U.S. Securities and Exchange Commission

PAPERWORK REDUCTION ACT SUPPORTING STATEMENT

for the Extension of

Rule 0-1 under the Investment Company Act of 1940, Definition of terms used in this part

OMB Control Number 3235-0531

The U.S. Securities and Exchange Commission ("Commission" or SEC) submits this information collection request (ICR) 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

The Investment Company Act of 1940 (the "Investment Company Act")[1] establishes a comprehensive framework for regulating the organization and operation of investment companies ("funds"). A principal objective of the Investment Company Act is to protect fund investors by addressing the conflicts of interest that exist between funds and their investment advisers and other affiliated persons. The Investment Company Act places significant responsibility on the fund board of directors in overseeing the operations of the fund and policing the relevant conflicts of interest.[2] Rule 0-1 (17 CFR 270.0-1), as amended, provides definitions for the terms used by the Commission in the rules and regulations it has adopted pursuant to the Investment Company Act. The rule also contains a number of rules of construction for terms that are defined either in the Investment Company Act itself or elsewhere in the Commission's rules and regulations. Finally, rule 0-1 defines terms that serve as conditions to the availability of certain of the Commission's exemptive rules. More specifically, the term "independent legal counsel," as defined in paragraph (a)(6) of rule 0-1, sets out conditions that funds must meet in order to rely on any of ten exemptive rules ("exemptive rules") under the Investment Company Act.[3]

If the board's counsel has represented the fund's investment adviser, principal underwriter, administrator (collectively, "management organizations") or their "control persons"[4] during the past two years, rule 0-1 requires that the board's independent directors make a determination about the adequacy of the counsel's independence. A majority of the board's independent directors are required to reasonably determine, in the exercise of their judgment, that the counsel's prior or current representation of the management organizations or their control persons was sufficiently limited to conclude that it is

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

2 For example, fund directors must approve investment advisory and distribution contracts. See 15 U.S.C. 80a-15(a), (b), and (c).

3 See 17 CFR 270.0-1(a)(7). The relevant exemptive rules are: rule 10f-3 (17 CFR 270.10f-3), rule 12b-1 (17 CFR 270.12b-1), rule 15a-4(b)(2) (17 CFR 270.15a-4(b)(2)), rule 17a-7 (17 CFR 270.17a-7), rule 17a-8 (17 CFR 270.17a-8), rule 17d-1(d)(7) (17 CFR 270.17d-1(d)(7)), rule 17e-1(c) (17 CFR 270.17e-1(c)), rule 17g-1 (17 CFR 270.17g-1), rule 18f-3 (17 CFR 270.18f-3), and rule 23c-3 (17 CFR 270.23c-3).

4 A "control person" is any person – other than a fund – directly or indirectly controlling, controlled by, or under common control, with any of the fund's management organizations. See 17 CFR 270.01(a)(6)(iv)(B).

unlikely to adversely affect the counsel's professional judgment and legal representation.[5] Rule 0-1 also requires that a record for the basis of this determination is made in the minutes of the directors' meeting. In addition, the independent directors must have obtained an undertaking from the counsel to provide them with the information necessary to make their determination and to update promptly that information when the person begins to represent a management organization or control person, or when he or she materially increases his or her representation.[6] Generally, the independent directors must re-evaluate their determination no less frequently than annually.

2. Purpose and Use of Information Collection

Under rule 0-1, if a majority of a fund's independent directors makes a determination that the counsel's representation of fund management organizations (or any of their control persons) is or was so limited that it will not adversely affect the counsel's ability to provide impartial advice to the independent directors, the basis for that determination must be recorded in the board's meeting minutes. The records maintained under the rule are not submitted to the Commission, but may be reviewed by the Commission staff upon request to ensure compliance with the rule. If maintenance of these records were not required, the Commission could not readily determine and review the factors considered by the independent directors in assessing the independence of their counsel. The rule's requirement to maintain such records avoids the need for potentially more burdensome requirements such as mandatory filings of similar information with the Commission.

3. Use and Consideration of Information Technology

Minutes of a fund's board meeting are required to be maintained in accordance with rule 31a-2. Under rule 31a-2(f), the board meeting minutes regarding legal counsel independence under rule 0-1 may be maintained and preserved (and produced as necessary) on micrographic media or electronic storage media. As previously noted, rule 0-1 does not require the filing of any documents with the Commission.

4. Identifying and Minimizing Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates those requirements whenever it proposes a rule or form or a change in either. Rule 0-1 does not require any duplicative recordkeeping or reporting.

5. Effect on Small Entities

Rule 0-1 does not distinguish between large and small entities. The Commission believes that the minor recordkeeping provision in rule 0-1 is unduly burdensome for large or small entities and that imposing different requirements on smaller investment companies would not be consistent with investor protection.

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

It is necessary to have the basis for each determination made by independent directors regarding independent legal counsel in the board's meeting minutes because the relationships giving rise to counsel's underlying conflict, and the factors considered by independent directors, will be different with each determination. If rule 0-1 did not require a basis for the determination, the Commission staff would

---

5 17 CFR 270.0-1(a)(6)(i)(A).
6 17 CFR 270.0-1(a)(6)(i)(B).

not be able to review the factors considered by independent directors in assessing the independence of counsel.

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

Not applicable.

8. Public Comment and Consultations Outside the Agency

The SEC 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

The Information Collection does not collect information about individuals, therefore, a PIA, SORN, and PAS are not required.

11. Collection Questions of a Sensitive Nature

Not applicable.

12. Estimated Time Burden and its Cost Equivalent

We estimate that the independent directors of approximately 920 funds would need to make the required determination in order for their counsel to meet the definition of independent legal counsel under rule 0-1.[7] Based on conversations with fund representatives and the Commission's experience with the use of rule 0-1, we estimate that the recordkeeping burden of compliance with rule 0-2 is approximately 1 hour per respondent. This time is spent, for example, preparing the materials and minutes. Accordingly, we calculate the total estimated annual internal burden of complying with rule 0-2 to be approximately 920 hours.

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act. The estimate is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules. Compliance with rule 0-1 is required to obtain or retain benefits.

---

[7] This estimate is based on the annual average of the number of responses to Item C.2.a. (if more than one class is authorized under rule 18f-3) of Form N-CEN for the three year period ended December 2025, as a proxy for the exemptive rules that require the determination under rule 0-1.

ICR Estimated Time Burden and its Cost Equivalent							
Information Collections (ICs)	**Requirement Type**	**Number of Respondents**	**Frequency of Response (Number of Responses per Respondent per Time Period)**	**Time per Response**	**Equivalent Cost per Response($)**	**Total Annual Time Burden (Hours)**	**Total Annual Cost Burden Equiv-alent ($)**
Rule 0-1	Recordkeeping	920	1 Annually	1 hour	365[1]	920	335,800
TOTAL ICs:		920			**ICR TOTAL:**	**920**	**335,800**

[1] The $365 wage rate reflects current estimates of the hourly rate for a financial examiner in the securities industry. To calculate the occupational hourly rates used in this release, 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://www.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://www.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.

13. Estimated Additional Cost Burden

The recordkeeping requirement of rule 0-1 does not entail any annual cost burden in addition to the cost of the hourly burden discussed above.

14. Annual Cost to the Federal Government

Not applicable.

15. Reasons for Changes in Burden Estimates

The estimated total annual hour burden associated with rule 0-1 has increased from 728 hours to 920 hours (an increase of 192 hours). The estimated annual external costs have not changed from $0. These estimated increases in burden hours reflect changes in the number of affected entities. These changes reflect revised estimates and burdens attributable to requirements under the rule.

Reasons for Changes in Burden Estimates		
Information Collections (ICs)	**Area of Change**	**Reason for Change in Burden Estimates**
Rule 0-1	Annual Number of Responses for this IC	• Change Due to Adjustment in Agency Estimate
	Annual IC Time Burden (Hours)	• Change Due to Adjustment in Agency Estimate
	Annual IC Cost Burden (Dollars)	• Change Due to Adjustment in Agency Estimate

16. Plans for Publishing Results

Not applicable.

17. Approval to Omit Display of OMB Expiration Date

Not applicable.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

- Small entities (see explanation in Item 5): The Commission believes that imposing different requirements on smaller investment companies would not be consistent with investor protection.
- Recordkeeping requirements: Rule 0-1 does not have separate recordkeeping retention requirements.
- Statistical survey methodology: Rule 0-1 does not employ statistical survey methods.