

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”)¹ 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.² 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.³ Investment companies are required to register under Section 8(a) of the Investment Company Act of 1940 (“Investment Company Act”)⁴ 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.⁵

Form N-14⁶ 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 (“BDCs”) as defined by Section 2(a)(48) of the Investment Company Act (collectively, “funds”) in certain business combination transactions: (1) a

¹ 15 U.S.C. 77a *et seq.*

² 15 U.S.C. 77e(c).

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

⁴ 15 U.S.C. 80a-1 *et seq.*

⁵ 15 U.S.C. 80a-8.

⁶ 17 CFR 239.23.

transaction of the type specified in rule 145(a) under the Securities Act;⁷ (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.

On April 8, 2020, the Commission adopted rules to modify the registration, communications, and offering processes for business development companies (“BDCs”) and other closed-end investment companies (“closed-end funds”) under the Securities Act of 1933.⁸ The Commission adopted amendments to Form N-14 to permit BDCs to incorporate certain information by reference into that form to the same extent as registered closed-end funds. More specifically, the Commission amended Instruction G in Form N-14, which governs incorporation by reference, to specifically include BDCs.

⁷ 17 CFR 230.145(a).

⁸ Securities Offering Reform for Closed-End Investment Companies, Securities Act Release No. 10771 (April 8, 2020).

2. Purpose and Use of the Information Collection

The principal purpose of Form N-14 is to make available to investors material information regarding securities to be issued in connection with business combination transactions. 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. 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.⁹ 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.¹⁰

⁹ See 17 CFR 232.101(a)(1)(i).

¹⁰ See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233 (Oct. 6, 1995) [60 FR 53458 (Oct. 13, 1995)].

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,¹¹ 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).

8. Consultation Outside the Agency

Before adopting the amendments affecting Form N-14, the Commission solicited and evaluated public comments on the proposal and its collection of information requirements. The Commission requested comment on whether it should amend Form N-1. The Commission received several comments supportive of the amendments to Form N-14 as adopted, and received no comments in opposition to the amendments. 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 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 5 U.S.C. 601 *et seq.*

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 1995¹² 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.

The amendments to Form N-14 will decrease the existing disclosure burden of the form by allowing BDCs to incorporate by reference to the same extent as is currently permitted for registered CEFs and eliminating the requirement for affected funds to file with the Form

¹² 44 U.S.C. 3501 *et seq.*

N-14 registration statement the documents that contain the information that is incorporated by reference into the prospectus or statement of additional information (“SAI”).

Table 1: Burden Estimates for Initial Registration Statements Filed on Form N-14

	Internal Burden	Wage Rate ¹	Cost of Internal Burden	Annual Cost Burden	Annual Responses	Internal Burden (Aggregate)	Cost of Internal Burden (Aggregate)	Annual Cost Burden (Aggregate)
CURRENTLY APPROVED ESTIMATES								
Preparing and filing reports on Form N-14 generally	497.31 hours ×	\$348 (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 (blend of compliance attorney and senior programmer)	\$87	\$300 ×	253	63 hours	\$22,011	\$75,900
TOTAL ANNUAL BURDEN						125,883 hours	\$43,780,173	\$5,917,900
REVISED ESTIMATES								
Preparing and filing reports on Form N-14 generally	610 hours	\$317.3 (blend of attorney, senior accountant, and paralegal)	\$193,554	\$27,500	156	96,160 hours	\$29,181,672	\$4,290,000
Burden per amendment	290 hours	\$319 (blend of attorney, senior accountant, and paralegal)	\$92,530	\$16,000	97	29,100 hours	\$8,674,710	\$1,552,000
TOTAL ANNUAL BURDEN						125,260 hours	\$37,856,382	\$5,842,000

Notes:

¹ 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 5.35 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

	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	125,883	125,260	(623)	\$5,917,900	\$5,842,000	(\$75,900)

As summarized in Table 1 above, the Commission has previously estimated that about 253 funds will make about 253 filings on Form N-14 each year, incurring 125,883 hours of internal hour burden at a cost of about \$43.78 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 Form N-14 to permit BDCs to incorporate certain information by reference into that form to the same extent as registered closed-end fund are expected to decrease the burden and costs for BDCs that prepare and file Forms N-14. As summarized in Table 1 above, we estimate that the total internal burden associated with N-14 will be 125,260 hours, at a cost of approximately \$37,856,382.

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 \$5.92 million in external cost burden per year. We estimate that the revised external burden will be approximately \$5.84 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 \$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. Changes in Burden

As summarized in Table 2 above, the estimated hourly burden associated with Form N-14 has decreased from 125,883 hours to 125,260 hours (a decrease of 623 hours). In addition, the cost burden associated with Form N-14 has decreased from \$5,917,900 to \$5,842,000 (a decrease 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 permitting BDCs to incorporate certain information into the form by reference.

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.