

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 May 25, 2022, the Commission issued a release proposing rule and form amendments to enhance and modernize the investor protections provided by the Investment Company Act’s “names rule,” rule 35d-1 under the Investment Company

Act.¹ The names rule currently requires that that registered investment companies whose names suggest a focus in a particular type of investment (among other areas) to adopt a policy to invest at least 80 percent of the value of their assets in those investments (an “80 percent investment policy”). The proposed amendments, among other things, would extend the requirement to any fund name with terms suggesting that the fund focuses in in investments that have (or whose issuers have) particular characteristics.

Further, the proposal would amend Form N-1A to require that each fund that is required to adopt and implement an 80 percent 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.²

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

¹ *Investment Company Names*, Securities Act Release No. 11067; Securities Exchange Act Release No. 94981; Investment Company Act Release No. 34593, File No. S7-16-22 (May 25, 2022) available at <https://www.sec.gov/rules/proposed/2022/33-11067.pdf> (the “Names Rule Proposing Release”).

² See proposed instruction to Item 4(a)(1) of Form N-1A, Names Rule Proposing Release.

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 (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.³ 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. Prospectuses and SAI's may be sent to investors by electronic means so long as the fund meets certain requirements.⁴

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.

³ 17 CFR 232.101(a)(1)(i) and (iv).

⁴ 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)).

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 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).

⁵ 5 U.S.C. 601 *et seq.*

8. Consultation Outside the Agency

Before determining whether to adopt the proposed amendments to Form N-1A, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements. Moreover, 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 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.

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 January 29, 2016, 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 1995⁶ 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.

⁶ 44 U.S.C. 3501 *et seq.*

TABLE 1: ESTIMATES FOR PROPOSED AMENDMENTS TO FORM N-1A

	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	x \$284 (estimate of wage rate in most recently approved supporting statement)	\$78,952	\$21,849
Number of Responses		6,002 ³		6,002	6,002
Current Burden Requirement		1,672,077 hours		\$474,392,078	\$132,940,008
PROPOSED BURDENS					
Proposed New Names Rule Disclosure	7 hours	10 hours	x \$356 (1:1 blend of attorney and senior programmer)	\$3,560	\$992 ⁵
Number of funds		x 9,731 funds ⁴		x 9,731 funds	x 9,731 funds
TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
Total New Annual Burden⁶		97,310 hours + 1,672,077 hours = 1,769,387 hours		\$34,643,250 + \$474,392,078 = \$509,035,328	\$9,653,152 + \$132,940,008 = \$142,593,160

Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. The estimated wage figure is 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 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 was based on the Commission's estimate of the number of filings on Form N-1A per year, which estimate took into account all open-end funds, including exchange-traded funds ("ETFs"), then registered on Form N-1A.
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. We now estimate that 75% of funds would be covered by our proposed rule amendments. The prior PRA burden was based on an estimate using a different analytical approach than we are now employing. Based on our current analysis, we estimate that 62% of funds are currently subject to rule 35d-1 and that our proposed rule amendments would increase this estimate to 75% of funds. The Commission estimates, 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 be 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 burden is based on the estimated wage rate of \$496/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. The estimates in the Commission's proposing release inadvertently did not add the proposed additional burdens to the current burden requirement in the estimated "Total New Annual Burden."

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 total annual external cost burden associated with the proposed amendments would be \$9,653,152, and therefore we estimate that the new estimated total external cost to all respondents associated with Form N-1A would be \$142,593,160, as detailed in Table 1 above.

14. Cost to the Federal Government

The annual cost of reviewing and processing 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 these activities and related overhead.

15. Change in Burden

The proposed amendments would result in a number of changes to the currently approved burden. The proposed names rule disclosure requirements would add approximately 97,310 hours of annual burden, increasing the total annual burden to 1,769,387 hours. We estimate 5,447 responses on Form N-1A per year. Thus, the estimated hours per response would increase from 278 hours to approximately 324 hours.

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.