

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**FORM N-2**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form N-2 (17 CFR 239.14 and 274.11a-1) is the form used by closed-end management investment companies (“registered closed-end funds”) to register under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”), and to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Form N-2 is also used by business development companies (“BDCs”), which are closed-end management investment companies that do not register under the Investment Company Act (but instead elect to be subject to certain provisions of the Investment Company Act (15 U.S.C. 80a-2(a)(48)) to register and offer their securities under the 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. The primary purpose of the registration process is to provide disclosure of financial and other information to current and potential investors for the purpose of evaluating an investment in a security. 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.

A closed-end management investment company (that is not a BDC) is required to register as an investment company under Section 8(a) of the Investment Company Act

(15 U.S.C. 80a-8(a)). Form N-2 permits a registered closed-end fund and a BDC to provide investors with a prospectus covering essential information about the fund when the fund makes an initial or additional offering of its securities. More-detailed information is available to interested investors in the Statement of Additional Information (“SAI”), which is provided to investors upon request and without charge.

On September 20, 2023, the Commission issued a release that, among other things, adopted amendments to investment companies’ registration forms—specifically, Form N-1A, Form N-2, Form N-8B-2, and Form S-6—that will require each fund that is required to adopt an implement an “80% investment policy” under rule 35d-1 under the Investment Company Act (the “names rule”) to include disclosure in its prospectus that defines the terms used in its name, including the specific criteria the fund uses to select the investments that the term describes, if any.<sup>1</sup> These amendments are designed to help investors better understand how a fund’s investment strategy corresponds with the investment focus that the fund’s name suggests as well as to provide additional information about how the fund’s management seeks to achieve the fund’s objective.

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

The purpose of Form N-2 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 a closed-end fund or BDC.

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<sup>1</sup> Investment Company Names, Investment Company Act Release No. IC-35000 (Sept. 20, 2023) (the “Names Rule Adopting Release”). The Names Rule Adopting Release includes amendments to the names rule that address the rule’s requirement for certain funds to adopt an “80% investment policy” to invest at least 80% of the value of their assets in accordance with the investment focus that the fund’s name suggests, update the rule’s notice requirements, and establish recordkeeping requirements. The Names Rule Adopting Release also includes enhanced prospectus disclosure requirements for terminology used in fund names, and additional requirements for funds to report information on Form N-PORT regarding compliance with the names-related regulatory requirements.

Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is also for the use and benefit of investors. The information filed with the Commission 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, called "EDGAR" (for Electronic Data Gathering, Analysis and Retrieval), 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. Form N-2 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.

### **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 requirements of Form N-2 are not generally duplicated elsewhere.

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

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,<sup>3</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The disclosure requirements for registration

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

<sup>3</sup> 5 U.S.C. 601 *et seq.*

statements on Form N-2 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.

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

In the absence of the disclosure requirements in Form N-2, investors in closed-end funds may not receive information necessary to make informed investment decisions, and consumer confidence in the securities industry could be adversely affected. Form N-2 also satisfies Investment Company Act requirements that certain investment companies must register with the Commission before they conduct business. In the absence of a Form N-2 registration statement, closed-end funds (that are not BDCs) would not be able to comply with the registration requirements of the Investment Company Act, and registered closed-end funds and BDCs would not be able to offer their shares under the Securities Act.

A closed-end fund must file a registration statement on Form N-2 only when making initial or additional offerings of securities under the Securities Act, or when amending its registration statement. Less-frequent collection would mean that information current to a particular offering would not be available to fund investors and the Commission would not have current information to perform its regulatory functions.

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

Not applicable.

**8. Consultations Outside the Agency**

Before adopting the amendments affecting Form N-2, the Commission solicited and evaluated public comments on the proposal and its collection of information requirements. Specifically, the public was given the opportunity to comment on the Commission's estimates for the burden of Form N-2 as proposed and as compared to the existing approved burden inventory in the proposing release for the amendments.<sup>4</sup> The Commission's solicitation of public comments included estimating and requesting public comments on the burden estimates for all information collections under this OMB control number (*i.e.*, both changes associated with the rulemaking and other burden updates). The Commission received one comment addressing the costs of prospectus disclosure under the proposed amendments.<sup>5</sup> This comment was considered by the Commission as discussed in the Names Rule Adopting Release. In addition, 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 the paperwork burdens that may confront the industry.

**9. Payment or Gift**

No payment or gift to respondents was provided.

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<sup>4</sup> See Investment Company Names, Investment Company Act Release No. 34593 (May 25, 2022) [87 FR 36594 (June 17, 2022)] (the "Names Rule Proposing Release").

<sup>5</sup> See Names Rule Adopting Release at section V.C.

**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 a name and job title. However, the agency has determined that the information collection does not constitute a system of records 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 these collections of information. The EDGAR PIA, published on March 22, 2023, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

**12. Estimate of Hour and Cost 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>6</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with the disclosure requirements of Form N-2 is mandatory. Responses to the disclosure requirements will not be kept confidential.

The table below summarizes the Commission’s PRA initial and ongoing annual burden estimates associated with the amendments to Form N-2.

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<sup>6</sup> 44 U.S.C. 3501 *et seq.*

TABLE 1: FORM N-2 ESTIMATES

	Initial hours	Annual hours <sup>1</sup>	Wage rate <sup>2</sup>	Internal time costs	Annual external cost burden
<b>CURRENTLY APPROVED BURDENS</b>					
Preparing and Filing Reports on Form N-2 Generally		317.345	x \$400 (estimate of wage rate in most recently approved supporting statement)	\$126,938	\$20,775.23
Number of Responses		298		298	298
<b>Current Burden Requirement</b>		<b>94,569 hours<sup>3</sup></b>		<b>\$37,827,524</b>	<b>\$6,191,017</b>
<b>PROPOSED BURDENS</b>					
Proposed New Names Rule Disclosure	7 hours	10 hours	x \$356 (1:1 blend of attorney and senior programmer)	\$3,560	\$992 <sup>5</sup>
Number of Funds		x 626 funds <sup>3</sup>		x 626 funds	x 626
<b>TOTAL PROPOSED ESTIMATED BURDENS INCLUDING AMENDMENTS</b>					
<b>Total New Annual Burden</b>		<b>6,260 hours</b>		<b>\$2,228,560</b>	<b>\$620,992</b>
<b>FINAL ESTIMATED BURDENS</b>					
New Names Rule Disclosure	15 hours <sup>4</sup>	12 hours	x \$406 (1:1 blend of attorney and senior programmer)	\$4,872	\$1,130 <sup>5</sup>
Number of Funds		x 663 funds <sup>6</sup>		x 663 funds	x 663
<b>TOTAL FINAL ESTIMATED BURDENS INCLUDING AMENDMENTS</b>					
<b>Total New Annual Burden</b>		<b>7,956 hours + 94,569 hours = 102,525 hours</b>		<b>\$3,230,136 + \$37,827,524 = \$41,057,660</b>	<b>\$749,190 + \$6,191,017 = \$6,940,207</b>

Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. The estimated wage figures are based on published rates for the professionals described in this chart, modified to account for an 1800-hour work-year and inflation. The estimates for the proposed and final burdens were multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead. See Securities Industry and Financial Markets Association's Report on Management & Professional Earnings in the Securities Industry 2013.
3. We note that the current burden requirement reflected in Table 3 of the Names Rule Adopting Release included a scriveners' error, which incorrectly reflected the currently approved burden as 722,948 hours (with an annual external cost burden of \$47,835,854). This scriveners' error did not, however, affect the estimates of the burden associated with the amendments to Form N-2, which appear in this table as they appear in Table 3 of the Names Rule Adopting Release.
3. The currently-approved PRA burden for rule 35d-1 was based on the Commission's estimate that 83% of funds were covered by rule 35d-1. At proposal, we estimated that 75% of funds would be covered by the proposed rule amendments. The prior PRA burden was based on an estimate using a different analytical approach than we employed when estimating the burdens of the proposed and final amendments. The Commission estimated that 62% of funds were currently subject to rule 35d-1, and that the proposed rule amendments would increase this estimate to 75% of funds. The Commission estimated, across approximately 835 closed-end funds registered with the Commission, that there were approximately 626 closed-end funds that had names that would be covered by the proposed rule amendments, or 75% of closed-end funds covered by the rule amendments (736 registered closed-end funds +99 BDCs = 835 Form N-2 registrants x 75% = 626 Form N-2 registrants).
4. The estimated initial burden was increased from the estimate associated with the proposed rule amendments based on developments in our analysis with respect to estimating the burdens associated with initial disclosure-related burdens. This burden has been increased to reflect internal review processes that we understand are conventional when updating prospectus disclosures to reflect a new disclosure requirement, as well as the time that we understand, based on staff experience with the disclosure review process, drafting disclosure in response to new disclosure requirements typically takes.

5. The estimated burdens at proposal were based on the estimated wage rate of \$496/hour, and at adoption are based on the estimated wage rate of \$565/hour, for 2 hours, for outside legal services. The Commission's estimates of the relevant wage rate for external time costs, such as outside legal services, take into account staff experience, a variety of sources including general information websites, and adjustments for inflation.

6. Based on our current analysis, we estimate that 60% of funds are currently subject to rule 35d-1, and that the final amendments will increase this estimate to 76% of funds. The Commission estimates, across approximately 873 closed-end funds registered with the Commission, that approximately 663 closed-end funds have names that will be covered by the final rule, or 76% of closed-end funds (748 registered closed-end funds + 125 BDCs = 873 Form N-2 registrants x 76% = 663 Form N-2 registrants).

Although the estimates associated with the final amendments to Form N-2 are based on an estimate of 663 funds that would be affected by the new disclosure requirements, we estimate that there are 873 Form N-2 registrants (“respondents”) as discussed in footnote 6 to Table 1 above, and we continue to estimate 298 annual responses on Form N-2, based on staff analysis of the number of annual filings on this form.<sup>7</sup>

### **13. Cost to Respondents**

Cost burden is the cost of goods and services purchased to prepare and amend registration statements on Form N-2, 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. We estimate that the annual cost of outside services associated with the final amendments to Form N-2 would be approximately \$1,130 per fund with a total annual external cost burden for Form N-2 of \$6,940,207, as detailed in Table 1 above.

### **14. Costs to 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 \$29 million in fiscal year 2022, based on the Commission’s computation of the value of staff time devoted to this activity and related overhead.

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<sup>7</sup> Of the 873 Form N-2 registrants, we estimate that 37 closed-end funds (27 registered closed-end funds and 10 BDCs) are small entities. *See* Names Rule Adopting Release at section VI.C.

**15. Change in Burden**

As summarized in Table 1 above, the estimated hourly burden associated with Form N-2 has increased from 94,569 hours to 102,525 hours (an increase of 7,956 hours). Thus, the estimated hours per response have increased from about 317 hours to about 344 hours. The estimated cost burden associated with Form N-2 has increased from \$6,191,017 to \$6,940,207 (an increase of \$749,190). This increase is due to the new requirement for each fund that is required to adopt and implement an 80% investment policy to include disclosure in its prospectus that defines the terms used in its name, including the specific criteria the fund uses to select the investments that the term describes, if any. 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 Collections Planned for Statistical Purposes**

The results of any information collection will not be published.

**17. Approval to Omit OMB Expiration Date**

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

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

The Commission is not seeking an exception to the certification statement.

**B. STATISTICAL METHODS**

The collection of information will not employ statistical methods.