT ETFs).

10,063 funds will rely on rule 30e-3.<sup>6</sup> We estimate that the total annual hour burden associated with the amendments to Form N-1A is 8,386 hours.<sup>7</sup>

We estimate that with the additional hour burdens associated with the amendments the total annual internal burden to comply would be 1,670,576 burden hours for Form N-1A.<sup>8</sup> Based on the Commission’s estimate of 1,670,576 hours and an estimated wage rate of about \$284 per hour,<sup>9</sup> the total annual cost to registrants of the hour burden for complying with the amendments to Form N-1A is about \$474 million.<sup>10</sup>

### Summary of Revised Annual Responses, Burden Hours, and Cost Estimates

IC Title	Annual No. of Responses			Annual Time Burden (Hrs.)			External Cost to Respondents (\$) <sup>11</sup>		
	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>	<i>Previously approved</i>	<i>Requested</i>	<i>Change</i>
Form N-1A	6,002 funds	6,002 funds	0	1,662,190	1,670,576	8,386	\$131,139,208	\$131,139,208	\$0

<sup>6</sup> 10,063 funds × 0.9 = 9,057 funds. We estimate that for funds that would rely on rule 30e-3 and rely upon rule 498, that the incremental burden hours associated with relying on rule 30e-3 in preparing and filing on Form N-1A would also include any burden change associated with rule 498.

<sup>7</sup> 10,063 funds × (1 hour for the first report in the first year + 0.5 hours for the second report in the first year) = 15,095 hours. 10,063 funds × 0.5 hours × 2 reports in the second year = 10,063 hours. 10,063 funds × 0 hours in the third year = 0 hours. (15,095 + 10,063 + 0 hours) ÷ 3 years = 8,386 hours per year on an amortized basis.

<sup>8</sup> This estimate is based on the following calculation: 1,662,190 + 8,386 = 1,670,576 hours.

<sup>9</sup> The Commission’s estimate concerning the wage rate is based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. The estimated wage figure is based on published rates for intermediate accountants and attorneys, modified to account for an 1,800-hour work year; multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead; and adjusted to account for the effects of inflation, yielding effective hourly rates of \$166 and \$401, respectively. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that intermediate accountants and attorneys will divide their time equally, yielding an estimated hourly wage rate of \$284. (\$166 per hour for intermediate accountants + \$401 per hour for attorneys) ÷ 2 = \$284 per hour.

<sup>10</sup> 1,670,576 hours per year × \$284 per hour = \$474,443,584 per year.

<sup>11</sup> These estimates are discussed in Item 13 of this supporting statement below.

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

In our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated the annual cost burden to comply with the collection of information requirement of Form N-1A is \$131,139,208.<sup>12</sup> The staff estimates that the amendments to Form N-1A do not impose any material cost burdens on funds, apart from the cost of the burden hours discussed above.

### **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 companies amounted to approximately \$21.2 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. Change in Burden**

The total annual hour burden of 1,670,576 hours represents an increase of 8,386 hours over the previous burden hour estimate of 1,662,190 hours. The annual external cost burden of \$131,139,208 represents no change over the previous external cost burden of \$131,139,208. The changes in burden hours are due to the staff's estimates of the time costs that would result from our amendments to Form N-1A in connection with the adoption of rule 30e-3. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission

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<sup>12</sup> This estimate is based on the last time the rule's information collection was submitted for PRA revision in 2020.



requested public comment on all information collection burden estimates for this OMB control number.

**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 Submission**

Not Applicable.

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

Not Applicable.