

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
FORM N-2

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-2 (17 CFR 239.14 and 274.11a-1) is the form used by closed-end management investment companies (“registered closed-end funds”) to register as investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”), and to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Form N-2 also is used by business development companies (“BDCs”), which are closed-end management investment companies that do not register under the Investment Company Act (but instead elect to be subject to certain provisions of the Investment Company Act (15 U.S.C. 80a-2(a)(48)) to register and offer their securities under the 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. The primary purpose of the registration process is to provide disclosure of financial and other information to current and potential investors for the purpose of evaluating an investment in a security. 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.

A closed-end management investment company (that is not a BDC) is required to register as an investment company under Section 8(a) of the Investment Company Act (15 U.S.C. 80a-8(a)). Form N-2 permits a registered closed-end fund and a BDC to

provide investors with a prospectus covering essential information about the fund when the fund makes an initial or additional offering of its securities. More-detailed information is available to interested investors in the Statement of Additional Information (“SAI”), which is provided to investors upon request and without charge.

On May 3, 2019, the Commission proposed amendments to the financial statement requirements for acquired and disposed businesses to improve the financial information about acquired or disposed businesses, facilitate more timely access to capital, and reduce the complexity and costs of preparing the disclosure.¹ Among other amendments, the Commission proposed new Rule 6-11 of Regulation S-X and amendments to Form N-2 to govern financial reporting for acquisitions involving investment companies. More specifically, the Commission proposed to amend Form N-2 to make the requirements of that form consistent with the disclosures required in proposed Rule 6-11.

2. Purpose and Use of the Information Collection

The purpose of Form N-2 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 a closed-end fund or BDC. This information collection differs significantly from many other federal information collections, which are primarily for the use and benefit of the collecting agency. The information required to be filed with the Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

¹ See Amendments to Financial Disclosures about Acquired and Disposed Businesses, Securities Act Release No. 10635 (May 3, 2019) [84 FR 24600 (May 28, 2019)].

3. Consideration Given to Information Technology

The Commission's Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR") automates the filing, processing, and dissemination of disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Registration statements filed on Form N-2 by registered closed-end funds and BDCs are required to be filed with the Commission electronically on EDGAR (17 CFR 232.101(a)(1)(i) and (iv)). The public may access filings on EDGAR through the Commission's website (<http://www.sec.gov>).

4. Efforts to Identify Duplication

The Commission periodically evaluates rule- and form-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes or adopts changes in its rules or forms. The requirements of Form N-2, including the proposed amendments, are generally not duplicated elsewhere.

5. Effect on Small Entities

Form N-2 must be filed by all closed-end funds, regardless of size. The burden on smaller funds to prepare and file registration statements may be greater than for larger funds. 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. 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

In the absence of the disclosure requirements in Form N-2, investors in closed-end funds may not receive information necessary to make informed investment decisions,

and consumer confidence in the securities industry could be adversely affected. Form N-2 also satisfies Investment Company Act requirements that certain investment companies must register with the Commission before they conduct business. In the absence of a Form N-2 registration statement, closed-end funds (that are not BDCs) would not be able to comply with the registration requirements of the Investment Company Act, and registered closed-end funds and BDCs would not be able to offer their shares under the Securities Act.

A closed-end fund must file a registration statement on Form N-2 only when making initial or additional offerings of securities under the Securities Act, or when amending its registration statement. Less-frequent collection would mean that information current to a particular offering would not be available to fund investors and the Commission would not have current information to perform its regulatory functions.

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

Not applicable.

8. Consultation Outside the Agency

In September 2015, the Commission issued a *Request for Comment on the Effectiveness of Financial Disclosures About Entities Other Than the Registrant*;² and on May 3, 2019, the Commission issued a proposing release soliciting comment on the “collection of information” requirements and associated paperwork burdens of the proposed amendments.³ Comments on the Commission’s releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in an ongoing dialogue with representatives of various market

² See Release No. 33-9929 (Sept. 25, 2015) [80 FR 59083 (Oct. 1, 2015)].

³ See *supra* note 1.

participants through public conferences, meetings, and informal exchanges. The Commission considers all comments received.

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 for Form N-2 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 1995⁴ 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-2 is mandatory. Responses to the collection of information will not be kept confidential.

We estimate that the proposed amendments to Form N-2 will result in a reduction of 100 burden hours for each filing that contains acquired fund financial information. To estimate the overall paperwork burden reduction from the proposed amendments, we first estimated the number of filings that include acquired fund financial statements. To do so, we searched the various form types over a three-year period ended October 1, 2018 for indications of fund acquisition disclosure.⁵ Based on this review, we estimate that 2 of the 132 total average number of initial Form N-2 filings (or 0.15%) contained fund acquisition disclosure. Using the currently-approved number of initial Form N-2 filings (140), we therefore estimate that 2 initial Form N-2 filings (0.15% of 140) would be affected by the proposed amendments annually.

As shown in Table 1 below, we estimate that 25% of the burden of preparation for Form N-2 is carried by the registrant internally and that 75% of the burden of preparation is carried by outside professionals retained by the company. We estimate that such costs would be an average of \$400 per hour.⁶

⁴ 44 U.S.C. 3501 et seq.

⁵ To conduct this analysis, Commission staff used text-based search terms of filings made through the EDGAR system to identify filings that may contain acquired fund financial statements and pro forma financial information from investment company registrants. However, the use of text-based search terms may understate the actual number of instances. Because the number of filings varied from year to year, we use an average over a three-year period.

⁶ This \$400 estimate is based on consultations with several registrants, law firms, and other persons who regularly assist registrants in preparing and filing reports with the Commission.

Table 1: Calculation of the Change in Burden Estimates of Current Responses Due to Proposed Amendments to Form N-2

Form	Number of Estimated Affected Responses (A)	Burden Hour Change per Current Affected Response (B)	Change in Burden Hours for Current Affected Responses (C) = (A) x (B)	Change in Company Hours for Current Affected Responses (D) = (C) x 0.25	Change in Professional Hours for Current Affected Responses (E) = (C) x 0.75	Change in Professional Costs for Current Affected Responses (F) = (E) x \$400
N-2	2	(100)	(200)	(50)	(150)	(\$60,000)

Table 2: Requested Paperwork Burden Under the Proposed Amendments to Form N-2

Form	Current Burden			Program Change			Requested Burden		
	Current Annual Responses (A)	Current Burden Hours (B)	Current Cost Burden (C)	Number of Affected Responses (D)	Reduction in Company Hours (E)	Reduction in Professional Costs (F)	Annual Responses (G) = (A)	Burden Hours (H) = (B) + (E)	Cost Burden (I) = (C) + (F)
N-2	298 ⁷	94,350	\$6,269,752	2	(150)	(\$60,000)	298	94,200	\$6,209,752

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and amend registration statements on Form N-2, 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 2 above, in our most recent Paperwork Reduction Act submission for Form N-2, Commission staff estimated \$6,269,752 in external cost burden per year. We estimate that the revised external burden will be approximately \$6,209,752.

14. Cost to the Federal Government

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$21.2 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 new total annual hour burden of 94,200 hours represents a decrease of 150 hours over the previous burden hour estimate of 94,350 hours. In addition, the new total annual external cost burden of \$6,209,752 represents a decrease of \$60,000 from the previous external cost burden of \$6,269,752. The decrease in burden hours and external costs are primarily attributable to the estimates of the time burden and external costs that will result from the proposed amendments streamlining the financial reporting on Form N-2 relating to acquisitions involving investment companies.

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.

⁷ This currently-approved number of annual responses includes initial filings on Form N-2 (140) and post-effective amendments on Form N-2 (158).

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not Applicable.