

should it be permitted to include? Are there other means for effectively communicating purchase and redemption information to investors?

F. Compliance Date

If we adopt the proposed disclosure requirements, we expect to require all new registration statements, and all post-effective amendments that are either annual updates to effective registration statements or that add a new series, filed on or after the effective date of the amendments to comply with the proposed amendments. The Commission requests comment on this proposed compliance date.

III. General Request for Comments

The Commission requests comment on the amendments proposed in this release, whether any further changes to our forms are necessary or appropriate to implement the objectives of our proposed amendments, and on other matters that might have an effect on the proposals contained in this release.

IV. Paperwork Reduction Act

Certain provisions of the proposed amendments contain "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501, *et seq.*), and the Commission is submitting the proposed collection of information to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. 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." 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 OMB control number.

Form N-1A (OMB Control No. 3235-0307) was adopted pursuant to section 8(a) of the Investment Company Act (15 U.S.C. 80a-8) and section 5 of the Securities Act (15 U.S.C. 77e). We are proposing amendments to Form N-1A to require a mutual fund to describe briefly in its prospectus any arrangements that result in breakpoints in sales loads, including a summary of shareholder eligibility requirements. In addition, we are proposing to require a mutual fund to describe in its prospectus the methods used to value accounts in order to determine whether a shareholder has met sales load breakpoints. We are also proposing to require a mutual fund to state in its prospectus, if applicable, that in order to obtain a breakpoint discount, it may

be necessary for a shareholder to provide information and records, such as account statements, to a mutual fund or financial intermediary. Our proposals would also require a mutual fund to state in its prospectus whether it makes available on or through its Web site, and in a clear and prominent format, information regarding its sales loads and breakpoints. In addition, our proposals would require a mutual fund to provide prospectus disclosure regarding sales loads and breakpoints adjacent to the table of sales loads and breakpoints, and to present the information in a clear, concise, and understandable manner. This enhanced disclosure is intended to assist investors in understanding the breakpoint opportunities available to them, and to alert investors to the information that they may need to provide to funds and broker-dealers to take full advantage of all available breakpoint discounts.

Form N-1A, including the proposed amendments, contains collection of information requirements. The likely respondents to this information collection are open-end funds registering with the Commission. Compliance with the disclosure requirements of Form N-1A is mandatory. Responses to the disclosure requirements are not confidential.

The current hour burden for preparing an initial Form N-1A filing is 809 hours per portfolio. The current annual hour burden for preparing post-effective amendments of Form N-1A is 101 hours per portfolio. The Commission estimates that, on an annual basis, registrants file initial registration statements on Form N-1A covering 483 portfolios, and file post-effective amendments on Form N-1A covering 6,542 portfolios. Additional burdens of 6,524 hours for the preparation and filing of initial registration statements and 49,065 hours for the filing of post-effective amendments are expected to result from the Commission's recent proposed rules relating to "fund of funds" arrangements, and the recent proposed rule relating to frequent purchases and redemptions of fund shares and selective disclosure of portfolio holdings.³⁵ Thus, the Commission estimates that the current total annual hour burden for the preparation and filing of Form N-1A is 1,107,078 hours.³⁶

³⁵ See Investment Company Act Release No. 26198 (Oct. 2, 2003) (68 FR 58226 (Oct. 8, 2003)); Investment Company Act Release No. 26287 (Dec. 11, 2003).

³⁶ This estimate is based on the following calculation: (809 hours × 483 portfolios) + (101 hours × 6,542 portfolios) = 1,051,489 hours. An additional annual hour burden of 24,591 hours

We estimate that the proposed amendments would increase the hour burden per portfolio per filing of an initial registration statement on Form N-1A by 2 hours and would increase the hour burden per portfolio per filing of a post-effective amendment to a registration statement on Form N-1A by 1 hour. We also estimate that 30% of mutual fund portfolios would be affected by the proposed amendments.³⁷ The additional incremental hour burden resulting from the proposed amendments would be 2,252 hours (2 hours for initial registration statements × 483 portfolios × 30%) + (1 hour per post-effective amendment × 6,542 portfolios × 30%). Thus, if the proposed amendments to Form N-1A are 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 1,109,330 hours (2,252 hours + 1,107,078 hours).

Request for Comments

We request your comments on the accuracy of our estimates. Pursuant to 44 U.S.C. 3506(c)(2)(B), the Commission solicits comments to: (i) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (ii) evaluate the accuracy of the Commission's estimate of burden of the proposed collection of information; (iii) determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected; and (iv) evaluate whether there are ways to minimize the burden of the collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology.

Persons submitting comments on the collection of information requirements should direct the comments to the Office of Management and Budget, Attention: Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Room 10102, New Executive

(1,694 hours for initial registration statements and 22,897 hours for post-effective amendments) resulting from the proposed rules described in the fund of funds proposing release, and an additional annual hour burden of 30,998 hours (4,830 hours for initial registration statements and 26,168 hours for post-effective amendments) resulting from the proposed rule relating to market timing and selective disclosure, yield a total annual hour burden of 1,107,078 hours.

³⁷ This estimate is based on information regarding the number of mutual fund portfolios with one or more classes of shares that have front-end sales loads, derived by the staff from Commission filings and third-party information sources.