

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Rule 12d1-4**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

Proposed rule 12d1-4 under the Investment Company Act of 1940 (“Investment Company Act”) (15 U.S.C. 80a-1 et seq.) would permit registered funds and business development companies (“BDCs”) that satisfy certain conditions to acquire shares of another fund in excess of the limits set forth in section 12(d)(1) of the Investment Company Act without obtaining an exemptive order from the Commission.<sup>1</sup> The proposed conditions are necessary to help protect investors from the harms Congress sought to address by enacting section 12(d)(1). Specifically, the proposed rule would (1) require an acquiring fund to disclose certain information in its registration statement, (2) require an acquiring fund to follow certain procedures for voting an acquired fund’s securities if certain ownership thresholds are met, (3) if the fund is a management company, require an acquiring fund’s adviser to make certain findings and maintain certain records, (4) if the fund is a UIT, require an acquiring fund’s principal underwriter or depositor to make certain findings and maintain certain records, and (5) if the fund is a separate account funding a variable insurance contract, require an acquiring fund to obtain a certification from an insurance company issuing separate accounts and maintain the certification for recordkeeping purposes. These requirements are collections of information under the PRA.

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<sup>1</sup> See Fund of Funds Arrangements, Investment Company Act Release No. 33329 (December 19, 2018) (“Proposing Release”).

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

Proposed rule 12d1-4 contains “collections of information” within the meaning of the Paperwork Reduction Act of 1995 (“PRA”), and the Commission is submitting the collections of information to the Office of Management and Budget (“OMB”) for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The purpose of proposed rule 12d1-4 is to permit registered funds and BDCs that satisfy certain conditions to acquire shares of another fund in excess of the limits set forth in section 12(d)(1) of the Investment Company Act without obtaining an exemptive order from the Commission. The information collected is designed to protect investors from the harms Congress sought to address by enacting section 12(d)(1) and facilitate the Commission’s oversight of registered funds.

## **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 filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Registration statements that would contain the disclosures required by proposed rule 12d1-4 are required to be filed with the Commission electronically on EDGAR in a structured XML format which would permit electronic analysis of the data in a single filing or in a comparison over time or among similar investment companies. 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.

#### **4. 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 the proposed requirements of rule 12d1-4 would not be duplicated elsewhere.

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

Entities that wish to rely on proposed rule 12d1-4 would have to satisfy the conditions set forth in the rule, regardless of size. The Commission believes that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of section 12(d)(1) of the Investment Company Act.

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**

The Commission would require funds relying the conditions of proposed rule 12d1-4 to satisfy the conditions of the rule and all associated information collection to protect investors from the harms Congress sought to address by enacting section 12(d)(1) of the Investment Company Act. Less frequent collection may fail to adequately protect investors from these harms. Less frequent collection would also provide investors with less timely information. Providing investors with less timely information, in turn, may decrease investor confidence in the full and fair disclosure system that is the hallmark of the U.S. capital markets.

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

Not applicable.

**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 the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission also requested public comment on proposed rule 12d1-4 before submitting this request to OMB, and will evaluate all such comments prior to submitting any request to OMB in connection with any rule the Commission may adopt.

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

## 12. Burden of Information Collection

**Disclosure requirements.** Under the proposed rule, a fund that relies on rule 12d1-4 (or intends to preserve flexibility to rely on rule 12d1-4) would be required to disclose in its registration statement that it is or may be an acquiring fund for purposes of rule 12d1-4.<sup>2</sup> The Commission staff estimates that complying with these disclosure requirements would impose a one-time internal hour burden of four hours, and an ongoing internal hour burden of one hour, on each acquiring fund to determine the disclosures appropriate to the fund and ensure that the appropriate disclosures are set forth in the fund's registration statement.<sup>3</sup> Amortized over three years, the internal hour burden would be two hours per acquiring fund.<sup>4</sup> The Commission staff estimates that 4,342 acquiring funds would be subject to these disclosure requirements.<sup>5</sup> In the aggregate, the internal hour burden to these funds would be 8,684 hours, monetized to \$3,473,600.<sup>6</sup>

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<sup>2</sup> See proposed rule 12d1-4(b)(4).

<sup>3</sup> Monetized, the one-time four-hour internal burden translates to \$1,602 and the ongoing one-hour internal burden translates to \$400. These estimates are based on the following calculations: 4 hours x blended hourly rate of assistant general counsel (2 hours at \$449/hour) and compliance attorney (2 hours at \$352/hour) = \$1,602; \$400 = \$1,602 / 4. Our estimates of the relevant wage rates are based 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 (professionals) or 2.93 (office) 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 ("SIFMA Report").

<sup>4</sup> This estimate is based on the following calculation: (4 hours + 1 hour + 1 hour) / 3 = 2 hours.

<sup>5</sup> See Proposing Release at n.243 and accompanying text.

<sup>6</sup> These estimates are based on the following calculations: 4,342 funds x 2 hours = 8,648 hours; 8,648 hours x \$400 = \$3,473,600.

*Voting provisions.* Under proposed rule 12d1-4, where an acquiring fund and its advisory group (in the aggregate) hold more than 3% of the outstanding voting securities of an acquired fund, the acquiring fund would be required to vote those securities using either pass-through voting or mirror voting, unless the acquiring fund is covered by certain exceptions to the requirement.<sup>7</sup> This provision is designed to minimize the influence that an acquiring fund and its advisory group may exercise over an underlying fund through voting.

For purposes of this analysis, we estimate that approximately 809 funds would be acquiring funds holding more than 3% of the outstanding voting securities of an acquired fund, and would not fall within any of the proposed exceptions to the voting requirement, and thus would be subject to the voting requirement.<sup>8</sup> We further estimate that each of these acquiring funds invests in, on average, approximately 11 underlying funds.<sup>9</sup>

As discussed above, acquiring funds subject to the proposed voting condition would have the option of using either pass-through voting or mirror voting to vote their shares of the underlying fund. We estimate that approximately 98% of the funds that become subject to the voting condition would choose to implement mirror voting. Accordingly, we estimate that a total of approximately 793 acquiring funds, investing in a total of approximately 7,930 underlying funds, would use mirror voting. We further estimate that approximately 16 acquiring funds (2% of the 809 funds described above), investing in a total of approximately 160 underlying funds, would use pass-through

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<sup>7</sup> See proposed rule 12d1-2(b)(1)(ii). In pass-through voting, the acquiring fund seeks voting instructions from its security holders and votes such proxies in accordance with their instructions. In mirror voting, the acquiring fund votes the shares it holds in the same proportion as the vote of all other holders.

<sup>8</sup> This estimate is based on data from the Morningstar Investment Company Holdings database.

<sup>9</sup> This estimate is based on data from the Morningstar Investment Company Holdings database.

voting. For this analysis, we estimate that each acquiring fund subject to the voting provision will participate in one vote on the securities of each acquired fund every three years.<sup>10</sup>

We estimate that all funds subject to the voting condition of proposed rule 12d1-4 would incur a one-time internal burden of 3 hours, monetized to \$1,176 and amortized to \$392 annually over 3 years, to update their proxy voting policies and related proxy voting disclosures to reflect that the fund is subject to the voting procedures required under the rule.<sup>11</sup> In the aggregate, we estimate that funds subject to the proposed voting provision would incur a one-time internal burden of 2,427 hours, at a monetized value of \$951,384.<sup>12</sup> Amortized over three years, the estimated burdens are one hour per fund, at a monetized value of \$1,951.33. In the aggregate, amortized over three years, these estimated burdens equate to 809 hours and \$951,384.<sup>13</sup> Amortized over three years, the estimated burdens are one hour per fund, at a monetized value of \$1,951.33. In the aggregate, amortized over three years, these estimated burdens equate to 809 hours and \$951,384.<sup>14</sup>

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<sup>10</sup> This estimate takes into account the different voting frequencies of the types of acquired funds included in these calculations. For example, closed-end funds typically hold one vote per year, while mutual funds typically seek shareholder votes less frequently.

<sup>11</sup> See, e.g., 17 CFR 270.30b1-4 (rule 30b1-4 under the Investment Company Act). This estimate of the one-time annual hour burden consists of 3 hours x \$392 hourly rate for an in-house attorney.  $3 \times \$392 = \$1,176$  per fund. We do not believe that funds subject to the proposed voting provision would incur any ongoing time or cost burdens associated with proxy voting policies and procedures or related disclosures.

<sup>12</sup> These estimates are based on the following calculations:  $809 \text{ acquiring funds} \times 3 \text{ hours} = 2,427 \text{ hours}$ ;  $809 \text{ acquiring funds} \times \$1,176 = \$951,384$ .

<sup>13</sup> These estimates are based on the following calculations:  $2,427 \text{ hours} / 3 = 809 \text{ hours}$ ;  $\$951,384 / 3 = \$317,128$ .

<sup>14</sup> These estimates are based on the following calculations:  $2,427 \text{ hours} / 3 = 809 \text{ hours}$ ;  $\$951,384 / 3 = \$317,128$ .

We estimate that each instance of mirror voting under the proposed voting condition would impose an annual internal burden of 3 hours on the acquiring fund to evaluate the votes of the other acquired fund's shareholders and submit its own votes, at a monetized internal cost of \$1,176.<sup>15</sup> We further estimate that each instance of pass-through voting would impose an internal burden of 30 hours, which would include identifying the shareholders of record and their holdings, providing proxy statements to and otherwise communicating with those shareholders regarding the vote, compiling shareholder responses, and voting accordingly, at a monetized internal cost of \$11,760.<sup>16</sup>

Accordingly, each year after the adoption of the proposed rule, in the aggregate, mirror voting by acquiring funds subject to the voting condition would impose an estimated internal annual burden of 8,564.4 hours.<sup>17</sup> Pass-through voting by acquiring funds would impose an estimated annual burden of 1,728 hours.<sup>18</sup> In the aggregate, the voting provision of proposed rule 12d1-4 therefore would impose an estimated internal annual burden of 10,292.4 hours.<sup>19</sup>

***Management Companies – Adviser Evaluations and Board Oversight.*** In addition, in cases where the acquiring fund is a management company, proposed rule 12d1-4 would require the acquiring fund's adviser to evaluate the complexity of the

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<sup>15</sup> This estimate is based on the following calculations: 3 hours x \$392 hourly rate for in-house attorney = \$1,176.

<sup>16</sup> This estimate is based on the following calculations: 30 hours x \$392 hourly rate for in-house attorney = \$11,760.

<sup>17</sup> This estimate is based on the following calculations: 793 acquiring funds x 3.6 mirror votes per year x 3 hours per mirror vote = 8,564.4 hours; (3.6 mirror votes per year = 11 (average number of acquired funds in which each acquiring fund invests) / 3 years.)

<sup>18</sup> This estimate is based on the following calculation: 16 acquiring funds x 3.6 pass-through votes per year x 30 hours per pass-through vote = 1,728 hours.

<sup>19</sup> This estimate is based on the following calculation: 8,564.4 hours + 1,728 hours = 10,292.4 hours.



structure and aggregate fees associated with the acquiring fund's investment in acquired funds, and find that it is in the best interest of the acquiring fund to invest in the acquired fund.<sup>20</sup>

Further, in cases where the acquiring fund is a management company, the proposed rule requires the acquiring fund's adviser to report to the acquiring fund's board of directors its finding that it is in the best interest of the acquiring fund to invest in the acquired fund and the basis for that finding.<sup>21</sup> The proposed rule requires this reporting before investing in acquired funds in reliance on the rule, and with such frequency as the board of directors of the acquiring fund deems reasonable and appropriate thereafter, but in any case, no less frequently than annually.<sup>22</sup>

Finally, an acquiring fund that is a management company would be required to maintain and preserve for a period of not less than five years, the first two years in an easily accessible place: (i) a written record of the adviser's finding that it is in the best interest of the acquiring fund to invest in the acquired funds; (ii) the basis for such finding; and (iii) any related reports provided by the adviser to the board of directors.<sup>23</sup>

These evaluations would impose both initial and ongoing burdens on management companies, related to both the evaluations themselves and the creation, review and maintenance of the aforementioned written materials associated with the evaluations. The Commission staff estimates the evaluations would impose an initial internal burden of 30

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<sup>20</sup> Proposed rule 12d1-4(b)(3)(i).

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> Proposed rule 12d1-4(c).

hours per fund.<sup>24</sup> Amortized over three years, this initial burden would equate to 10 hours per fund.<sup>25</sup> The Commission staff estimates, based on data retrieved from Morningstar Direct, Morningstar Investment Company Holdings, and funds' 10-K and 10-Q filings, that 3,373 out of 4,342 total acquiring funds would be subject to these requirements.<sup>26</sup> This number of funds equates to an aggregate amortized annual burden of 33,730 hours, monetized to \$12,372,164.<sup>27</sup>

***UITs – Principal Underwriter or Depositor Evaluations.*** The proposed rule would also require that, in cases where the acquiring fund is a registered UIT, the UIT's principal underwriter or depositor must evaluate the complexity of the structure and the aggregate fees associated with the UIT's investment in acquired funds, and find that the UIT's fees do not duplicate the fees of the acquired funds that the UIT holds or will hold at the date of deposit.<sup>28</sup> This evaluation must take place on or before of the date of initial deposit of portfolio securities into the UIT.<sup>29</sup>

An acquiring fund that is a UIT also would be required to maintain and preserve for a period of not less than five years, the first two years in an easily accessible place,

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<sup>24</sup> These burden hours translate to a monetized cost of \$11,005 per fund. This estimate is based on the following calculation: 15 hours x \$352 hourly rate for compliance attorney + 10 hours x \$317 hourly rate for senior portfolio manager + 5 hours x \$511 hourly rate for chief compliance officer = \$11,005. Amortized over three years, the monetized annual cost of the initial hour burden would be \$3,668. This estimate is based on the following calculation: \$11,005 / 3 = \$3,668.

<sup>25</sup> This estimate is based on the following calculation: 30 hours / 3 years = 10 hours per year.

<sup>26</sup> See Proposing Release at Section VI.B., Table 1.

<sup>27</sup> These estimates are based on the following calculations: 10 hours x 3,373 funds = 33,730 hours; \$3,668 x 3,373 funds = \$12,372,164.

<sup>28</sup> Proposed rule 12d1-4(b)(3)(ii).

<sup>29</sup> *Id.*

the UIT's principal underwriter or depositor's finding that the UIT's fees do not duplicate the fees of the acquired funds and the basis for such finding.<sup>30</sup>

These evaluations would impose both initial and ongoing burdens on UITs, related to both the evaluations themselves and the creation, review and maintenance of the aforementioned written materials associated with the evaluations. The Commission staff estimates the evaluations would impose an initial internal burden of 30 hours per fund.<sup>31</sup> Amortized over three years, this initial burden would equate to 10 hours per fund.<sup>32</sup> The Commission staff estimates, based on data retrieved from Morningstar Direct, Morningstar Investment Company Holdings, and funds' 10-K and 10-Q filings, that 306 out of 4,342 total acquiring funds would be subject to these requirements.<sup>33</sup> This number of funds equates to an aggregate amortized annual burden of 3,060 hours, monetized to \$1,122,408.<sup>34</sup>

***Separate Accounts Funding Variable Insurance Contracts – Certificates.***

Additionally, the proposed rule would require that, with respect to a separate account funding variable insurance contracts that invests in an acquiring fund, the acquiring fund must obtain a certification from the insurance company offering the separate account that the insurance company has determined that the fees borne by the separate account,

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<sup>30</sup> Proposed rule 12d1-4(c).

<sup>31</sup> These burden hours translate to a monetized cost of \$11,005 per fund. This estimate is based on the following calculation: 15 hours x \$352 hourly rate for compliance attorney + 10 hours x \$317 hourly rate for senior portfolio manager + 5 hours x \$511 hourly rate for chief compliance officer = \$11,005. Amortized over three years, the monetized annual cost of the initial hour burden would be \$3,668. This estimate is based on the following calculation: \$11,005 / 3 = \$3,668.

<sup>32</sup> This estimate is based on the following calculation: 30 hours / 3 years = 10 hours per year.

<sup>33</sup> This estimate is based on the following calculation: 969 – 663 = 306. *See* Proposing Release at Section VI.B., Table 1 (indicating 969 total UITs); *see also* Proposing Release at n.242 (indicating that 663 of the UITs are separate accounts subject to different requirements).

<sup>34</sup> These estimates are based on the following calculations: 10 hours x 306 UITs = 3,060 hours; \$3,668 x 306 UITs = \$1,122,408.

acquiring fund and acquired fund, in the aggregate, are consistent with the standard set forth in section 26(f)(2)(A) of the Act (15 U.S.C. 80a-26(f)(2)(A)).<sup>35</sup> The acquiring fund would also be subject to the proposed rule's recordkeeping provisions.<sup>36</sup> An insurance company already is required to make these fee-related determinations, but obtaining the aforementioned certifications and maintaining the certifications for recordkeeping purposes would impose new burdens on the acquiring fund.

The Commission staff estimates that obtaining these certifications and maintaining them for recordkeeping purposes would impose a one-time internal hour burden of four hours, then an ongoing internal hour burden of one hour, on each acquiring fund. Amortized over three years, the internal hour burden would be two hours per acquiring fund.<sup>37</sup> The Commission staff estimates, based on data retrieved from Morningstar Direct, Morningstar Investment Company Holdings, and funds' 10-K and 10-Q filings, that 663 out of 4,342 total acquiring funds would be subject to these requirements.<sup>38</sup> This number of funds equates to an aggregate amortized annual burden of 1,326 hours, monetized to \$102,765.<sup>39</sup>

**Table 1: Summary of Revised Annual Responses, Burden Hours, and Burden Hour Costs Estimates for Each Information Collection**

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<sup>35</sup> Proposed rule 12d1-4(b)(3)(iii).

<sup>36</sup> Proposed rule 12d1-4(c).

<sup>37</sup> This estimate is based on the following calculation: (4 hours + 1 hour + 1 hour) / 3 = 2 hours. These two burden hours translate to a monetized annual cost of \$155 per fund. This estimate is based on the following calculation: 1 hour x \$61 hourly rate for general clerk + 1 hour x \$94 hourly rate for senior computer operator = \$155.

<sup>38</sup> See Proposing Release at Section VI.B., Table 1 (indicating 969 total UITs); see also Proposing Release at n.242 (indicating that 663 of the UITs are separate accounts).

<sup>39</sup> These estimates are based on the following calculations: 2 hours x 663 UITs = 1,326 hours; \$155 x 663 UITs = \$102,765.

IC	IC Title	No. of Responses	Burden Hours	Burden Hour Costs
IC1	Disclosure requirements	4,342	8,648	\$3,473,600
IC2	Voting provisions	809	809	\$951,384
IC3	Management Companies – Adviser Evaluations and Board Oversight	3,373	33,730	\$12,372,164
IC4	UITs – Principal Underwriter or Depositor Evaluations	306	3,060	\$1,122,408
IC5	Separate Accounts Funding Variable Insurance Contracts – Certificates	663	1,326	\$102,765
	<b>Totals for all ICs</b>	<b>9,493</b>	<b>47,573</b>	<b>\$18,022,321</b>

### 13. Cost to Respondents

**Disclosure requirements.** The Commission staff estimates that the aforementioned disclosure requirements would impose a one-time external cost burden of \$5,470<sup>40</sup> and an ongoing external cost burden of \$2,735 on each acquiring fund relating to board review and consultation with outside counsel.<sup>41</sup> Amortized over three years, the annual external cost burden would be \$3,647 per acquiring fund.<sup>42</sup> The aggregate external cost burden estimate would therefore be \$15,835,274.<sup>43</sup>

**Voting provisions.** We estimate that compliance with the aforementioned proposed voting conditions also would impose external costs. For each instance of mirror voting, we estimate a cost of \$400.<sup>44</sup> For each instance of pass-through voting, we estimate 10 hours of outside professional time, at a cost of \$4,000.<sup>45</sup> Accordingly, each year after the adoption of the proposed rule, in the aggregate, mirror voting by acquiring funds subject to the voting condition would impose an estimated external cost of

<sup>40</sup> This estimate is based on the following calculation: 1 hour x \$400 hourly rate of outside counsel + 1 hour x \$5,070 hourly rate for board of directors = \$5,470.

<sup>41</sup> This estimate is based on the following calculation: 0.5 hour x \$400 hourly rate of outside counsel + 0.5 hour x \$5,070 hourly rate for board of directors = \$2,735.

<sup>42</sup> This estimate is based on the following calculation:  $(\$5,470 + \$2,735 + \$2,735) / 3 = \$3,647$ .

<sup>43</sup> This estimate is based on the following calculation: 4,342 respondents x \$3,647 = \$15,835,274.

<sup>44</sup> This estimate is based on the following calculation: 1 hour x hourly rate for outside counsel of \$400 = \$400.

<sup>45</sup> This estimate is based on the following calculation: 10 hours x hourly rate for outside counsel of \$400 = \$4,000.

\$1,141,920.<sup>46</sup> Pass-through voting by acquiring funds would impose an estimated annual external cost of \$230,400.<sup>47</sup> In the aggregate, the voting provision of proposed rule 12d1-4 therefore would impose an estimated annual external cost of \$1,372,320.<sup>48</sup>

***Management Companies – Adviser Evaluations and Board Oversight.*** The Commission staff estimates that these evaluations would impose an initial external cost of \$17,610<sup>49</sup> and external annual ongoing costs of \$5,870<sup>50</sup> per fund on management companies, relating to the need for board review and consultation with outside counsel. In the aggregate, these provisions of proposed rule 12d1-4 therefore would impose an estimated annual external cost of \$59,398,530.<sup>51</sup>

***UITs – Principal Underwriter or Depositor Evaluations.*** The Commission staff estimates that these evaluations would impose an initial external cost of \$2,400 for consultation with outside counsel.<sup>52</sup> In contrast to the external annual ongoing costs noted above for management companies, the Commission staff estimates that these evaluations would impose no external annual ongoing costs on UITs, because the rule would only require each UIT to make a single determination on or before of the date of

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<sup>46</sup> This estimate is based on the following calculations: 793 acquiring funds x 3.6 mirror votes per year x \$400 per mirror vote = \$1,141,920. (3.6 mirror votes per year = 11 (average number of acquired funds in which each acquiring fund invests) / 3 years.)

<sup>47</sup> This estimate is based on the following calculations: 16 acquiring funds x 3.6 pass-through votes per year x \$4,000 per pass-through vote = \$230,400. (3.6 pass-through votes per year = 11 (average number of acquired funds in which each acquiring fund invests) / 3 years.)

<sup>48</sup> This estimate is based on the following calculation: \$1,141,920 + \$230,400 = \$1,372,320.

<sup>49</sup> This estimate is based on the following calculation: 3 hours x \$5,070 hourly rate for board of directors + 6 hours x \$400 hourly rate for outside counsel = \$17,610.

<sup>50</sup> This estimate is based on the following calculation: 1 hour x \$5,070 hourly rate for board of directors + 2 hours x \$400 hourly rate for outside counsel = \$5,870.

<sup>51</sup> This estimate is based on the following calculation: (((\$17,610 / 3) + \$5,870 + \$5,870) x 3,373 = \$59,398,530.

<sup>52</sup> This estimate is based on the following calculation: 6 hours x \$400 hourly rate for outside counsel = \$2,400. Amortized over three years, this initial cost is equal to \$800 (based on a calculation of \$2,400 / 3).

initial deposit of portfolio securities into the UIT.<sup>53</sup> In the aggregate, these provisions of proposed rule 12d1-4 therefore would impose an estimated annual external cost of \$244,800.<sup>54</sup>

*Separate Accounts Funding Variable Insurance Contracts – Certificates.* The Commission staff estimates that obtaining and maintaining these certifications would not require board review or consultation with outside counsel, and would therefore impose no additional external costs on these acquiring funds.

**Total annual external cost:** \$76,850,924<sup>55</sup>

#### **14. Costs to Federal Government**

We previously estimated that the annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$22.2 million in fiscal year 2017, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. We estimate that proposed rule 12d1-4 would impose no additional costs to the federal government associated with this collection of information.

#### **15. Changes in Burden**

This is an initial submission for a proposed rule.

#### **16. Information Collection Planned For Statistical Purposes**

Not applicable.

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<sup>53</sup> Proposed rule 12d1-4(b)(3)(ii).

<sup>54</sup> This estimate is based on the following calculation:  $(\$2,400 / 3) \times 306 = \$244,800$ .

<sup>55</sup> This estimate is based on the following calculation: \$15,835,274 in external costs relating to disclosure provisions + \$1,372,320 in external costs relating to voting provisions + \$59,398,530 in external costs relating to management company adviser evaluations and board oversight + \$244,800 in external costs relating to UIT principal underwriter or depositor evaluations + \$0 in external costs relating to separate account certificates = \$76,850,924.

**17. Approval to Omit OMB Expiration Date**

Not applicable.

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

Not applicable.

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

Not applicable.