

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
FORM N-54A

A. JUSTIFICATION

1. Necessity for the Information Collection

Certain investment companies can elect to be regulated as business development companies, as defined in Section 2(a)(48) of the Investment Company Act of 1940 (the “Investment Company Act”).¹ Under Section 54(a) of the Investment Company Act,² any company defined in Section 2(a)(48)(A) and (B)³ may elect to be subject to the provisions of Sections 55 through 65 by filing with the Securities and Exchange Commission (the “Commission”) a notification of election, if such company has: (1) a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”);⁴ or (2) filed a registration statement pursuant to Section 12 of the Exchange Act for a class of its equity securities.⁵ The Commission adopted Form N-54A as the form for an investment company to notify the Commission of its election to be regulated as a business development company.

¹ 15 U.S.C. §80a-2(a)(48).

² 15 U.S.C. §80a-53(a).

³ 15 U.S.C. §80a-2(a)(48)(A) and (B).

⁴ 15 U.S.C. §78l.

⁵ *Id.*

2. Purpose and Use of the Information Collection

The purpose of Form N-54A is to notify the Commission that the investment company making the notification elects to be subject to Sections 55 through 65 of the Investment Company Act, enabling the Commission to administer those provisions of the Investment Company Act to such company.

3. Consideration Given to Information Technology

The Commission's electronic filing system (Electronic Data Gathering, Analysis and Retrieval or "EDGAR") automates the filing, processing and dissemination of full disclosure filings. The system permits public companies to transmit their filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets.

4. Duplication

The Commission periodically evaluates reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or form or a change in a rule or form. The information required by Form N-54A is not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁶ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for Form N-54A do not distinguish between small entities and other business development companies. Although the burden on small business development companies may be

⁶ 5 U.S.C. §§ 601-612.

proportionately greater than the burden on larger business development companies, the Commission believes the burden imposed on any business development company is small due to the extent and type of information required by the form.

6. Consequences of Not Conducting Collection

Investment companies electing to be regulated as business development companies are required to file the notification of election on Form N-54A only once, and therefore the filing of Form N-54A is not a recurring event requiring periodic collection.

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 the Division of Investment Management staff 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 that may confront the industry. The Commission requested public comment on the collection of information requirements in Form N-54A before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request. Further, no person has submitted a petition for rulemaking regarding Form N-54A to the Commission.

9. Payment or Gift

No payment or gift to respondents was provided.

10. Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

The information collection collects basic personally identifiable information (PII) that may include a name and job title. However, the agency has determined that the information collection does not constitute a system of records for purposes of the Privacy Act because 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

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995 (“PRA”)⁷ 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-54A is mandatory for companies electing to be regulated as business development companies. Responses to the disclosure requirements will not be kept confidential. The estimated burden of information collection for Form N-54A is set forth in Table 1 below.

⁷ 44 U.S.C. 3501 *et seq.*

TABLE 1: FORM N-54 PRA ESTIMATES

| REVISED ESTIMATES TO PREPARE AND FILE NOTIFICATIONS | | | |
|--|------------------------------|-------------------------|-----------------------------------|
| | Internal Hour Burdens | Wage Rate | Internal Annual Time Costs |
| Total annual burden per response | .5 | \$368/hour ⁸ | \$184 ⁹ |
| Number of annual responses | × 7 ¹⁰ | | |
| Revised total estimated annual burden | 3.5 | | \$1,288 |
| TOTAL ESTIMATED BURDENS TO PREPARE AND FILE NOTIFICATIONS | | | |
| Current total estimated annual burden | 6 | | \$2,070 |
| Revised total estimated annual burden | 3.5 | | \$1,288 |

13. Cost to Respondents

Cost burden is the cost of services purchased to prepare and update Form N-54A, such as for the services of outside counsel. The Commission estimates that 7 investment companies elect each year to be regulated as business development companies and must file Form N-54A.¹¹ The form must be filed only once. As a result, the total annualized cost burden for Form N-54A, other than the cost burden outlined in Item 12 above, is minimal.

⁸ The estimated wage figure is based on published rates for compliance attorneys from the Securities Industry and Financial Markets Association’s Report on Management & Professional Earnings in the Securities Industry 2013, 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.

⁹ This estimate is based on the following calculation: .5 burden hours per response x \$368/per hour = \$184 burden cost per response.

¹⁰ This number is based on the average annual number of Form N-54A filings with the Commission from January 1, 2017 through December 31, 2019.

¹¹ *Id.*

14. Cost to the Federal Government

The annual cost of reviewing and processing disclosure documents, including 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 decrease in estimated burden hours for Form N-54A is attributable to a decrease in the number of respondents from 12 to 7, resulting in a decrease of 2.5 hours.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to not display the expiration date for OMB approval.

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.