

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Form N-14**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 5(c) of the Securities Act of 1933 (“Securities Act”)<sup>1</sup> requires a company to have filed a registration statement with the Commission before it offers securities to the public by use of the mails or other channels of interstate commerce.<sup>2</sup> Section 5(b) requires that a prospectus containing the pertinent information set forth in the registration statement be furnished to the purchaser of a security prior to or with the confirmation of sale or delivery of the security after sale, whichever comes first.<sup>3</sup> Investment companies are required to register under Section 8(a) of the Investment Company Act of 1940 (“Investment Company Act”)<sup>4</sup> and to file a registration statement under Section 8(b) of the Investment Company Act containing such information as the Commission has determined to be necessary or appropriate in the public interest or for the protection of investors.<sup>5</sup>

Form N-14<sup>6</sup> is the form for registration under the Securities Act of securities to be issued by management investment companies registered under the Investment Company Act and business development companies (“BDCs”) as defined by Section 2(a)(48) of the Investment Company Act (collectively, “funds”) in certain business combination transactions: (1) a

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<sup>1</sup> 15 U.S.C. 77a *et seq.*

<sup>2</sup> 15 U.S.C. 77e(c).

<sup>3</sup> *See* Securities Act Release No. 8591 (July 19, 2005) (70 FR 44722, 44782 (Aug. 3, 2005)).

<sup>4</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>5</sup> 15 U.S.C. 80a-8.

<sup>6</sup> 17 CFR 239.23.

transaction of the type specified in rule 145(a) under the Securities Act;<sup>7</sup> (2) a merger in which a vote or consent of the security holders of the company being acquired is not required pursuant to applicable state law; (3) an exchange offer for securities of the issuer or another person; (4) a public reoffering or resale of any securities acquired in an offering registered on Form N-14; or (5) two or more of the transactions listed in (1) through (4) registered on one registration statement. Rule 145(a) provides that submitting a proposal for certain reclassification of securities, mergers, consolidations, or transfers of assets for the vote or consent of security holders, is deemed to involve an “offer,” “offer to sell,” “offer for sale,” or “sale” of the securities to be issued in the transaction. The effect of the rule is to require registration of the securities to be issued in connection with such transactions, unless an exemption from registration is available.

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.<sup>8</sup> Among other amendments, the Commission proposed new Rule 6-11 of Regulation S-X and amendments to Form N-14 to govern financial reporting for acquisitions involving investment companies. More specifically, the Commission proposed to amend Form N-14 to make its disclosure requirements consistent with the disclosures required in proposed Rule 6-11.

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<sup>7</sup> 17 CFR 230.145(a).

<sup>8</sup> *See* Amendments to Financial Disclosures about Acquired and Disposed Businesses, Securities Act Release No. 10635 (May 3, 2019) [84 FR 24600 (May 28, 2019)].

## **2. Purpose and Use of the Information Collection**

The principal purpose of Form N-14 is to make available to investors material information regarding securities to be issued in connection with business combination transactions. 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 such information. Without the registration statement requirement, material information may not necessarily be available to investors.

## **3. Consideration Given to Information Technology**

The Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR") automates the 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. Registration statements on Form N-14 are required to be filed electronically on EDGAR.<sup>9</sup> The public may access filings on EDGAR through the Commission's website (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms. Prospectuses may be sent to investors by electronic means so long as certain requirements are met.<sup>10</sup>

## **4. 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 information in Form N-14 is not generally duplicated elsewhere.

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<sup>9</sup> See 17 CFR 232.101(a)(1)(i).

## **5. Effect on Small Entities**

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,<sup>11</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-14 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.

## **6. Consequences of Not Conducting Collection**

The purpose of Form N-14 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.

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<sup>10</sup> See Use of Electronic Media for Delivery Purposes, Securities Act Release No. 7233 (Oct. 6, 1995) [60 FR 53458 (Oct. 13, 1995)].

<sup>11</sup> 5 U.S.C. 601 *et seq.*

## **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**

In September 2015, the Commission issued a *Request for Comment on the Effectiveness of Financial Disclosures About Entities Other Than the Registrant*,<sup>12</sup> 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.<sup>13</sup> 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 participants through public conferences, meetings, and informal exchanges. The Commission considers all comments received.

## **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

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<sup>12</sup> See Release No. 33-9929 (Sept. 25, 2015) [80 FR 59083 (Oct. 1, 2015)].

<sup>13</sup> See *supra* note 8.

Identifiable Information (PII) that may include names, job titles, work addresses and work 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 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 1995<sup>14</sup> 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-14 is mandatory. Responses to the collection of information will not be kept confidential.

We estimate that the proposed amendments to Form N-14 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.<sup>15</sup> Based on this review, we estimate that 70 of the

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<sup>14</sup> 44 U.S.C. 3501 et seq.

<sup>15</sup> 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

152 total average number of Form N-14 filings (or 46%) contained fund acquisition disclosure. Using the currently-approved number of responses (253), we therefore estimate that 116 Form N-14 filings (46% of 253) 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-14 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.<sup>16</sup>

**Table 1: Calculation of the Change in Burden Estimates of Current Responses Due to Proposed Amendments to Form N-14**

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-14	116	(100)	(11,600)	(2,900)	(8,700)	(\$3,480,000)

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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.

<sup>16</sup> 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 2: Requested Paperwork Burden Under the Proposed Amendments to Form N-14**

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-14	253	125,260	\$5,842,000	116	(2,900)	(\$3,480,000)	253	122,360	\$2,362,000

**13. Cost to Respondents**

Cost burden is the cost of goods and services purchased to prepare and amend registration statements on Form N-14, 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-14, Commission staff estimated \$5,842,000 in external cost burden per year. We estimate that the revised external burden will be approximately \$2,362,000.

**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. Changes in Burden**

As summarized in Table 2 above, the estimated hourly burden associated with Form N-14 has decreased from 125,260 hours to 122,360 (a decrease of 2,900 hours). In addition, the cost burden associated with Form N-14 has decreased from \$5,842,000 to \$2,362,000 (a decrease of \$3,480,000). 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 the proposed amendments streamlining the financial reporting on Form N-14 relating to acquisitions involving investment companies.

## **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. Collection of Information Employing Statistical Methods**

The collection of information will not employ statistical methods.