

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

A. JUSTIFICATION

1. Necessity for the Information Collection

Funds increasingly invest in other funds as a way to achieve asset allocation, diversification, or other investment objectives. According to staff estimates, approximately 40% of all registered funds hold an investment in at least one fund,¹ and total net assets in mutual funds that invest primarily in other mutual funds have grown from \$469 billion in 2008 to \$2.54 trillion in 2019.² Retail investors similarly use fund of funds arrangements as a convenient way to allocate and diversify their investments through a single, professionally managed portfolio. For example, a fund of funds may provide an investor with the same benefits as separate direct investments in several underlying funds, without the increased monitoring and recordkeeping that could accompany investments in each underlying fund.³

Section 12(d)(1) of the Act, however, limits the ability of a fund to invest substantially in securities issued by another fund. On October 7, 2020, the Commission adopted 17 CFR 270.12d1-4 (“rule 12d1-4”) which will permit certain registered funds and BDCs that satisfy

¹ Of those funds investing in other funds, 48% invest at least 5% of their assets in other funds, and 26% hold more than 90% of their assets in other funds. *See* Fund of Funds Arrangements, Investment Company Act Release No. 34045 (Oct. 7, 2020) (“Adopting Release”).

² During this period the number of mutual funds utilizing this arrangement grew from 838 to 1,469. *See* Investment Company Institute, 2020 Fact Book: A Review of Trends and Activities in the Investment Company Industry (“2020 ICI Fact Book”), at 244, *available at* https://www.ici.org/pdf/2020_factbook.pdf.

³ Target-date funds are a common type of fund of funds arrangement and are designed to make it easier for investors to hold a diversified portfolio of assets that is rebalanced over time without the need for investors to rebalance their own portfolio. *See* Investment Company Advertising: Target Date Retirement Fund Names and Marketing, Investment Company Act Release No. 29301 (June 16, 2010) [75 FR 35920 (June 23, 2010)] (proposing disclosure requirements for target date retirement funds’ marketing materials).

certain conditions to acquire shares of another fund in excess of the limits of section 12(d)(1) of the Act without obtaining an exemptive order from the Commission.⁴ These conditions, described in more detail below, include requirements that constitute a new collection of information. This collection of information is voluntary because rule 12d1-4 is an exemptive rule and, therefore, funds may choose not to rely on the proposed rule.

Voting Provisions. Under rule 12d1-4, where a fund (“acquiring fund”) and its advisory group (in the aggregate) hold more than 25% of the outstanding voting securities of another fund (“acquired fund”) that is a registered open-end investment company or registered unit investment trust (“UIT”), the acquiring fund will be required to vote those securities using mirror voting, unless certain exceptions apply.⁵ If the acquired fund is a closed-end fund, the acquiring fund and its advisory group must vote its securities using mirror voting if they, in the aggregate, hold more than 10% of the outstanding voting securities, unless certain exceptions apply.⁶ This requirement is necessary to address the potential for undue influence through voting power based on the types of acquired fund.

Fund of Funds Investment Agreement. Unless the acquiring fund’s adviser acts as the acquired fund’s investment adviser, rule 12d1-4 will require that the acquiring fund enter into an agreement containing certain provisions with the acquired fund effective for the duration of the funds’ reliance on the rule. Funds subject to this requirement must maintain a copy of these agreements. This requirement is necessary to provide a method to hold the parties to the

⁴ See Adopting Release, *supra* footnote 1.

⁵ See rule 12d1-4(b)(1)(ii) and (iv). As described in the Adopting Release, in mirror voting, the acquiring fund votes the shares it holds in the same proportion as the vote of all other holders. In circumstances where acquiring funds are the only shareholders of an acquired fund, however, pass-through voting may be used.

arrangement to the terms that led each fund's investment adviser to agree to the arrangement in the first place.

Management Companies -- Fund Findings. In cases where the acquiring fund is a management company,⁷ rule 12d1-4 will require, prior to the initial acquisition of an acquired fund in reliance on the rule, the acquiring fund's investment adviser to evaluate the complexity of the structure and fees and expenses associated with the acquiring fund's investment in the acquired fund, and find that the acquiring fund's fees and expenses do not duplicate the fees and expenses of the acquired fund. These evaluations and findings are necessary in order to ensure that the historical concerns that led to section 12(d)(1), specifically, regarding duplicative fees and complexity of structure, are addressed.

In cases where the acquired fund is a management company, rule 12d1-4 will require, prior to the initial acquisition of the acquired fund in reliance on the rule, the acquired fund's investment adviser to find that any undue influence concerns associated with the acquiring fund's investment in the acquired fund are reasonably addressed and, as part of this finding, the investment adviser must consider at a minimum certain enumerated factors. These factors are necessary to focus the analysis of an acquired fund's adviser on potential ways to reduce the threat of undue influence, including through redemptions, when an acquiring fund invests in the acquired fund beyond the section 12(d)(1) limits under the rule.

The rule will further require that each investment adviser report its evaluation, finding, and the basis for its evaluation or finding to the fund's board of directors no later than the next

⁶ See rule 12d1-4(b)(1)(iii) and (iv).

⁷ "Management companies" are defined as an investment company other than a face amount certificate company or UIT. 15 U.S.C. 80a-4.

regularly scheduled meeting of the board of directors. The rule also will require the acquiring and acquired funds participating in fund of funds arrangements in accordance with the rule to maintain and preserve a copy of each fund of funds investment agreement that is in effect, or was in effect in the past five years, and a written record of the relevant Fund Findings (and the basis for the Fund Findings) made under the rule.⁸ These requirements are necessary to ensure that the board is able to provide the additional layer of protection for acquiring and acquired funds and their respective investors against the historical abuses section 12(d)(1) is designed to prevent. They also help to ensure compliance with the rule's requirements when utilizing it as an exemption from section 12(d)(1).

UITs -- Principal Underwriter or Depositor Evaluations. The rule will require that, in cases where the acquiring fund is a UIT, the UIT's principal underwriter or depositor must evaluate the complexity of the structure associated with the UIT's investment in acquired funds, and find that the UIT's fees and expenses do not duplicate the fees and expenses of the acquired funds that the UIT holds or will hold at the date of deposit. The UIT is also required to keep records of the finding, and any basis for the finding.⁹ This evaluation is necessary to ensure that concerns regarding duplicative fees are addressed and also to help ensure compliance when utilizing the rule.

Separate Accounts Funding Variable Insurance Contracts. Lastly, the rule will 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. The certification must state that the insurance company has

⁸ Rule 12d1-4(b)(2)(i) and (c).

determined that the fees and expenses borne by the separate account, acquiring fund, and acquired fund, in the aggregate, are consistent with the standard set forth in section 26(f)(2)(A) of the Act. The acquiring fund will be required to keep a record of this certification.¹⁰ This certification is necessary to ensure that concerns regarding duplicative fees are addressed and also to help ensure compliance when utilizing the rule.

2. Purpose and Use of the Information Collection

The purpose of the information collection requirement in rule 12d1-4 is to ensure both that the concerns that led Congress to adopt section 12(d)(1) are mitigated and also to help ensure compliance with the rule's requirements when a fund is relying upon it as an exemption from that section.

3. Consideration Given to Information Technology

The information collected under the rule would not be submitted to the Commission. The proposed rule does not stipulate any particular method for communicating or preserving the information collected. The Electronic Signatures in Global and National Commerce Act¹¹ and the conforming amendments to rules under the Investment Company Act permit funds to maintain records electronically.

4. Duplication

The Commission is not aware of any duplicate reporting or recordkeeping requirements concerning proposed rule 12d1-4.

5. Effects on Small Entities

⁹ Rule 12d1-4(b)(2)(ii) and (c).

¹⁰ Rule 12d1-4(b)(2)(iii) and (c).

¹¹ P.L. 106-229, 114 Stat. 464 (June 30, 2000).

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The requirements of rule 12d1-4 do not distinguish between small entities and larger entities. The burden on smaller entities may be greater than for larger entities. This burden includes the cost of establishing and conducting a voting system in accordance with the rule, negotiating and maintaining fund of fund investment agreements, and establishing procedures for conducting the required evaluations, findings, and certifications. 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. Further, entities eligible to rely on rule 12d1-4 are required to comply with the requirements of the rule only if they wish to rely on the rule's exemptions.

6. Consequences of Not Conducting Collection

Less frequent information collection would be incompatible with the objectives of rule 12d1-4. The requirements of the rule are necessary to ensure that the concerns in section 12(d)(1) are adequately addressed by funds relying on the rule's exemptions.

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

Not applicable.

8. Consultations Outside the Agency

Before adopting proposed rule 12d1-4, the Commission solicited and evaluated public comment on the collection of information requirement. Specifically, the public was given the opportunity to comment on the Commission's estimates for the burdens of rule 12d1-4 as proposed. While comments were received from filers, investors and other market participants,

and were considered by the Commission as discussed in the Adopting Release, most of these did not relate to the proposed burden estimates for rule 12d1-4. We received one comment on the collection of information requirements,¹² who suggested that the proposed estimated burdens did not adequately account for both legal and accounting personnel needing to be involved with the finding requirement as proposed. In response to this comment, and changes made to the rule as adopted as influenced by other comments, the Commission made the following adjustments:

- *Voting Provisions.* This estimate is as proposed, except that we (1) lowered the relative amount of funds that are expected to use pass-through voting given the changes to that requirement, (2) lowered the amount of funds estimated to be subject to these provisions due to the raised threshold of when pass-through or mirror voting will be required and (3) also lowered the expected number of votes per year based upon updated analysis.¹³
- *Management Companies -- Fund Findings.* We have made some changes to the estimate from the proposal based upon changes to the rule as adopted.¹⁴ We increased the number of funds responding to this collection since the final rule will require both the acquiring and acquired funds to make certain findings under the rule. We have also increased our estimated burdens regarding initial hour and

¹² See Comment Letter of Guggenheim Investments (May 2, 2019).

¹³ The 2018 proposal of this rule contemplated that 809 funds would be subject to this requirement based upon a 3% threshold, rather than the 25% and 10% threshold we are adopting. See Fund of Funds Arrangements, Investment Company Act Release No. 10590 (Dec. 19, 2018) [84 FR 1286 (Feb 1, 2019)] (“2018 FOF Proposing Release”) at n.349 and accompanying text. See also Adopting Release, *supra* footnote 1, at nn.735 and 621 and nn.569 through 570 and accompanying text (outlining updated voting analysis).

¹⁴ See 2018 FOF Proposing Release, *supra* footnote 13, at nn.365-369 and accompanying text.

cost burdens due to the increased amount of factors that advisers would need to consider as part of this collection. In response to a commenter,¹⁵ we adjusted our estimates regarding the hours and wage rates to conduct evaluations and the creation, review, and maintenance of written materials. Lastly, we reduced the estimates regarding annual hour burdens, and eliminated the estimate of external annual costs, due to the elimination of the requirement to conduct on-going evaluations.

- *UITs -- Principal Underwriter or Depositor Evaluations.* We decreased the total number of respondents to this item based upon updated analysis as described above. Also, in response to a commenter,¹⁶ we adjusted our estimates regarding the hours and wage rates to conduct evaluations and the creation, review, and maintenance of written materials.¹⁷
- *Separate Accounts Funding Variable Insurance Contracts.* We decreased the total number of respondents to this item based upon updated analysis as described above. Also, we increased the proposed internal hour burden and time costs to account for likely attorney and compliance review of the required certification.¹⁸

In addition, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry

¹⁵ See *supra* footnote 12 and accompanying text.

¹⁶ *Id.*

¹⁷ See 2018 FOF Proposing Release, *supra* footnote 13, at nn.373-377 and accompanying text.

¹⁸ See 2018 FOF Proposing Release, *supra* footnote 13, at nn.373-377 and accompanying text. The rule will not subject an insurance company to a collection of information as section 26(f)(2)(A) of the Act already requires insurance companies to collect this information.

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 that may confront the industry.

9. Payment or Gift

Not applicable.

10. Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

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 (44 U.S.C. 3501 et seq.) and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

The tables below summarizes the estimated burdens associated with each element of the collection of information from the proposal and the overall final PRA estimates for internal and external burdens associated with rule 12d1-4.¹⁹

Table 1: Voting Provisions PRA Estimates

¹⁹ The Commission's estimates of the relevant wage rates in the tables below 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 1,800-hour work-year and inflation, 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 ("SIFMA Report") for the source of salary data.

	Internal Hour Burden ¹		Wage Rate ²	Internal Time Costs	Annual External Cost Burden
PROPOSED ESTIMATES FOR MIRROR VOTING					
Update proxy voting policies and disclosures	3 hours	×	\$392 (in-house attorney)	\$1,176	--
Evaluate other votes and vote accordingly (per vote x 3.6 votes)	3 hours × 3.6 <u>10.8 hours</u>	×	\$392 (in-house attorney)	\$1,176 × 3.6 <u>\$4,233.60</u>	\$400 × 3.6 <u>\$1,440</u>
Total burden per fund	13.8 hours			\$5,409.60	\$1,440
Total number of affected funds	× 793			× 793	× 793
Total proposed burden for mirror voting	10,943.4 hours			\$4,289,812.80	\$1,141,920
PROPOSED ESTIMATES FOR PASS-THROUGH VOTING					
Update proxy voting policies and disclosures	3 hours	×	\$392 (in-house attorney)	\$1,176	--
Communicate with shareholders and vote accordingly (per vote x 3.6 votes)	30 hours × 3.6 <u>108 hours</u>	×	\$392 (in-house attorney)	\$11,760 × 3.6 <u>\$42,336.00</u>	\$4,000 × 3.6 <u>\$14,400</u>
Total burden per fund	111 hours			\$43,512	\$14,400
Total number of affected funds	× 16			× 16	× 16
Total proposed burden for pass-through voting	1,776 hours			\$696,192	\$230,400
FINAL ESTIMATES FOR MIRROR-VOTING					
Update proxy voting policies and disclosures	3 hours	×	\$419 (in-house attorney)	\$1,257	--
Conduct voting procedure (per vote x 1 vote)	3 hours × 1 <u>3 hours</u>	×	\$419 (in-house attorney)	\$1,257 × 1 <u>\$1,257</u>	\$400 × 1 <u>\$400</u>
Total burden per fund	6 hours			\$2,514	\$400
Total number of affected funds	× 440			× 440	× 440
Total final burden for mirror voting	2,640 hours			\$1,106,160	\$176,000
FINAL ESTIMATES FOR PASS-THROUGH VOTING					
Update proxy voting policies and disclosures	3 hours	×	\$419 (in-house attorney)	\$1,257	--
Communicate with shareholders and vote accordingly (per vote x 1 vote)	30 hours × 1 <u>30 hours</u>	×	\$419 (in-house attorney)	\$12,570 × 1 <u>\$12,570</u>	\$4,000 × 1 <u>\$4,000</u>
Total burden per fund	33 hours			\$12,570	\$4,000
Total number of affected funds	× 10			× 10	× 10
Total final burden for pass-through voting	330 hours			\$125,700	\$40,000

TOTAL ESTIMATED BURDENS FOR VOTING PROVISIONS

Proposed burden estimates	12,719.4 hours	\$4,986,004.80	\$1,372,320
Proposed total respondents	809		
Revised burden estimates	2,970 hours	\$1,231,860	\$216,000
Proposed total respondents ³	450		

Notes:

1. Includes initial burden estimates annualized over a three-year period.
2. See SIFMA Report, *supra* footnote 19.
3. See Adopting Release, *supra* footnote 1, at n.735.

Table 2: Fund of Funds Investment Agreements PRA Estimates

	Internal Hour Burden ¹		Wage Rate ²	Internal Time Costs	Annual External Cost Burden
ESTIMATES FOR FUND OF FUNDS INVESTMENT AGREEMENTS					
Negotiating and memorializing agreement	20 hours	×	\$444.33 (blended rate for in-house attorney, deputy general counsel, and compliance manager) ³	\$8,886.6	\$978
Establishing recordkeeping policies and procedures	3 hours	×	\$63 (general clerk)	\$189	\$1,800
	3 hours	×	\$96 (senior computer operator)	\$288	
Recordkeeping	6 hours	×	\$63 (general clerk)	\$378	-
	6 hours	×	\$96 (senior computer operator)	\$576	
Total burden per fund	38 hours			\$10,317.6	\$2,778
Total number of affected funds ⁴	×	9,240		×	9,240
Total burden	351,120 hours			\$95,334,624	\$25,668,720

Notes:

1. Includes initial burden estimates annualized over a three-year period.
2. See SIFMA Report, *supra* footnote 19.
3. The \$444.33 wage rate reflects current estimates of the blended hourly rate for an in-house attorney (\$419), deputy general counsel (\$602) and compliance manager (\$312). \$444.33 is based on the following calculation: $(\$419 + \$602 + \$312) / 3 = \444.33 .
4. See Adopting Release, *supra* footnote 1, at n.738.

Table 3: Management Company Findings PRA Estimates

	Initial Internal Burden Hours		Annual Internal Hour Burden		Wage Rate ¹	Internal Time Costs	Initial External Cost Burden	Annual External Cost Burden
PROPOSED ESTIMATES								
Conduct evaluations and	15 hours	+	6 hours	×	\$352 (compliance attorney)	\$7,392	\$17,610	\$5,870

creation, review, and maintenance of written materials	10 hours		×	\$317 (senior portfolio manager)	\$3,170			
	5 hours		×	\$511 (chief compliance officer)	\$2,555			
		5 hours	×	\$61 (general clerk)	\$305			
		5 hours	×	\$94 (senior computer operator)	\$470			
Total burden per fund	30 hours	10 hours			\$13,892	\$17,610	\$11,740	
Total number of affected funds	× 3,373	× 3,373			× 3,373	× 3,373	× 3,373	
Total proposed burden	101,190 hours	33,730 hours			\$46,857,716	\$59,398,530	\$39,599,020	
FINAL ESTIMATES								
	20 hours	+	8 hours	×	\$293 (blended rate for compliance attorney and senior accountant) ²	\$8,204	\$35,220	\$0
Conduct evaluations and creation, review, and maintenance of written materials	10 hours		×	\$332 (senior portfolio manager)	\$3,320			
	5 hours		×	\$535 (chief compliance officer)	\$2,675			
		5 hours	×	\$63 (general clerk)	\$315			
		5 hours	×	\$96 (senior computer operator)	\$480			
Total burden per fund	35 hours	13 hours			\$14,994	\$35,220	\$0	
Total number of affected funds	× 6,178	× 6,178			× 6,178	× 6,178	× 6,178	
Total final burden	216,230 hours	80,314 hours			\$92,632,932	\$217,589,160	\$0	
TOTAL ESTIMATED BURDENS FOR FUND FINDINGS								
Proposed burden estimates	101,190 hours	33,730 hours			\$46,857,716	\$59,398,530	\$39,599,020	
Proposed total respondents	3,373							
Revised burden estimates	216,230 hours	80,314 hours			\$92,632,932	\$217,589,160	\$0	
Revised total respondents ³	6,178							

Notes:1. See SIFMA Report, *supra* footnote 19.

2. The \$293 wage rate reflects current estimates of the blended hourly rate for a compliance attorney (\$368) and senior accountant

(\$218). \$293 is based on the following calculation: $(\$368 + \$218) / 2 = \$293$.
 3. See Adopting Release, *supra* footnote 1, at n.740.

Table 4: UIT Evaluation PRA Estimates

	Initial Internal Burden Hours	Annual Internal Hour Burden	Wage Rate ¹	Internal Time Costs	Initial External Cost Burden	Annual External Cost Burden
PROPOSED ESTIMATES						
Conduct evaluations and creation, review, and maintenance of written materials	15 hours	×	\$352 (compliance attorney)	\$5,280	\$2,400	–
	10 hours	×	\$317 (senior portfolio manager)	\$3,170		
	5 hours	×	\$511 (chief compliance officer)	\$2,555		
	2.5 hours	×	\$61 (general clerk)	\$152.50		
	2.5 hours	×	\$94 (senior computer operator)	\$235		
Total burden per fund	30 hours	5 hours		\$11,392.50	\$2,400	–
Total number of affected funds	× 306	× 306		× 306	× 306	
Total proposed burden	9,180 hours	1530 hours		\$3,486,105	\$734,400	–
FINAL ESTIMATES						
Conduct evaluations and creation, review, and maintenance of written materials	20 hours	×	\$293 (blended rate for compliance attorney and senior accountant) ²	\$5,860	\$2,400	\$0
	10 hours	×	\$332 (senior portfolio manager)	\$3,320		
	5 hours	×	\$535 (chief compliance officer)	\$2,675		
	2.5 hours	×	\$63 (general clerk)	\$157.50		
	2.5 hours	×	\$96 (senior computer operator)	\$240		
Total burden per fund	35 hours	5 hours		\$12,252.50	\$2,400	\$0
Total number of affected funds	× 200	× 200		× 200	× 200	
Total final burden	7,000 hours	1,000 hours		\$2,450,500	\$480,000	–

TOTAL ESTIMATED BURDENS FOR UIT EVALUATIONS					
Proposed burden estimates	9,180 hours	1,530 hours	\$3,486,105	\$734,400	\$
Proposed total respondents	306				
Revised burden estimates	7,000 hours	1,000 hours	\$2,450,500	\$480,000	\$
Revised total respondents ³	200				

Notes:1. See SIFMA Report, *supra* footnote 19.2. The \$293 wage rate reflects current estimates of the blended hourly rate for a compliance attorney (\$368) and senior accountant (\$218). \$293 is based on the following calculation: $(\$368 + \$218) / 2 = \$293$.3. See Adopting Release, *supra* footnote 1, at n.744.**Table 5: Separate Account Certification PRA Estimates**

	Internal Hour Burden ¹		Wage Rate ²	Internal Time Costs	Annual External Cost Burden
PROPOSED ESTIMATES					
Obtain certificates and maintain records	1 hour	×	\$61 (general clerk)	\$61	–
	1 hour	×	\$94 (senior computer operator)	\$94	
Total burden per fund	2 hours			\$155	–
Total number of affected funds	×	663		×	663
Total proposed burden	1,326 hours			\$102,765	–
FINAL ESTIMATES					
Obtain certificates and maintain records	1 hour	×	\$419 (in-house attorney)	\$419	
	1 hour	×	\$71 (compliance clerk)	\$71	
	1 hour	×	\$63 (general clerk)	\$63	–
	1 hour	×	\$96 (senior computer operator)	\$96	
Total burden per fund	4 hours			\$649	–
Total number of affected funds	×	191		×	191
Total final burden	764 hours			\$123,959	–
TOTAL ESTIMATED BURDENS FOR SEPARATE ACCOUNT CERTIFICATION					
Proposed burden estimates	1,326 hours			\$102,765	–
Proposed total respondents	663				
Revised burden estimates	764 hours			\$123,959	–
Revised total respondents ³	191				

Notes:

1. Includes initial burden estimates annualized over a three-year period.

2. See SIFMA Report, *supra* footnote 19.3. See Adopting Release, *supra* footnote 1, at n.748.

Table 6: Rule 12d1-4 Total PRA Estimates

	Internal hour burden	Internal burden time cost	External cost burden
Voting Provisions	2,970 hours	\$1,231,860	\$216,000
Fund of Funds Investment Agreements	351,120 hours	\$95,334,624	\$25,668,720
Management Company Findings	216,230 hours	\$92,632,932	\$217,589,160
UIT Evaluations	7,000 hours	\$2,450,500	\$480,000
Separate Account Certificates	764 hours	\$123,959	\$0
Total annual burden	578,084	\$191,773,875	\$243,953,880
Number of funds	÷ 16,259	÷ 16,259	÷ 16,259
Average annual burden per fund	35.55 hours	\$11,794.94	\$15,004.24

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to collect the information required under rule 12d1-4. The cost burden does not include the hour burden discussed in Item 12 above. As outlined in the table above, we estimate the total external cost burden to comply with rule 12d1-4 to be \$243,953,880.

14. Cost to the Federal Government

The proposed rule would not entail any costs on the federal government.

15. Changes in Burden

Not applicable. This is the first request for approval of a collection of information for this proposed rule.

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. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.