U.S. Securities and Exchange Commission

PAPERWORK REDUCTION ACT SUPPORTING STATEMENT

for the extension of
"Rule 2a-5 under the Investment Company Act of 1940, Fair Value"
OMB Control Number 3235-0779

The U.S. Securities and Exchange Commission ("Commission") submits this information collection request pursuant to the Paperwork Reduction Act of 1995 ("PRA"), 44 U.S.C. Section 3501 *et seq*., with the following justification.

1. Necessity of Information Collection

Section 2(a)(41) of the Investment Company Act of 1940 ("Investment Company Act")[1] requires funds to value their portfolio investments using the market value of their portfolio securities when market quotations for those securities are "readily available," and, when a market quotation for a portfolio security is not readily available, by using the fair value of that security, as determined in good faith by the fund's board.[2] The aggregate value of a fund's investments is the primary determinant of the fund's net asset value ("NAV"), which for many funds determine the price at which their shares are offered and redeemed (or repurchased).[3]

17 CFR 270.2a-5 ("rule 2a-5") provides requirements for determining in good faith the fair value of the investments of a registered investment company or companies that have elected to be treated as business development companies under the Investment Company Act ("BDCs" and, collectively, "funds") for purposes of section 2(a)(41) of the Investment Company Act and rule 2a-4 thereunder.[4] Under the rule, fair value as determined in good faith requires assessing and managing material risks associated with fair value determinations; selecting, applying, and testing fair value methodologies; and overseeing and evaluating any pricing services used. The rule also permits a fund's board to designate a "valuation designee" to perform fair value determinations. The valuation designee can be the adviser of the fund or an officer of an internally managed fund.[5] When a board designates the performance of determinations of fair value to a valuation designee for some or all of the fund's investments under the rule, the rule requires the board to oversee the valuation designee's performance of fair value determinations.

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1 15 U.S.C. 80a-1 *et seq.*

2 15 U.S.C. 80a-2(a)(41); *see also* 17 CFR 270.2a-4.

3 *See* 15 U.S.C. 80a-22(c) and 23(c); *see also* 17 CFR 270.22c-1(a).

4 *See* Good Faith Determinations of Fair Value, Investment Company Act Release No. 34128 (Dec. 3, 2020) ("Adopting Release").

5 Rule 2a-5(e)(4).

To facilitate the board's oversight, the rule also includes certain reporting and other requirements in the case of designation to a valuation designee.[6] As relevant here, the rule requires, if the board designates performance of fair value determinations to a valuation designee, that the valuation designee report to the board in both periodic and as needed reports on a per-fund basis.

Specifically, on a periodic basis, the valuation designee must provide the following to the board:

- Quarterly Reports. At least quarterly, in writing, (1) any reports or materials requested by the board related to the fair value of designated investments or the valuation designee's process for fair valuing fund investments and (2) a summary or description of material fair value matters that occurred in the prior quarter. This summary or description must include (1) any material changes in the assessment and management of valuation risks, including any material changes in conflicts of interest of the valuation designee (and any other service provider), (2) any material changes to, or material deviations from, the fair value methodologies, and (3) any material changes to the valuation designee's process for selecting and overseeing pricing services, as well as any material events related to the valuation designee's oversight of pricing services.

- Annual Reports. At least annually, in writing, an assessment of the adequacy and effectiveness of the valuation designee's process for determining the fair value of the designated portfolio of investments. At a minimum, this annual report must include a summary of the results of the testing of fair value methodologies required under the rule and an assessment of the adequacy of resources allocated to the process for determining the fair value of designated investments, including any material changes to the roles or functions of the persons responsible for determining fair value.

Further, the rule requires the valuation designee to provide a written notification to the board of the occurrence of matters that materially affect the fair value of the designated portfolio of investments (defined as "material matters") within a time period determined by the board, but in no event later than five business days after the valuation designee becomes aware of the material matter. Material matters in this instance include, as examples, a significant deficiency or material weakness in the design or effectiveness of the valuation designee's fair value determination process or of material errors in the calculation of net asset value. The valuation designee must also provide such timely follow-on reports as the board may reasonably determine are appropriate.[7]

The rule constitutes a "collection of information" for PRA purposes. The title of the collection is "Rule 2a-5 under the Investment Company Act of 1940, Fair Value." Its currently approved OMB control number is 3235-0779. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Respondents are funds. Compliance with rule 2a-5 is mandatory for any fund that would need to determine fair value under the Investment Company Act. To the extent that records required to be created and maintained under the rule are provided to the Commission in connection with examinations or investigations, such information would be kept confidential subject to the provisions of applicable law.

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[6] Rule 2a-5(b).

[7] Rule 2a-5(b).

2. Purpose and Use of Information Collection

The purpose of the information collection requirement in rule 2a-5 is to facilitate the board's ability to oversee effectively the adviser's fair value determinations and satisfy the board's obligation under the Investment Company Act.

3. Use and Consideration of Information Technology

The information collected under the rule would not be submitted to the Commission. The proposed rule does not stipulate any particular method for communicating or preserving the information collected. The Electronic Signatures in Global and National Commerce Act[8] and the conforming amendments to rules under the Investment Company Act permit funds to maintain records electronically.

4. Identifying and Minimizing Duplication

The Commission is not aware of any duplicate reporting requirements concerning rule 2a-5.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The requirements of rule 2a-5 do not distinguish between small entities and larger entities. The burden on smaller entities may be greater than for larger entities. There are different factors that affect whether a smaller fund incurs costs related to this requirement that are on the higher or lower end of the estimated range. For example, smaller funds--and more specifically, smaller funds that are not part of a fund complex--may not have an advisory agreement that has a reporting mechanism that meets all the elements that are required under the rule. Also, while larger funds or funds that are part of a large fund complex may incur higher costs, via increased advisory fees for valuation designees to take on this responsibility on behalf of such funds, related to this requirement in absolute terms relative to a smaller fund or a fund that is part of a smaller fund complex, a smaller fund may find it more costly, per dollar managed, to comply with the requirement because it is not be able to benefit from a larger fund complex's economies of scale.[9]

We do not believe that exempting small funds from the provisions in the rule would permit us to achieve our stated objectives, principally to protect investors from improper valuations. Further, the board reporting of the rule only affects fund boards that designate a valuation designee to perform fair value determinations, and, therefore, the rule requires funds to comply with this specific requirement only if the boards designated responsibilities to a valuation designee. However, we expect that most funds holding securities that must be fair valued will do so. Therefore, if a board to a small entity does not do this and instead performs its statutory function directly, then the small entity would not be subject to these provisions of the rule.

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8 P.L. 106-229, 114 Stat. 464 (June 30, 2000).

9 *See* Adopting Release at section III.C.1.

6. Consequences of Not Conducting Collection and Obstacles to Reducing Burden

Less frequent information collection would be incompatible with the objectives of rule 2a-5. The requirements of the rule are necessary to facilitate the board's ability to oversee effectively the adviser's fair value determinations and satisfy the board's obligation under the Investment Company Act.

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

Not Applicable.

8. Public Comment and Consultations Outside the Agency

The Commission did not receive public comment during the 60-day notice and comment period.

9. Payment or Gift to Respondents

Not Applicable.

10. Assurance of Confidentiality and Privacy

Not Applicable.

11. Collection Questions of a Sensitive Nature

Not Applicable.

12. Estimated Time Burden and its Cost Equivalent

The table below summarizes the estimated annual burdens associated with rule 2a-5.

Table 1: Estimated Annual Burdens

	Internal Burden Hours		Wage Rate[1]		Monetized Time Burden	External Cost Burden
Burden per Respondent	34 hours	x	$983	=	$33,422	$3,632[2]
Number of Respondents[3] = Number of Responses	× 10,047 funds				× 10,047 funds	× 10,047 funds
Aggregate Burden	341,598 hours				$335,790,834	$36,490,704

Notes:
1. The wage rate is based on our experience that 70 percent of the work would be performed by a management analyst, 6 percent of the work would be performed by the Board of Directors, and 24 percent of the work would be performed by a lawyer, all in the securities industry: (70% x $378 an hour for a management analyst) + (6% x $8,991 an hour for the Board of Directors, assuming an average of 9 directors per board) + (24% x $744 an hour for a lawyer) = $983 blended wage rate. To calculate the occupational hourly rates, the Commission uses occupational mean hourly wage data from the Occupational Employment and Wage Statistics (OEWS) program of the Bureau of Labor Statistics (BLS) for "Securities, Commodity Contracts, and Other Financial Investments and Related Activities" (NAICS 523). *See Occupational Employment and Wage Statistics*, U.S. Bureau of Labor Statistics, https://www.bls.gov/oes/; *see also Standard Occupational Classification*, U.S. Bureau of Labor Statistics, https://bls.gov/soc/ (describing occupational classification system used by BLS); Exec. Off. of the President, Off. of Mgmt. & Budget, North American Industry Classification System (2022), *available at* https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. *See Employment Cost Index*, U.S. Bureau of Labor Statistics, https://www.bls.gov/eci/. The adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis's annual gross output data for NAICS 523 to total annual wages across all occupations for NAICS 523 in the OEWS data. *See Gross Output by Industry,* U.S. Bureau of Economic Analysis, https://www.bea.gov/data/industries/gross-output-by-industry; *Occupational Employment and Wage Statistics, U.S. Bureau of labor Statistics*, https://wwww.bls.gov/oes/. The final product is the occupational hourly rate. *See generally* Updated Methodology for Calculating Occupational Hourly Rates (Dec. 19, 2025), *available at* https://www.sec.gov/files/method-occupational-hourly-rates.pdf.

2. This estimated burden is based on the estimated wage rate of $744 an hour, for 4 hours, for outside legal services and of $164 an hour, for 4 hours, for outside accounting services. *See* note 1 for the wage rate methodology.

3. Based on our experience, we estimate that 75 percent of funds that file Form N-PORT are subject to the reporting requirements of rule 2a-5. As of December 2025, including Form N-PORT filings received through April 2026, 13,396 funds filed Form N-PORT x 75% = 10,047 funds. We estimate one response per respondent; therefore the number of respondents = the number of responses.

13. Estimated Additional Cost Burden

Cost burden is the cost of goods and services purchased to collect the information required under rule 2a-5. The cost burden does not include the hour burden discussed in Item 12 above. As outlined in the table above, we estimate the total external cost burden to comply with rule 2a-5 to be $36,490,704.

14. Annual Cost to the Federal Government

Not applicable

15. Reasons for Changes in Burden

The estimated annual burdens associated with rule 2a-5 have increased as follows, due to updated data and revised methodologies.

Table 2: Changes in Burden

	Currently Approved[1]	Requested	Change
Number of Responses	9,800 funds	10,047 funds	247 funds
Time Burden	333,200 hours	341,598 hours	8,398 hours
Monetized Time Burden	$226,772,000	$335,790,834	$109,018,834
External Cost Burden	$36,005,200	$36,490,704	$485,504

Notes:
1. ICR Reference No. 202310-3235-010, conclusion date Jan. 25, 2024, *available at* https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202310-3235-010.

16. Plans for Publishing Results

Not applicable.

17. Approval to Omit Display of OMB Expiration Date

We are seeking OMB approval to omit the expiration date because the public may find it confusing to see an expiration date on a rule, especially when approaching the expiration date.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

- The collection does not reduce burdens on small entities, because it does not distinguish between small entities and larger entities, for the reasons discussed in Item 5, above.

- The collection does not indicate a retention period for recordkeeping requirements, because it is not applicable. The recordkeeping requirements for rule 2a-5 are provided in another collection titled, “Rule 31a-4 under the Investment Company Act of 1940, Records of Fair Value Determinations,” OMB Control Number 3235-0783.

- It does not use statistical survey methodology, because it is not applicable.