

financial statements. Accordingly, Commission staff estimates that the requirements under rules 31a-1(b)(1), 31a-1(b)(2)(ii), 31a-1(b)(2)(iv), and 31a-1(b)(9) would not impose any additional burden because the costs of maintaining these records would be incurred by unregistered money market funds in any case to keep books and records that are necessary to prepare financial statements for shareholders, to prepare the fund's annual income tax returns, and as a normal business custom.

### B. Forms for Registration Statements

We are proposing amendments to require registered open-end and closed-end funds, and separate accounts organized as management investment companies that invest in other funds to disclose aggregate fees of acquired funds. The disclosure would be a line item appearing under the item for annual operating expenses of the fund. We also are proposing that separate accounts organized as UITs that invest in portfolio companies that themselves invest in other funds, include the costs of investing in those other funds in the disclosure on portfolio companies' operating expenses. We believe that the proposed amendments will enable shareholders to understand better the expenses of acquired funds and to compare overall costs of investing in a fund of funds with the costs of an alternative fund of funds, and with the costs of a more traditional fund.

#### 1. Form N-1A

Form N-1A (OMB Control No. 3235-0307), including the proposed amendment, contains collection of information requirements. The likely respondents to this information collection are open-end funds registering with the Commission on Form N-1A. Compliance with the disclosure requirements of Form N-1A is mandatory. Responses to the disclosure requirements are not confidential.

The current burden for preparing an initial Form N-1A filing is 809 hours per portfolio. The current annual hour burden for preparing post-effective amendments on Form N-1A is 101 hours per portfolio. The Commission estimates that, on an annual basis, registrants file initial registration statements covering 483 portfolios, and post-effective amendments covering 6,542 portfolios on Form N-1A.<sup>139</sup>

<sup>139</sup> These estimates are based on information in the Commission's filing database and from Morningstar databases. They assume that of the 3,075 registered open-end funds, 179 registrants will file an initial registration statement and 2,423 registrants will file one post-effective amendment

Thus, the Commission estimates that the current total annual hour burden for the preparation and filing of Form N-1A is 1,051,489.<sup>140</sup>

We estimate that a line item prepared according to the proposed instructions would increase the hour burden per portfolio per filing of an initial registration or a post-effective amendment to a registration statement by 7 hours.<sup>141</sup> Commission staff estimates that 1/2 of funds registered under Form N-1A invest in another fund, and would be required to make the proposed disclosure.<sup>142</sup> We seek comment on these estimates. Thus, if the proposed amendments to Form N-1A instructions were adopted, the total annual hour burden for all funds for preparation and filing of initial registration statements and post-effective amendments to Form N-1A would be 1,076,080.<sup>143</sup>

#### 2. Form N-2

Form N-2 (OMB Control No. 3235-0026), including the proposed amendment, contains collection of information requirements. The likely respondents to this information collection are closed-end funds registering with the Commission on Form N-2. Compliance with the disclosure requirements of Form N-2 is mandatory. Responses to the disclosure requirements are not confidential.

The current burden for preparing an initial Form N-2 filing is 544.7 hours per fund.<sup>144</sup> The current burden for preparing a post-effective amendment on Form N-2 is 103.7 hours. Commission staff estimates that an average of 234 closed-end funds file an initial registration statement and 38 file a post-effective amendment on Form N-2 each year.<sup>145</sup> Thus, the Commission estimates that the current annual hour burden for preparing an N-2 is 131,400.<sup>146</sup>

with material differences each year with an average of 2.7 portfolios per registrant.

<sup>140</sup> This estimate is based on the following calculation:  $((483 \times 809) + (6,542 \times 101) = 1,051,489)$ . The total annual hour burden approved for N-1A is 916,162. The increase over the approved annual burden is due to an increase in the number of registrants filing initial registration statements on Form N-1A.

<sup>141</sup> See *supra* note 119.

<sup>142</sup> This is based on information in the Commission's database of Form N-SAR filings.

<sup>143</sup> This estimate is based on the following calculation:  $(1,051,489 + (483/2 \times 7) + (6,542/2 \times 7)) = 1,076,080$ .

<sup>144</sup> Initial registration statements and post-effective amendments filed on Form N-2 generally cover only one portfolio.

<sup>145</sup> This estimate is based on information in the Commission's database.

<sup>146</sup> This estimate is based on the following calculation:  $((234 \times 544.7) + (38 \times 103.7) =$

Commission staff estimates that it would take the same amount of time to prepare the line item disclosure in Form N-2 as it would to prepare the disclosure in Form N-1A (see previous discussion). As with funds registered under Form N-1A, we are assuming that 1/2 of funds registered under Form N-2 invest in another fund, and would be required to make the proposed disclosure. We seek comment on those numbers. Accordingly, if the proposed amendments to Form N-2 were adopted, we estimate the total annual hour burden for all funds for preparation and filing of initial registration statements and post-effective amendments to Form N-2 would be 132,352.<sup>147</sup>

#### 3. Form N-3

Form N-3 (OMB Control No. 3235-0316), including the proposed amendment, contains collection of information requirements. The likely respondents to this information collection are separate accounts organized as management investment companies registering with the Commission on Form N-3. Compliance with the disclosure requirements of Form N-3 is mandatory. Responses to the disclosure requirements are not confidential.

The current burden for preparing an initial Form N-3 filing is 915.2 hours per portfolio. The current burden for preparing a post-effective amendment on Form N-3 is 150.4 hours per portfolio. Commission staff estimates that 3 initial registrations and 38 post effective amendments are filed annually with an average of 4 portfolios per filing, for a total of 12 portfolios covered by initial registrations and 152 portfolios covered by post-effective amendments annually.<sup>148</sup> Thus, the Commission estimates that the current annual hour burden for preparing an N-3 is 33,843.<sup>149</sup>

We estimate that it would take the same amount of time to prepare a line item according to the proposed instructions in Form N-3, as in Forms N-1A and N-2. Thus we estimate the

131,400.4). The total annual hour burden approved for Form N-2 is 80,198.6. The increase is due to an increase in the number of initial registration statements filed on Form N-2.

<sup>147</sup> This estimate is based on the following calculation:  $(131,400 + (234/2 \times 7) + (38/2 \times 7) = 132,352)$ .

<sup>148</sup> This estimate is based on information in the Commission's database.

<sup>149</sup> This estimate is based on the following calculation:  $(12 \text{ portfolios} \times 915.2) + (152 \text{ portfolios} \times 150.4 \text{ hours}) = 33,843.2$ . The total annual hour burden approved for Form N-3 is 36,096. The decrease is due to a decrease in the number of post-effective amendments filed on Form N-3.