

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”).¹ Section 30(a) of the Investment Company Act² 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”).³ In addition, section 30(b) of the Investment Company Act 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.”⁴

Form N-CEN is used to collect annual, census-type information for registered funds. 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 are not kept confidential.

On November 2, 2020, the Commission issued a release adopting amendments to Form N-CEN, relating to new rule 18f-4 under the Investment Company Act.⁵ Rule 18f-4 permits a fund to enter into derivatives transactions, notwithstanding the prohibitions and restrictions on the issuance of senior securities under section 18 of the Investment Company Act, subject to conditions thereunder. The Form N-CEN amendments require a fund to identify whether it relied on rule 18f-4 during the

¹ 15 U.S.C. 80a-1 *et seq.*

² 15 U.S.C. 80a-29(a).

³ 15 U.S.C. 78a *et seq.*

⁴ 15 U.S.C. 80a-29(b).

⁵ *See* Use of Derivatives by Registered Investment Companies and Business Development Companies, Investment Company Act Release No. 34084 (November 2, 2020) (“Adopting Release”).

reporting period and whether it relied on any of the exceptions from various requirements under the rule.⁶

2. Purpose and Use of the Information Collection

The purpose of Form N-CEN is to satisfy the filing and disclosure requirements of section 30 of the Investment Company Act, and of 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.

3. Consideration Given to Information Technology

The Commission's electronic filing system (Electronic Data Gathering, Analysis, and Retrieval or "EDGAR") provides for automated filing, processing, and dissemination of full disclosure filings. 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 permits the electronic analysis of the data in a single filing and comparisons over time or across similar investment companies.

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 form or a change in a rule or form. The information provided under reports on Form N-CEN either is not duplicated elsewhere at all or is not duplicated in a format that permits the electronic analysis of the data in a single filing or in comparison over time or across 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

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁷ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. 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

⁶ See Item C.7.n of Form N-CEN.

⁷ 5 U.S.C. 601 *et seq.*

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.

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)

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultation Outside The Agency

Before adopting the amendments affecting Form N-CEN, 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-CEN as proposed and as compared to the existing approved burden inventory in the proposing and adopting releases for the amendments.⁸ 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 did not receive PRA related burden comments on the new Form N-CEN reporting requirements.

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.

⁸ See Adopting Release, *supra* footnote 1, at section IV.F; Use of Derivatives by Registered Investment Companies and Business Development Companies; Required Due Diligence by Broker-Dealers and Registered Investment Advisers Regarding Retail Customers' Transactions in Certain Leveraged/Inverse Investment Vehicles, Investment Company Act Release No. 33704 (Nov. 25, 2019) [85 FR 4446 (Jan. 24, 2020)] ("Proposing Release"), at section IV.H.

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 name, job title, and work address. 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 February 5, 2020 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 1995⁹ 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-CEN is mandatory. Responses to the collection of information will not be kept confidential.

Form N-CEN is a structured form that requires registered funds to provide census-type information to the Commission on an annual basis. The Commission estimates that registered management investment companies, would spend as much as 13.35 hours preparing and filing the form. The Commission further estimates that UITs, including separate account UITs, would spend as much as 9.11 hours preparing and filing Form N-CEN, since a UIT is required to answer fewer items.

We estimate that the average annual hour burden to complete the generally applicable items on Form N-CEN response will be 12.31 hours per year.¹⁰ We estimate that the aggregate annual hour burden to complete the generally applicable items will be 34,899 hours per year.¹¹ We therefore estimate that filers would have

⁹ 44 U.S.C. 3501 *et seq.*

¹⁰ This estimate is based on the following calculation: $((2,139 \text{ management investment company registrants} \times 13.35 \text{ hours per year}) + (696 \text{ UIT registrants} \times 9.11 \text{ hours per year})) \div 2,835 \text{ total registrants} = 12.31 \text{ hours per year.}$

¹¹ This estimate is based on the following calculation: $2,835 \text{ registrants} \times 12.31 \text{ hours per year} = 34,896 \text{ hours per year.}$

total average annualized paperwork related expenses related to complete the generally applicable items of \$12,249,496.35 for reports on Form N-CEN.¹² Additionally, we estimate that filers will be required to file 12,365 responses related to liquidity risk management items on Form N-CEN. We estimate that the average annual hour burden of the liquidity risk management items on Form N-CEN will be one hour per response per year, for an additional average annual hour burden of 12,365 hours and average aggregate time costs of \$4,340,115.¹³ Additionally, we estimate that filers will be required to file 9,854 responses regarding swing pricing.¹⁴ We estimate that the average annual hour burden as a result of the swing pricing-related items on Form N-CEN will be an additional 0.5 hour per fund per year for an average annual hour burden of 4,927 hours and average aggregate time costs of \$1,729,377.¹⁵ We estimate that filers will be required to file 2,091 responses regarding rule 6c-11. For these responses related to rule 6c-11, we estimate an average annual hour burden of 0.1 hour per response per year, for an average annual hour burden of 209.1 hours and average aggregate time costs of \$73,394.1.¹⁶ We estimate that filers will be required to file 2,835 responses regarding rule 12d1-4. For these responses related to rule 12d1-4, we estimate an average annual hour burden of 0.1 hour per response per year, for an average annual hour burden of 283.5 hours and average aggregate time costs of \$99,508.5.¹⁷ We estimate that filers will be required to file 5,524 responses regarding rule 18f-4. For these responses related to rule 18f-4, we an

¹² This estimate is based on average annual burden estimate of 34,896 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 ($\$351 \times 34,896 = \$12,249,496.35$). 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.*

¹³ These estimates are based on the following calculation: 12,365 funds x 1 hour = 12,365 hours. 12,365 hours x \$351 per hour = \$4,340,115.

¹⁴ As of the end of March 31, 2020, there were 9,854 open-end mutual funds (including funds that invest in other funds) and 2,091 ETFs.

¹⁵ These estimates are based on the following calculation: 9,854 funds x .5 hour = 4,927 hours. 4,927 hours x \$351 per hour = \$1,729,377.

¹⁶ These estimates are based on the following calculation: 2,091 ETFs x 0.1 hour = 209.1 hours. 209.1 hours x \$351 per hour = \$73,394.1.

¹⁷ These estimates are based on the following calculation: 2,835 registrants x 0.1 hour = 283.5 hours. 283.5 hours x \$351 per hour = \$99,508.5.

average annual hour burden of 0.4 hour per response per year, for an average annual hour burden of 2,210 hours and average aggregate time costs of \$775,570.¹⁸

We estimate that the total hour burdens and time costs associated with Form N-CEN, including the burdens associated with the liquidity-related, swing pricing-related, rule 6c-11-related items, rule 12d1-4-related items, and rule 18f-4-related items will result in an average annual hour burden of 54,890.6 hours¹⁹ and average aggregate time costs of \$19,267,460.6.²⁰

TABLE 1: FORM N-CEN PRA ESTIMATES

	Internal Burden		Wage Rate	Cost of Internal Burden
BURDEN FOR REPORT AND GENERAL ITEMS				
Preparing and Filing the Report	12.31 hours	×	\$351 (blended rate of \$368 for compliance attorney and \$334 for senior programmer)	\$4,320.81
Number of Registrants Filing ²¹	×	2,835		×
Total Annual Burden	34,896 hours			\$12,249,496.35
BURDEN FOR LIQUIDITY RISK MANAGEMENT ITEMS				
Liquidity Risk Management Items	1 hour	×	\$351 blended rate	\$351
Number of Funds Filing	×	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		×
	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		×
	209.1 hours			\$73,394.1
BURDEN FOR RULE 12d1-4 ITEMS				
Rule 12d1-4 Items	.1 hours	×	\$351 blended rate	\$35.1

¹⁸ These estimates are based on the following calculation: 5,524 funds x 0.4 hour = 2,210 hours. 2,210 hours x \$351 per hour = \$775,570.

¹⁹ This estimate is based on the following calculation: 34,896 hours + 12,365 hours + 4,927 hours + 209.1 hours + 283.5 hours + 2,210 hours = 54,890.6 hours.

²⁰ This estimate is based on the following calculation \$12,249,496.35 + \$4,340,115 + \$1,729,377 + \$73,394.1 + \$99,508.5 + \$775,570 = \$19,267,460.6.

²¹ Our burden estimate for preparing and filing a report is based on the number of registrants. See *supra* footnote 10. Our burden estimates for specific Form N-CEN items in this Table 1 are based on the applicable number of estimated funds, registrants, or ETFs, responding to that item. See *supra* footnotes 13-18.

Number of Registrants Filing	×2,835	×2,835
	283.5 hours	\$99,508.5
BURDEN FOR RULE 18f-4 ITEMS		
Rule 18f-4 Items	.4 hours ×	\$351 blended rate
Number of Funds Filing	×5,524	×5,524
	2,210 hours	\$775,570
TOTAL BURDEN		
Total Annual Burden	54,890.6 hours	\$19,267,460.6

TABLE 2: CHANGE IN BURDEN ESTIMATES²²

	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	52,680.6	54,890.6	+2,210	\$18,491,890.6	\$19,267,460.6	+\$775,570

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 registrant/fund.²³ 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.²⁴ We estimate in the Adopting Release that the amendments to Form N-CEN will impose no additional external costs associated with this collection of information. We estimate that in the aggregate all applicable funds will incur external annual costs of \$1,344,980.²⁵

²² This table includes current burden estimates from the approved Form N-CEN burden inventory. These baseline estimates differ from the estimates provided in the Adopting Release, to reflect inventory updates and revisions approved by OMB since the Commission's rule 18f-4 adoption.

²³ As of 2020 the annual cost of maintaining an LEI from the GMEI Utility was \$80, plus an \$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.

²⁴ *See* Items B.1.d. and C.1.c. of Form N-CEN (requiring LEI for the registrant and each management investment company).

²⁵ 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

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 \$21.2 million in fiscal year 2019, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. We estimate that the amendments to Form N-CEN will not impose additional costs to the federal government associated with this collection of information.

15. Changes in Burden

As summarized in Table 2 above, the estimated annual burden hours for Form N-CEN has increased from 52,680.6 to 54,890.6 hours (an increase of 2,210 hours). This is due to amendments to Form N-CEN requiring a fund to identify whether it relied on rule 18f-4 during the reporting period and whether the fund has relied on certain provisions of the rule. We do not estimate a change in cost burden. 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 for Paperwork Reduction Act Submissions

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.

LEIs pursuant to the requirements of Form N-MFP) + 2,091 ETFs) = \$91 per registrant/fund per year × 14,780 registrants and funds = \$1,344,980 per year.