

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 November 2, 2022, the Commission adopted rule and form amendments (“Amendments”) that would enhance the information funds report on Form N-PX and make that information easier to analyze.⁴ The Commission also adopted a new rule that would require an institutional investment manager subject to section 13(f) of the Securities Exchange Act of 1934

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 Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers, Investment Company Release No. 34745 (November 2, 2022) [87 FR 78770 (Dec. 22, 2022)] (“Adopting Release”).

(“Exchange Act”) to report annually on Form N-PX how it voted proxies relating to executive compensation matters, as required by section 14A of the Exchange Act. The Amendments require funds (and, for executive compensation matters, institutional investment managers) to (i) identify voting matters using language from the issuer’s form of proxy (with certain exceptions for issuers who are not subject to the Commission’s proxy rules) 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. In addition, the Amendments included changes to forms N-1A, N-2, and N-3 that require funds, if they have a website, to make publicly available free of charge the information disclosed in the fund’s most recently filed report on Form N-PX on or through its website as soon as reasonable practicable after filing the report.

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 overall patterns in the manager's voting behavior. 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. Due to the Amendments, Form N-PX will 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.

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

⁵ 5 U.S.C. 601 *et seq.*

would not be consistent with investor protection. Similarly, the Amendments will affect funds that are currently required to report on the form, including those that are small entities. The Commission considered the effects of the Amendments on small entities as part of its Final Regulatory Flexibility Act Analysis of the amendments.⁶

The Commission has endeavored through the Amendments to minimize the regulatory burden on all funds, including small entities, while meeting our regulatory objectives. It is important to establish a consistent framework for proxy information provided by funds to enhance the consistency and availability of this information to investors, and investors in funds of all sizes will benefit from the Amendments' enhancements to Form N-PX. Therefore, the Amendments establish requirements for reporting proxy information that are broadly applicable to all funds, including small funds. The Commission, however, made certain modifications to the Amendments as adopted, as compared to as proposed, that may have the effect of easing unnecessary burdens. In particular, the Commission streamlined the list of categories from which reporting persons will be required to choose in order to reduce overlap between the categories and eliminated the proposed requirement to select from a list of subcategories in addition to the categories. Thus, while acknowledging that the Amendments as adopted will impose costs on smaller entities, they are tailored to accomplish the Commission's goals while minimizing those costs.

The Commission does not presently believe that the Amendments would require the establishment of special compliance requirements, timetables, or exceptions for small entities. The Amendments were designed to increase transparency about how funds vote. Different disclosure requirements for small entities, such as reducing the level of proxy voting disclosure

⁶ Adopting Release, *supra* footnote 4.

for small entities, would prevent investors in small funds from benefitting from the information provided by the Amendments. Small funds currently must follow the same proxy voting reporting requirements as large funds in light of these concerns.

The Commission endeavored to clarify, consolidate, and simplify the requirements of the Amendments applicable to funds, including those that are small entities, as discussed in the Adopting Release. Finally, the Commission did not consider the use of performance rather than design standards to be consistent with its statutory mandate of investor protection with respect to reporting of proxy voting records.

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 and Section 14A of the Exchange Act requires that institutional investment managers report how they voted on executive compensation resolutions required by that section. Less frequent collection would mean that current information might not be available to fund investors.

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

None.

8. Consultation Outside the Agency

The Commission requested public comment when it proposed the Amendments, including the collection of information requirements resulting therefrom.⁷ Before adopting the Amendments, the Commission received and evaluated public comments on the collection of

⁷ Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers, Investment Company Release No. 34389 (September 29, 2021) [86 FR 57478 (Oct. 15, 2021)] at Section V.

information requirements. While several commenters provided comments on the potential costs of the Amendments as proposed, no commenters specifically addressed the Commission's PRA analysis. Two commenters stated that some reporting persons use service providers in the reporting process and that the proposed amendments could necessitate reconfiguration of the processes those service providers use. One commenter suggested that proxy voting advisory firms will undertake much of the work of vote categorization, which will result in costs for funds for their services. The commenter also stated that smaller funds that do not currently use an outside vendor to file Form N-PX may engage one as a result of the rule. On the other hand, a commenter stated that, while certain funds may bear new costs, funds may already track much of the information they will be required to report; the increased costs would thus only be due to transferring existing data onto a new form, rather than designing a new process to track the information in the first place. In addition, several commenters stated that lent share disclosure may be burdensome to implement. As discussed in the Adopting Release, the Commission modified its estimates in response to comments.⁸

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.

9. Payment or Gift

Not applicable.

⁸ See Adopting Release, *supra* note 4, at Section IV.

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 information 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”)⁹ 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. Responses to the collection of information requirements will not be kept confidential. The table

⁹ 44 U.S.C. 3501 *et seq.*

below summarizes our PRA initial and ongoing annual burden estimates associated with the Amendments.¹⁰

FORM N-PX PRA ESTIMATES

	Internal initial burden hours	Internal annual burden hours ¹		Wage rate ²	Internal time costs	Annual external cost burden
PROPOSED ESTIMATES						
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
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

¹⁰ 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.

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
FINAL ESTIMATES						
Funds Holding Equity Securities						
Estimated annual burden of current Form N-PX per response		7.2	×	\$400 ³	\$2,880	\$1,000
Estimated initial burden to accommodate new reporting requirements ¹²	36	12	×	\$349 ⁴	\$4,188	\$500 ¹³
Additional estimated annual burden associated with amendments to Form N-PX ¹²		12	×	\$349 ⁵	\$4,188	\$1,000 ¹³
Website availability requirement ⁶		0.5	×	\$272 ⁶	\$136	
Estimated number of annual responses ⁸		<u>× 5,496</u>			<u>× 5,496</u>	<u>× 5,496</u>
Total annual burden		188,490			\$67,737,479	\$14,865,142
Funds Not Holding Equity Securities						
Estimated annual burden of current Form N-PX per response		0.17	×	\$400 ³	\$68	
Additional estimated annual burden associated with amendments to Form N-PX						
Estimated number of annual responses ⁸		<u>× 2,588</u>			<u>× 2,588</u>	
Total annual burden		440			\$176,005	
Funds of Funds						
Estimated annual burden of current Form N-PX per response		1	×	\$400 ³	\$400	\$100
Additional estimated		0.5	×	\$400 ³	\$200	\$100

annual burden associated with amendments to Form N-PX						
Website availability requirement ⁶		0.5	×	\$272 ⁶	\$136	
Estimated number of annual responses ⁸		× 1,619			× 1,619	× 1,619
Total annual burden		3,238			\$1,191,584	\$323,800
Institutional Investment Managers						
Changes to systems to accommodate new reporting requirements ¹²	45	15	×	\$349 ⁹	\$5,235	\$500 ¹³
Estimated annual burden associated with Form N-PX filing requirement ¹²		7.5	×	\$343 ¹⁰	\$2,573	\$2,000 ¹³
Estimated number of annual responses ¹¹		× 8,381			× 8,381	× 8,381
Total annual burden		188,572			\$65,438,848	\$20,952,500
Total Burden						
Currently Approved Burden		47,984				\$17,657,958
Additional Burden Associated with Amendments		332,757				\$18,483,484
Total Burden		380,741				\$36,141,445

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 annually to account for the effects of inflation, with the last adjustment occurring in early 2022 (or 2021 in the case of estimates from the proposal). 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 and a compliance attorney and includes, *inter alia*, the costs of obtaining from service providers data on the number of shares on loan but not recalled. In the case of the final estimates, the blended hourly rate is based on 18 hours for a programmer at \$297 per hour and 18 hours for a compliance attorney at \$400 per hour.
- Represents the blended estimated hourly wage rates of a programmer and a compliance attorney. In the case of the final estimates, the blended hourly rate is based on 6 hours for a programmer at \$297 per hour and 6 hours for a compliance attorney at \$400 per hour.
- While the amendments will 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 reporting persons. In certain cases, a single Form N-PX filing will report the proxy voting records of multiple fund portfolios. In those circumstances, the reporting person will 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.
- Represents the blended estimated hourly wage rates of a programmer and a compliance attorney. In the case of the final estimates, the blended hourly rate is based on 22.5 hours for a programmer at \$297 per hour and 22.5 hours for a compliance attorney at \$400 per hour.
- Represents the blended estimated hourly wage rates of a programmer and a compliance attorney. In the case of the final estimates,

the blended hourly rate is based on 3 hours for a programmer at \$297 per hour and 4.5 hours for a compliance attorney at \$400 per hour.

11. At proposal, included 7,550 initial filings and assumed an additional 194 filings as a result of the final adverse disposition of a request for confidential treatment or upon expiration of confidential treatment. Now includes 8,147 initial filings and estimates an additional 234 filings.
12. The Commission's estimates of the internal initial and annual time burdens associated with the amendments have been increased by 50% compared to the proposal.
13. In light of comments and modifications to the proposal, the Commission's estimates of the external ongoing costs associated with the amendments have been doubled compared to the proposal, and the Commission has additionally included estimated initial costs of compliance. While the specific external costs will vary depending on the reporting person, this could include the costs of external reporting vendors or external counsel or of reporting in a custom XML data language. See footnote **Error! Bookmark not defined.** in the Adopting Release. Costs are estimated on a per-portfolio (not per-fund complex) basis, and as noted by a commenter, larger fund complexes may be able to achieve greater economies of scale. The same may also be true of managers.

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.

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. The current approved external cost burden inventory for this collection is \$17.66 million.¹¹

As summarized in the table above, the Commission estimates the Proposal would result in an annual external cost burden of \$2,500 per portfolio holding equity securities, \$200 per fund-of-funds portfolio, and \$2,500 per institutional investment manager. While the specific external costs will vary depending on the reporting person, this could include the costs of external reporting vendors or external counsel or of reporting in a custom XML data language.

¹¹ In the most recent renewal of this collection, we estimated an external cost burden of \$6,539,600 but a cost burden of \$17,657,958, which was our estimate of the internal cost burden, was approved.

The Commission estimates that the total aggregate annual external cost burden of Form N-PX would be \$36.1 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 \$30 million in fiscal year 2021, 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 the table above, the Commission estimates that the hour burden associated with Form N-PX will increase from 47,984 hours to 380,741 hours (an increase of 332,757 hours). The changes in burden hours and cost estimates are due primarily to the Commission’s estimates of the increased time burden that result from the amendments to Form N-PX, the new website disclosure requirements, and the new requirement that institutional investment managers file reports on Form N-PX.¹² The Commission also estimates an increase in the external costs of Form N-PX from \$17,657,958 to \$36,141,445 (an increase of \$18,483,484).¹³

TABLE 2: CHANGES IN ESTIMATED BURDEN

Annual Number of Responses	Annual Time Burden (hours)	Annual Cost Burden (dollars)
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¹² 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.

¹³ As discussed above, in the prior renewal of this collection we estimated a lower external cost burden than the currently approved inventory. *See supra* footnote 10. Using our estimated external cost burden would result in a larger cost burden increase of \$29,601,845 (\$36,141,445 - \$6,539,600 = \$29,601,845).

	Currently Approved	Revised Estimate	Change	Currently Approved	Revised Estimate	Change	Currently Approved	Revised Estimate	Change
Form N- PX	11,890	18,084	6,194	47,984	380,741	332,757	\$17.66M*	\$36.14M	\$18.48M

*See footnote 13.

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.