

**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 November 2, 2022 the Commission proposed amendments to Form N-1A.<sup>1</sup> The Commission proposed amendments to Item 11(a) of Form N-1A to require, if applicable, that funds disclose that if an investor places an order with a financial intermediary, the financial intermediary may require the investor to submit its order earlier to receive the next calculated net asset value for the share. In addition, as a result of the proposed amendments to rule 22c-1 to require that certain funds use swing pricing, we estimate that additional funds would be required to disclose information about swing pricing in response to certain existing items in the form.

## **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, including those that would be affected as a result of the proposed rule amendments, 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.

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<sup>1</sup> Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting, Investment Company Act Release No. 34746 (November 2, 2022).

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

### **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.

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

<sup>3</sup> 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,<sup>4</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-1A, including the proposed amendments to the rule, 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.

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<sup>4</sup> 5 U.S.C. 601 *et seq.*

**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 proposed amendments affecting Form N-1A, the Commission will solicit and evaluate public comments on the proposal and its collection of information requirements. Specifically, the public has the opportunity to comment on the Commission's estimates for the burdens of Form N-1A as proposed and as compared to the existing approved burden inventory in the proposing release for the amendments. The Commission's solicitation of public comments includes 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). 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 confronting 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 February 5, 2020, 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 1995<sup>5</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-1A is mandatory. Responses to the disclosure requirements will not be kept confidential.

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<sup>5</sup> 44 U.S.C. 3501 *et seq.*

Table 1: Burden Estimates for Initial Registration Statements Filed on Form N-1A

	Burden Per Response								Aggregate Burden		
	Initial Internal Burden Hours	Internal Burden <sup>1</sup>		Wage Rate <sup>2</sup>	Cost of Internal Burden	Annual Cost Burden	Annual Responses		Internal Burden	Cost of Internal Burden	Annual Cost Burden
REVISED ESTIMATES											
Disclosure of Information Related to Hard Close	3 hours	1.5 hours <sup>3</sup>	x	\$381 <sup>4</sup>	\$572	\$0	x	9,043 funds	13,565 hours	\$5,168,075	\$0
Swing Pricing Disclosure	2 hours	1.67 hours <sup>5</sup>	x	\$381 <sup>4</sup>	\$635	\$0	X	8,569 funds <sup>6</sup>	14,282 hours	\$5,441,315	\$0
TOTAL ESTAIMTED BURDENS, INCLUDING PROPOSED AMENDMENTS											
Current burden estimates									1,672,077 hours	\$474,392,078	\$132,940,008
Total annual burden									1,699,924 hours <sup>7</sup>	\$485,001,468	\$132,940,008

**Notes:**

1. Include initial burden estimates annualized over a 3-year period.

2. The Commission's estimates concerning the allocation of burden hours and the relevant wage rates are based on consultations with industry representatives and on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013. The estimated wage figures are modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.

3. Reflects estimated initial internal burden of 3 hours, annualized over 3 years, as well as an estimated ongoing annual internal burden of 0.5 hours.

4. Reflects current estimates of the blended hourly rate of a compliance attorney and a senior programmer.

5. Reflects estimated initial internal burden of 2 hours, annualized over 3 years, as well as an estimated ongoing annual internal burden of 1 hour.

6. Reflects the number of registered open-end funds (other than money market funds and ETFs) minus 474 funds. While all registered open-end funds (other than money market funds and ETFs) would be required to provide the swing pricing disclosure, the Commission previously estimated that 474 funds would opt to provide optional swing pricing disclosure on Form N-1A and has already accounted for the filing burden of such funds in its PRA estimates for Form N-1A. See Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting, Investment Company Act Release No. 34746 (November 2, 2022).

7. While the increase in total burdens associated with the proposed amendments aligns with those reflected in the Commission's proposing release, the total annual burden figures differ from those in the release due to a typographical error in the release related to the current burden estimates of Form N-1A.

Table 2: Change in Burden Estimates

	Annual Number of Responses			Annual Time Burden (hours)			Cost Burden (dollars)		
	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change
Form N-1A	6,002	6,002	0	1,672,077	1,699,924	+ 27,847	\$132,940,008	\$132,940,008	+ 0



As summarized in Table 1 above, the Commission has previously estimated that funds will make about 6,002 filings on Form N-1A each year, incurring 1,672,077 hours of internal hour burden at a cost of about \$474.4 million. The hour burden estimates for preparing and filing reports on Form N-1A are based on the Commission's experience with the contents of the form. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the forms is performed by internal staff or outside counsel.

The proposed amendments to Item 11(a) of Form N-1A would require funds to disclose that if an investor places an order with a financial intermediary, the financial intermediary may require the investor to submit its orders earlier to receive the next calculated NAV. In addition, as a result of the proposed amendments to rule 22c-1 to require that certain funds use swing pricing, we estimate that additional funds would be required to disclose information about swing pricing in response to certain existing items in the form. We now estimate that 9,043 funds would be required to use swing pricing and to disclose relevant information on Form N-1A. We also proposed to remove the requirement to provide an upper limit on the swing factor from Item 6(d) of Form N-1A. As summarized in Table 1 above, we now estimate that the total internal burden associated with Form N-1A would be 1,699,942 hours per year, at a cost of about \$485.8 million.

### **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.

As summarized in Table 1 above, in our most recent Paperwork Reduction Act submission for Form N-1A, Commission staff estimated about \$132.9million in external cost burden per year. We estimate that the revised external burden will remain \$132.9 million.

#### **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 \$30 million in fiscal year 2021, 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 2 above, the estimated hourly burden associated with Form N-1A has increased from 1,672,077 hours to 1,699,924hours (an increase of 27,847hours). In addition, the cost burden associated with Form N-1A remains \$132,940,008. The changes in burden hours are due to the estimates of the time burden that would result from our proposed amendments affecting Item 11(a) of Form N-1A, requiring funds that would be newly required to use swing pricing to disclose information about swing pricing in the form, and the proposed removal of the requirement that funds provide an upper limit on the swing factor from Item 6(d). 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.