

**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 August 5, 2020, the Commission proposed rule and form amendments that would modernize the disclosure framework for open-end management investment companies.<sup>1</sup> The Commission proposed several amendments to Form N-1A, including: 1) amendments to the fee table and fee expense terminology; 2) revisions to the form’s risk disclosures; and 3) eliminating the legend required by rule 30e-3 on fund prospectuses stating that shareholder reports will eventually be available online and no longer will be sent to shareholders. These amendments are designed to modernize risk and fee disclosure in fund prospectuses. Additionally, the Commission proposed to amend the scope of rule 30e-3 to exclude open-end funds, and the proposed elimination of the rule 30e-3 legend on fund prospectuses is a conforming change accompanying the proposed amendment to the rule’s scope.

**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

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<sup>1</sup> Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements, Securities Act Release No. 10814 (Aug. 5, 2020) available at <https://www.sec.gov/rules/proposed/2020/33-10814.pdf>.

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.

### **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 website (<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 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 statement requirements.

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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.*

## **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 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**

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. In addition, the Commission has requested public comment on the proposed amendments to Form N-1A, including the collection of information requirements resulting from the proposed amendments. Before adopting these amendments, the Commission will receive and evaluate public comments on the proposed amendments and their associated collection of information requirements.

## **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 following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995<sup>5</sup> 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 Paperwork Reduction Act submission for Form N-1A, we estimated for Form N-1A a total hour burden of 1,672,077 hours, and the total annual external cost burden is \$132,940,008.<sup>6</sup> Compliance with the disclosure requirements of Form N-1A is mandatory, and the responses to the disclosure 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-1A.

Table 1: Burden Estimates for Initial and Ongoing Registration Statements Filed on Form N-1A

	Initial hours	Annual hours <sup>1</sup>	Wage rate <sup>2</sup>	Internal time costs	Annual external cost burden
Revise fee table and fee and expense terminology	9 hours <sup>3</sup>	5 hours <sup>4</sup>	× \$336 (blended rate for compliance attorney and senior programmer)	\$1,680	
Revise risk disclosures	18 hours	10 hours <sup>5</sup>	× \$336 (blended rate for compliance attorney and senior programmer)	\$3,360	
Remove rule 30e-3 legend <sup>6</sup>	-1 hour	-0.33 hours	× \$336 (blended rate for compliance attorney and senior programmer)	-\$110.88	
<b>Total new annual burden per fund</b>		14.67 hours		\$4,929.12	
<b>Number of funds</b>		× 12,410 funds <sup>7</sup>		× 12,410 funds	
<b>Total new annual burden</b>		182,054.7 hours		\$61,170,379.2	\$0
<b>TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS</b>					
<b>Current burden estimates</b>		+ 1,672,077 hours			+ \$132,940,008
<b>Revised burden estimates</b>		1,854,131.7 hours			\$132,940,008

Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. 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.

<sup>5</sup> 44 U.S.C. 3501 *et seq.*

<sup>6</sup> This estimate is based on the last time the rule's information collection was submitted in 2020.

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3. This estimate is an average estimate across all Form N-1A registrants.
  4. Includes initial burden estimates annualized over a three-year period, plus 2 hours of ongoing annual burden hours. The estimate of 5 hours is based on the following calculation:  $((9 \text{ initial hours} / 3) + 2 \text{ hours of additional ongoing burden hours}) = 5 \text{ hours}$ .
  5. Includes initial burden estimates annualized over a three-year period, plus 4 hours of ongoing annual burden hours. The estimate of 10 hours is based on the following calculation:  $((18 \text{ initial hours} / 3) + 4 \text{ hours of additional ongoing burden hours}) = 10 \text{ hours}$ .
  6. This amendment will decrease the burdens associated with Form N-1A.
  7. Includes all open-end funds, including ETFs, registered on Form N-1A.

### **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 1 above, in our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated about \$132,940,008 in external cost burden per year. We believe that the proposed amendments will not change the external cost burdens of Form N-1A.

### **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 1 above, the estimated hourly burden associated with Form N-1A has increased from 1,672,077 hours to 1,854,131.7 hours (an increase of 182,054.7 hours). In addition, the cost burden associated with Form N-1A has not changed. The changes in burden hour burdens is due to the estimates of the time burden that will result from our amendments to Form N-1A requiring revisions to the fee table, fee and expense terminology, and risk disclosure as well as the rescission of the legend required by rule 30e-3. 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 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.