

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-CEN

A. JUSTIFICATION

1. Necessity of 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”) (15 U.S.C. 80a-1 et seq.). Section 30(a) of the Investment Company Act (15 U.S.C. 80a-29(a)) 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”) (15 U.S.C. 78a et seq.). In addition, Section 30(b) of the Investment Company Act (15 U.S.C. 80a-29(b)) 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....”

Form N-CEN is a structured form that requires registered funds to provide census-type information to the Commission on an annual basis.¹ 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 will not be kept confidential.

¹ See Investment Company Reporting Modernization, Investment Company Act Release No. 32314 (October 13, 2016) (“Reporting Modernization Adopting Release”). Form N-CEN was proposed in Investment Company Reporting Modernization, Investment Company Act Release No. 31610 (May 20, 2015) (“Proposing Release”).

On October 7, 2020, the Commission issued a release adopting amendments to Form N-CEN, relating to new rule 12d1-4 under the Investment Company Act.² Rule 12d1-4 permits registered funds and BDCs that satisfy certain conditions to acquire shares of another fund in excess of the limits of section 12(d)(1) of the Investment Company Act without obtaining an exemptive order from the Commission. In relevant part, the proposed Form N-CEN amendments requires management companies and unit investment trusts (“UITs”) to report whether they relied on section 12(d)(1)(G) of the Investment Company Act or rule 12d1-4 during the reporting period to participate in a fund of funds arrangement (“FOF”).³

2. Purpose and Use of the Information Collection

Form N-CEN contains “collections of information” within the meaning of the Paperwork Reduction Act of 1995 (“PRA”), and the Commission is submitting the collection 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 Form N-CEN is to satisfy the filing and disclosure requirements of Section 30 of the Investment Company Act, and of amended 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.

² See Fund of Funds Arrangements, Investment Company Act Release No. 34045 (October 7, 2020) (the “FOF Release”).

³ See proposed Items C.7.l. and C.7.m. of Form N-CEN (relating to management companies) and proposed Items F.18 and F.19 of Form N-CEN (relating to UITs).

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. Reports on Form N-CEN are required to be filed with the Commission electronically on EDGAR in a structured XML format which would permit the electronic analysis of the data in a single filing or in 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 reports on Form N-CEN either would not be duplicated elsewhere at all or would not be duplicated in a format that permits the electronic analysis of the data in a single filing or in comparison over time or among 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

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.

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 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.

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 changes in information collection requirements related to the proposed Form N-CEN amendments in the FOF Release before it submitted this request for revision and approval to the OMB. The Commission received no comments related to changes in information collection requirements in the proposed Form N-CEN amendments in response to this request.

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

We previously estimated that the Commission would receive an average of 2,835 reports on Form N-CEN.⁴ We further estimated the total aggregate annual hour burden to be 52,397 hours.⁵

We estimate in the FOF Release that, based on Commission staff experience, we believe that our proposal to require management companies and UITs to report if they are relying on section 12(d)(1)(G) or rule 12d1-4 during the reporting period would increase the estimated burden hours associated with Form N-CEN by approximately 0.1 hours, both initially and on an ongoing basis.⁶ Therefore, in the aggregate, we estimate that management companies and UITs would incur an annual burden of an additional 283.5 hours to comply with the proposed amendments to Form N-CEN,⁷ for a new annual aggregate total of 52,680.6.⁸ The monetized value of these 52,680.6 burden hours is estimated to be \$18.49 million.⁹

⁴ This estimate is based on the following calculation: 2,139 management investment companies + 696 UITs = 2,835 total funds.

⁵ This estimate is based on the following calculation: ((2,139 management investment companies × 13.35 hours per year) + (696 UITs × 9.11 hours per year)) ÷ 2,835 total funds = 12.31 hours per year.

⁶ This estimate stems from the Commission staff's understanding of the time it takes to complete initially complete and review items on Form N-CEN.

⁷ This estimate is based on the following calculation: 0.1 hours x 2,835 filers = 283.5 hours.

⁸ This estimate is based on the following calculation: 52,397.1 hours + 283.5 hours = 52,680.6 hours.

⁹ This estimate is based on average annual burden estimate of 52,680.6 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 ($\$351 \times 52,680.5 = \$18,490,890.60$). 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.

TABLE 1: FORM N-CEN PRA ESTIMATES

	Internal Burden		Wage Rate	Cost of Internal Burden
BURDEN FOR UPDATING FILING				
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		×
				2,835
Total annual burden	34,896 hours			\$12,248,496
BURDEN FOR LIQUIDITY RISK MANAGEMENT ITEMS				
Liquidity Risk Management Items	1 hour	×	\$351 blended rate	\$351
Number of funds filing	×	12,365		×
				12,365
	12,365 hours			\$4,340,115
BURDEN FOR SWING PRICING ITEMS				
Swing Pricing Items	.5 hours	×	\$351 blended rate	\$175.5
Number of funds filing	×	9,854		×
				9,854
	4,927 hours			\$1,729,377
BURDEN FOR RULE 6c-11 ITEMS				
Rule 6c-11 Items	.1 hours	×	\$351 blended rate	\$35.1
Number of ETFs	×	2,091		×
				2,091
	209.1 hours			\$73,394.1
BURDEN FOR RULE 12d1-4 ITEMS				
Rule 12d1-4 Items	0.1 hour	×	\$351 blended rate	\$35.1
Number of funds filing	×	2,835		×
				2,835
	283.5 hours			\$99,508.5
TOTAL BURDEN				
Total annual burden	52,680.6 hours			\$18,490,890.6

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	2,835	2,835	0	52,397.1	52,680.6	283.5	\$18,391,382.14	\$18,490,890.6	\$99,508.46

13. Cost to Respondents

The Commission previously estimated, with respect to the filing of a report on Form N-CEN, an external cost of \$91 per fund.¹⁰ External costs 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.¹¹ We estimate in the FOF Release that the proposed amendments to Form N-CEN would impose no additional external costs associated with this collection of information. In sum, we estimated that all applicable funds will incur, in the aggregate, external annual costs of \$1,344,980.¹²

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 \$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. We estimate that the proposed amendments to Form N-CEN would impose no additional costs to the federal government associated with this collection of information.

¹⁰ 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 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.

¹¹ *See* Items B.1.d. and C.1.c. of Form N-CEN (requiring LEI for the registrant and each management investment company).

¹² 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.

15. Changes in Burden

The estimated change in burden for the collection of information for Form N-CEN associated with the proposed amendments to Form N-CEN in the FOF Release is an increase of 283.5 hours. We estimate that the proposed amendments to Form N-CEN would impose no additional external costs associated with this collection of information.

16. Information Collection Planned For Statistical Purposes

Not applicable.

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 for Paperwork Reduction Act Submissions

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.