

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

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-PX is used for reports pursuant to section 30 of the Investment Company Act of 1940 (the “Act”)¹ and rule 30b1-4 under the Act by all registered management investment companies, other than small business investment companies registered on Form N-5 (“funds”), to file their complete proxy voting records not later than August 31 of each year for the most recent twelve-month period ended June 30.²

Funds are required to disclose certain information on Form N-PX for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the fund was entitled to vote. This required information includes certain information about the portfolio security, the voting matter, and whether and how the fund cast its vote.³

On September 29, 2021, the Commission proposed rule and form amendments (“Proposal”) that would enhance the information funds report on Form N-PX and make that information easier to analyze. The Commission also proposed a new rule that would require an institutional investment manager subject to section 13(f) of the Securities Exchange Act of 1934 (“Exchange Act”)⁴ to report annually on Form N-PX how it voted proxies relating to executive

¹ 15 U.S.C. 80a-29.

² Rule 30b1-4 under the Act; General Instruction A of Form N-PX.

³ Item 1 of Form N-PX.

⁴ 15 U.S.C. 78m.

compensation matters, as required by section 14A of the Exchange Act. The Proposal would require funds (and, for executive compensation matters, institutional investment managers) to (i) identify voting matters using language from the issuer's form of proxy and categorize their votes from a list of categories; (ii) disclose quantitative information regarding the number of votes cast (or instructed to be cast) and the number of shares not voted because they are out on loan; and (iii) file reports in an XML structured data language using a standardized format.

2. Purpose and Use of the Information Collection

The purpose of Form N-PX is to meet the filing and disclosure requirements of rules under the Act and also to enable funds to provide investors with information necessary to evaluate an investment in the fund. 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. Under the Proposal, Form N-PX would also be used by institutional investment managers to meet the filing and disclosure requirements of section 14A under the Exchange Act.

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. Reports on Form N-PX are required to be filed electronically on EDGAR and, under the Proposal, reports on Form N-PX would be required to be filed in structured (XML) format, which permits the electronic analysis of the data in a single filing and comparisons over time or across multiple filers. 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. The Proposal would also require a fund to disclose on its registration form (Form N-1A, N-2, or N-3, as applicable), that its proxy voting record is available either on (or through) the fund's website, or upon request.

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or form or a change in a rule or form. The information required by Form N-PX is not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁵ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for Form N-PX do not distinguish between small entities and other funds. Although the burden on smaller funds may be greater than those of larger funds, the Commission believes that imposing different requirements on small entities would not be consistent with investor protection.

6. Consequences of Not Conducting Collection

Rule 30b1-4 under the Act requires that reports of funds' proxy voting records on Form N-PX be filed with the Commission annually. Less frequent collection would mean that current information might not be available to fund investors.

⁵ 5 U.S.C. 601 *et seq.*

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

None.

8. Consultation Outside the Agency

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 the staff with a means of ascertaining and acting upon the paperwork burdens confronting the industry. The Commission has previously requested public comment on the collection of information requirements in Form N-PX and received no comments in response to its request. The Commission has requested public comment on the Proposal, including the collection of information requirements resulting therefrom. Before adopting the Proposal, the Commission will receive and evaluate public comments on the Proposal and the associated collection of information requirements.

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 collects basic Personally Identifiable Information (PII) that may include names, job titles, work addresses and 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 2/5/2020, is provided as a supplemental document and is also available at <https://www.sec.gov/about/privacy/pia/pia-edgar.pdf>.

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 (“PRA”)⁶ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. In our most recent PRA submission for Form N-PX, we estimated a total hour burden of 47,984 hours and a total annual internal cost burden of \$17.66 million. Compliance with Form N-PX is mandatory for funds and, if the Proposal is adopted, would be mandatory for institutional investment managers. Responses to the collection of information requirements will not be kept confidential. The table below summarizes our PRA initial and ongoing annual burden estimates associated with the proposed amendments to Form N-PX.⁷

⁶ 44 U.S.C. 3501 *et seq.*

⁷ The Proposal would also amend Forms N-1A, N-2, and N-3 to disclose that funds’ proxy voting records are available on (or through) their websites. Although the website availability requirement would be located in the relevant registration form, the Commission proposed to reflect the burden for these requirements in the burden estimate for Form N-PX — Annual Report of Proxy Voting Record, and not in the burden for Forms N-1A, N-2, or N-3.

TABLE 1: FORM N-PX PRA ESTIMATES

	Internal initial burden hours	Internal annual burden hours ¹		Wage rate ²	Internal time costs	Annual external cost burden
Funds Holding Equity Securities						
Estimated annual burden of current Form N-PX per response		7.2	×	\$373 ³	\$2,686	\$1,000
Estimated initial burden to accommodate new reporting requirements	24	8	×	\$325 ⁴	\$2,600	
Additional estimated annual burden associated with amendments to Form N-PX		10	×	\$335 ⁵	\$3,350	\$500
Proposed website availability requirement ⁶		0.5	×	\$254 ⁶	\$127	
Estimated number of annual responses ⁸		× 7,064			× 7,064	× 7,064
Total annual burden		181,545			\$61,901,832	\$10,596,000
Funds Not Holding Equity Securities						
Estimated annual burden of current Form N-PX per response		0.17	×	\$373 ³	\$63	
Additional estimated annual burden associated with amendments to Form N-PX						
Estimated number of annual responses ⁸		× 3,188			× 3,188	
Total annual burden		542			\$200,844	
Funds of Funds						
Estimated annual burden of current Form N-PX per response		1	×	\$373 ³	\$373	\$100
Additional estimated annual burden associated		0.5	×	\$373 ³	\$187	\$100

with amendments to Form N-PX						
Proposed website availability requirement ⁶		0.5	×	\$254 ⁶	\$127	
Estimated number of annual responses ⁸		<u>× 1,367</u>			<u>× 1,367</u>	<u>× 1,367</u>
Total annual burden		2,734			\$939,129	\$273,400
Institutional Investment Managers						
Changes to systems to accommodate new reporting requirements	30	10	×	\$325 ⁹	\$3,250	
Estimated annual burden associated with Form N-PX filing requirement		5	×	\$335 ¹⁰	\$1,675	\$1,000
Estimated number of annual responses ¹¹		<u>× 7,744</u>			<u>× 7,744</u>	<u>× 7,744</u>
Total annual burden		116,160			\$38,139,200	\$7,744,000
Total Burden						
Current burden estimate		52,770			\$18,973,904	\$7,200,700
Additional burden estimate		248,211			\$82,207,101	\$11,412,700
Total annual burden		300,981			\$101,181,005	\$18,613,400

Certain products and sums do not tie due to rounding.

- Includes initial burden estimates amortized over a three-year period.
- The Commission's estimates of the relevant wage rates are based 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 figures are modified by 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.
- Represents the estimated hourly wage rate of a compliance attorney.
- Represents the blended estimated hourly wage rates of a programmer (4 hours at \$277/hour) and a compliance attorney (4 hours at \$373/hour).
- Represents the blended estimated hourly wage rates of a programmer (4 hours at \$277/hour) and a compliance attorney (6 hours at \$373/hour).
- While the proposed amendments would require funds to disclose that their proxy voting records both are available on fund websites and will be delivered to investors upon request, the Form N-PX PRA estimates includes only the burdens associated with website posting. Funds' registration forms currently require them to disclose that they either make their proxy voting records available on their websites or deliver them upon request. We understand most funds deliver proxy voting records upon request and, therefore, the burdens of delivery upon request are already included in the information collection burdens of each relevant registration form.
- Represents the estimated hourly wage rate of a webmaster.
- These estimates are conducted for each fund portfolio, not for each filing, and are an average estimate across all Form N-PX filers. In certain cases, a single Form N-PX filing will report the proxy voting records of multiple fund portfolios. In those circumstances, the filer would bear the burden associated with each fund portfolio it reported. This average estimate takes into account higher costs for funds filing reports for multiple portfolios without assuming any economies of scale that multiple-portfolio fund complexes may be

able to achieve.

9. Represents the blended estimated hourly wage rates of a programmer (5 hours at \$277/hour) and a compliance attorney (5 hours at \$373/hour).
10. Represents the blended estimated hourly wage rates of a programmer (2 hours at \$277/hour) and a compliance attorney (3 hours at \$373/hour).
11. Includes 7,550 initial filings and assumes an additional 194 filings as a result of the final adverse disposition of a request for confidential treatment or upon expiration of confidential treatment.

13. Cost to Respondents

Cost burden is the cost of services purchased to prepare and update Form N-PX, such as for the services of outside counsel. The cost burden does not include the cost of the hour burden discussed in Item 12 above. Estimates are based on the Commission's experience with the filing of reporting forms.

As summarized in Table 1 above, the most recent PRA submission estimated that the annual cost burden of Form N-PX is \$1,000 in external costs per portfolio holding equity securities that is paid to third-party service providers and \$100 per fund-of-funds portfolio, or an aggregate external cost burden of approximately \$6.5 million.⁸

As summarized in Table 1 above, the Commission estimates the Proposal would result in an annual external cost burden of \$1,500 per portfolio holding equity securities, \$200 per fund-of-funds portfolio, and \$1,000 per institutional investment manager. The Commission estimates that the total aggregate annual external cost burden of Form N-PX would be \$18.6 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 \$25.7 million in fiscal year

⁸ As explained below, the supporting statement associated with the most recent PRA submission estimated an external cost burden of \$6,539,600 but, due to an error in the most recent submission, the approved cost burden is listed as \$17,657,958. *See infra* footnote 10.

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 1 above, the Commission estimates that, if adopted, the hour burden associated with Form N-PX would increase from 47,984 hours to 300,981 hours (an increase of 252,997) hours. The changes in burden hours and cost estimates are due primarily to the Commission’s estimates of the increased time burden that would result from the proposed amendments to Form N-PX, the new website disclosure requirements, and the new requirement that institutional investment managers file reports on Form N-PX.⁹ The Commission also estimates an increase in the external costs of Form N-PX from \$17,657,958 to \$18,613,400 (an increase of \$955,442).¹⁰

TABLE 2: CHANGES IN ESTIMATED BURDEN

	Annual Number of Responses			Annual Time Burden (hours)			Annual Cost Burden (dollars)		
	Currently Approved	Revised Estimate	Change	Currently Approved	Revised Estimate	Change	Currently Approved	Revised Estimate	Change
Form N-PX	11,890	19,363	7,473	47,984	300,981	252,997	\$17.66M*	\$18.61M	\$0.96M

*See footnote 10.

⁹ In addition, a portion of the increase in estimated burden is due to the Commission using more recent data to estimate the number of filers that would be affected, which would have changed irrespective of the Proposal. If the more recent data had been available at the time the Commission submitted its previous PRA estimates, it would have estimated that the annual aggregate hours burden of Form N-PX was 52,770 hours (for an internal cost burden of \$19.0 million) and the annual aggregate external costs burden was \$7.2 million).

¹⁰ Due to an error in the most recent PRA submission for Form N-PX, the approved cost burden (dollars) for Form N-PX reflects the estimated costs of the internal burden hours rather than the external cost burden. Using the external cost burden discussed in the supporting statement associated with that PRA submission (which was \$6,539,600) would result in a larger cost burden increase of \$12,073,800. $\$18,613,400 - \$6,539,600 = \$12,073,800$.

16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to not display the expiration date for OMB approval.

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.