

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 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.¹ 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 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.

¹ 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.

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.² The public may access filings on EDGAR through the Commission's internet website (<http://www.sec.gov>). Prospectuses and SAIs may be sent to investors by electronic means so long as the fund meets certain requirements.³

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-1A are not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,⁴ to identify methods to minimize recordkeeping or reporting

² 17 CFR 232.101(a)(1)(i) and (iv).

³ 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)].

⁴ 5 U.S.C. 601 *et seq.*

requirements affecting small businesses. The 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 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 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

Before adopting the amendments affecting Form N-1A, 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-1A as proposed and as compared to the existing approved burden inventory in the proposing release for the amendments.⁵ 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.⁶ 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.

10. Confidentiality

No assurance of confidentiality was provided.

⁵ See Investment Company Names, Investment Company Act Release No. 34593 (May 25, 2022) [87 FR 36594 (June 17, 2022)] (the “Names Rule Proposing Release”).

⁶ See Names Rule Adopting Release at section V.C.

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 March 22, 2023, 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 1995⁷ 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-1A 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-1A.

⁷ 44 U.S.C. 3501 *et seq.*

TABLE 1: FORM N-1A ESTIMATES

	Initial hours	Annual hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
CURRENTLY APPROVED BURDENS					
Preparing and Filing Reports on Form N-1A Generally		278,5616	x \$406 (estimate of wage rate in most recently approved supporting statement)	\$113,096	\$22,109,2982
Number of Responses		6,002 ³		6,002	6,002
Current Burden Requirement		1,671,927 hours		\$678,802,192	\$132,700,008
PROPOSED BURDENS					
Proposed New Names Rule Disclosure	7 hours	10 hours	x \$356 (1:1 blend of attorney and senior programmer)	\$3,560	\$992 ⁶
Number of Funds		x 9,731 funds ⁴		x 9,731 funds	x 9,731 funds
TOTAL PROPOSED ESTIMATED BURDENS INCLUDING AMENDMENTS					
Total New Annual Burden		97,310 hours		\$34,642,360	\$9,653,152
FINAL ESTIMATED BURDENS					
New Names Rule Disclosure	15 hours ⁵	12 hours	x \$406 (1:1 blend of attorney and senior programmer)	\$4,872	\$1,130 ⁶
Number of Funds		x 9,593 funds ⁷		x 9,593 funds	x 9,593 funds
TOTAL FINAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
Total New Annual Burden		115,116 hours + 1,671,927 hours = 1,787,043 hours		\$46,737,096 + \$678,802,192 = \$725,539,288	\$10,840,090 + \$132,700,008= \$143,540,098

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. The currently-approved burden is based on an estimate of Form N-1A filings annually (which is a separate figure from the number of open-end funds).
4. 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 12,975 open-end funds including ETFs registered with the Commission, that there are approximately 9,731 open-end funds that have names that would have been covered by the proposed rule amendments, or 75% of open-end funds covered by the rule amendments (10,223 mutual funds (other than money market funds) + 2,320 non-UIT ETFs + 432 money market funds = 12,975 open end funds x 75% = 9,731 open-end funds).
5. 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.
6. 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.

7. 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 12,623 open-end funds including ETFs registered with the Commission, that there are approximately 9,467 open-end funds that have names that will be covered by the final amendments (9,533 mutual funds (other than money market funds) + 2,735 non-UIT ETFs + 355 money market funds = $12,623 \times 76\% = 9,593$ open-end funds).

Although the estimates associated with the final amendments to Form N-1A are based on an estimate of 9,593 funds that would be affected by the new disclosure requirements, we continue to estimate 6,002 annual responses on Form N-1A, based on staff analysis of the number of annual filings on this form.⁸

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. We estimate that the annual cost of outside services associated with the final amendments to Form N-1A would be approximately \$1,130 per fund with a total annual external cost burden for Form N-1A of \$143,540,098, as detailed in Table 1 above.

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 \$29

⁸ We estimate that 43 open-end funds are small entities. *See* Names Rule Adopting Release at section VI.C.

million in fiscal year 2022, 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 1,671,927 hours to 1,787,043 hours (an increase of 115,116 hours). The estimated cost burden associated with Form N-1A has increased from \$132,700,008 to \$143,540,098 (an increase of \$10,840,090). 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 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.