

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-1A

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-1A (17 CFR 239.15A and 274.11A) is the form used by open-end management investment companies (“funds”) to register under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (15 U.S.C. 77a, et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a fund to register as an investment company. Form N-1A also permits funds to provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about the fund when it makes an initial or additional offering of its securities. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities.

On March 20, 2019, the Commission issued a release adopting rules that will modernize and simplify certain disclosure requirements in Regulation S-K, and related rules and forms.¹ In particular, the Commission adopted amendments to Regulation S-T that will require investment companies filing on Form N-1A to

¹ FAST Act Modernization and Simplification of Regulation S-K, Securities Act Release No. 10618 (Mar. 20, 2019) [84 FR 12674 (Apr. 2, 2019)].

submit the document in HTML format and to include a hyperlink to each exhibit identified in the exhibit index of the document.

In several cases, some of these amendments presented only a negligible or offsetting impact on the cost and hourly burdens associated with the Paperwork Reduction Act for certain investment company registration forms, and consequently, we believe did not warrant making any adjustments to those forms' burdens. With respect to our adoption of new Instruction 2 to Item 28, we noted that although we expected some reduction in burden associated with these amendments, we do not believe the reduction will be significant enough to warrant an adjustment to our burden estimates. Third, with respect to the impact new Instruction 3 to Item 28 would have on personally identifiable information (PII), we estimated in the adopting release that the amendments will result in some incremental reduction in burden, although we did not believe the reduction will be significant enough to warrant an additional adjustment to our burden estimates. Finally, we did not make any adjustments to the paperwork burden for forms impacted by our amendments to simplify and modernize the rules and forms governing incorporation by reference, because the amendments resulted in offsetting adjustments to the paperwork burden per affected form. As a result of the negligible or offsetting impacts noted above, we did not incorporate any changes to the burden hours or costs associated with the foregoing areas because we did not believe the adjustment would be significant enough to warrant an additional adjustment to our burden estimates in sections 12 and 13 below.

2. Purpose and Use of the Information Collection

The title for the collection of information is: Form N-1A under the Investment Company Act of 1940 and Securities Act of 1933, Registration Statement of Open-End Management Investment Companies. The purpose of Form N-1A is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable funds to provide investors with information necessary to evaluate an investment in the fund. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is primarily for the use and benefit of investors. The information filed with the Commission also permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

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 their filings to the Commission electronically. EDGAR has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. All funds have been required to use EDGAR for their disclosure filings since November 6, 1995. Form N-1A is required to be filed with the Commission electronically on EDGAR.² The public may access filings on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR

² 17 CFR 232.101(a)(1)(i) and (iv).

terminals located at the Commission's public reference rooms. Prospectuses and SAIs may be sent to investors by electronic means so long as the fund meets certain requirements.³

4. Efforts to Identify 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 requirements of Form N-1A are not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁴ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-1A 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.

³ See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233, Exchange Act Release No. 36345, Investment Company Act Release No. 21399 (Oct. 6, 1995) (60 FR 53458 (Oct. 13, 1995)).

⁴ 5 U.S.C. 601 *et seq.*

6. Consequences of Not Conducting Collection

The purpose of Form N-1A 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-1A, the Commission solicited and evaluated public comments on the proposal and its collection of information requirements. Specifically, the public was given the opportunity to comment on the Commission's estimates for the burdens of Form N-1A as proposed and as compared to the existing approved burden inventory in the proposing release for the amendments. The Commission's solicitation of public comments included estimating and requesting public comments on the burden estimates for all information collections under this OMB control number (*i.e.*, both changes associated with the rulemaking and other burden updates). The Commission received no comments in response to its request. 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. 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 and work addresses. 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 1995⁵ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with the disclosure requirements of Form N-1A is mandatory. Responses to the disclosure requirements will not be kept confidential.

⁵ 44 U.S.C. 3501 *et seq.*

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

	Burden Per Response						Aggregate Burden			
	Internal Burden		Wage Rate ¹	Cost of Internal Burden	Annual Cost Burden	Annual Responses	Internal Burden	Cost of Internal Burden	Annual Cost Burden	
CURRENTLY APPROVED ESTIMATES										
Preparing and filing reports on Form N-1A generally	278 hours	×	\$284 (1:1 blend of attorney and intermediate accountant)	\$78,952	\$21,849	×	6,002	1,670,576 hours	\$473,869,904	\$131,139,208
Total annual burden								1,670,576 hours	\$	\$131,139,208
REVISED ESTIMATES										
Preparing and filing reports on Form N-1A generally	278 hours	×	\$284 (1:1 blend of attorney and intermediate accountant)	\$78,952	\$21,849	×	6,002	1,670,576 hours	\$473,869,904	\$131,139,208
Preparation and review of exhibit hyperlinks	0.25 hours	×	\$348 (1:1 blend of compliance attorney and senior programmer)	\$87	\$300	×	6,002	1,501 hours	\$522,174	\$1,800,800
Total annual burden								1,672,077 hours	\$474,392,078	\$132,940,008

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 2.93 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-1A	6,002	6,002	0	1,670,576	1,672,077	+ 1,501	\$131,139,208	\$132,940,008	+ \$1,800,800

As summarized in Table 1 above, the Commission has previously estimated that funds will make about 6,002 filings on Form N-1A each year, incurring 1,670,576 hours of internal hour burden at a cost of about \$473.87 million. The hour burden estimates for preparing and filing reports on Form N-1A 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 Regulation S-T that will require funds filing reports on Form N-1A to submit these documents in HTML format and to include a hyperlink to each exhibit identified in the exhibit index of these documents are expected to increase the burdens and costs for funds that prepare and file these registration statements. For purposes of the Paperwork Reduction Act, we estimated the average burden for a fund to hyperlink to exhibits based on the median number of exhibits that are filed with an affected form. As summarized in Table 1 above, we estimate that the total internal burden associated with Form N-1A will be 1,672,077 hours per year, at a cost of about \$474.4 million.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and amend registration statements on Form N-1A, 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-1A, Commission staff estimated about \$131.1 million in external cost burden per year. We estimate that the revised external burden will be \$132.9 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. Change in Burden

As summarized in Table 2 above, the estimated hourly burden associated with Form N-1A has increased from 1,670,576 hours to 1,672,077 hours (an increase of 1,501 hours). In addition, the cost burden associated with Form N-1A has increased from \$131,139,208 to \$132,940,008 (an increase of \$1,800,800). 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 affecting Form N-1A regarding hyperlinking. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission requested public comment on all information collection burden estimates for this OMB control number.

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. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.