

**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 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>1</sup> The proposed amendments to the Commission’s rules and forms would, among other things, affect financial reporting for acquisitions involving investment companies, including financial information provided on Form N-1A.

**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.

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<sup>1</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)].

### **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.<sup>2</sup> The public may access filings on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR 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.<sup>3</sup>

### **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,<sup>4</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-1A, including the requirements affected by the proposed amendments, 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-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

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<sup>2</sup> 17 CFR 232.101(a)(1)(i) and (iv).

<sup>3</sup> 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)).

<sup>4</sup> 5 U.S.C. 601 *et seq.*

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**

In September 2015, the Commission issued a Request for Comment on the Effectiveness of Financial Disclosures About Entities Other Than the Registrant;<sup>5</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>6</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 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 below estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995<sup>7</sup> and are not derived from a

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<sup>5</sup> See Release No. 33-9929 (Sept. 25, 2015) [80 FR 59083 (Oct. 1, 2015)].

<sup>6</sup> See *supra* note 1.

<sup>7</sup> 44 U.S.C. 3501 *et seq.*

comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with Form N-1A is mandatory. Responses to the collection of information will not be kept confidential.

We estimate that the proposed amendments will result in a reduction of 100 burden hours for each Form N-1A 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>8</sup> Based on this review, we estimate that 12 of the 8,936 total average number of Form N-1A filings (or 0.0013%) contained fund acquisition disclosure. Using the currently-approved number of responses (6,002), we therefore estimate that 8 Form N-1A filings (0.0013% of 6,002) 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-1A 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>9</sup>

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

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-1A	8	(100)	(800)	(200)	(600)	(\$240,000)

<sup>8</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 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>9</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-1A**

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-1A	6,002	1,672,077	\$132,940,008	8	(800)	(\$240,000)	6,002	1,671,277	\$132,700,008

**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 2 above, in our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated \$132,940,008 in external cost burden per year. We estimate that the revised external burden will be approximately \$132,700,008.

**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 decreased from 1,672,077 hours to 1,671,277 hours (a decrease of 800 hours). In addition, the cost burden associated with Form N-1A has decreased from \$132,940,008 to \$132,700,008 (a decrease of \$240,000). The changes in burden hours and external cost burdens are due the estimated reduction in the hour- and cost-burden for each Form N-1A filing that contains acquired fund financial information that would result from the proposed amendments.

**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.