

SUPPORTING STATEMENT
Rule 30e-1

A. JUSTIFICATION

1. Necessity for the Information Collection

The proposed amendments contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995,¹ and the Commission is submitting the proposed collection of information to the 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: “Rule 30e-1 under the Investment Company Act of 1940, Reports to Stockholders of Management Companies.”

Section 30(e) (15 U.S.C. 80a-29(e)) of the Investment Company Act of 1940 (“Investment Company Act”) (15 U.S.C. 80a-1 et seq.) requires a registered investment company (“fund”) to transmit to its shareholders, at least semi-annually, reports containing information and financial statements as the Commission may prescribe. Among other requirements, Rule 30e-1 (17 CFR 270.30e-1) under the Investment Company Act directs funds to include in the shareholder reports the information that is required by the fund’s registration statement. Failure to require the collection of this information would seriously impede the amount of current information available to shareholders and the public about funds and would prevent the Commission from implementing the regulatory program required by statute.

2. Purpose of the Information Collection

The purpose of the collection of information required by Rule 30e-1 is to provide fund shareholders with current information about the operation of their funds in accordance with Section 30 of the Investment Company.

¹ 44 U.S.C. 3501, et seq.

3. Role of Improved Information Technology

Rule 30e-1 does not require filing of the shareholder report with the Commission, but instead the transmission of reports to shareholders. Shareholder reports are typically sent in paper, however, investors may consent to the delivery of electronic versions.

4. Efforts to Identify Duplication

To ensure the relevance of the information filed by each fund and to avoid unnecessary paperwork and duplicative reporting, the Commission has promulgated specific rules and designed specific forms or items of forms for each type of investment company. The information required by Rule 30e-1 is not generally duplicated elsewhere.

5. Effect on Small Entities

The collection of information applies equally to funds that are small entities and to other funds. The Commission estimates some one-time formatting and ongoing costs and burdens that are imposed on all funds, including funds that are small entities. These include the costs related to providing disclosures in shareholder reports, mailing and printing costs, and expenses for legal fees and other outside consultants. The Commission believes, however, that imposing different requirements on smaller funds would not be consistent with investor protection and the purposes of the registration statements. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

6. Consequences of Less Frequent Collection

The frequency with which information in compliance with Rule 30e-1 is collected is semi-annual, as set out Section 30(e) of the Investment Company Act. Less frequent collection of information would impede the amount of current information provided to shareholders about their funds.

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

Not applicable.

8. Consultation Outside the Agency

The Commission and the staff of the Division of Investment Management participate in various forums, such as public conferences, meetings, and informal exchanges, which provide the Commission and the staff with a medium for ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the collection of information requirements in Rule 30a-1 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden

Rule 30e-1(a) under the Investment Company Act of 1940 requires each fund to include in its shareholder reports the information that is required by the fund's registration statement form. Compliance with the disclosure requirements of Rule 30e-1 is mandatory. Responses to the disclosure requirements will not be kept confidential.

The current approved hour burden for preparing and filing semi-annual or annual shareholder reports in compliance with Rule 30e-1 is 1,108,396 or approximately 145.8 hours per report per fund. We now estimate that there are approximately 4,040 funds subject to Rule 30e-1 and, keeping the per report per fund figure unchanged, calculate the total estimated annual internal burden to be 1,178,064 hours (145.8 hours per report x 2 reports x 4,040 funds). This represents an increase of 69,668 hours per year.

13. Estimate of Total Annual Cost Burden

The current cost burden of Rule 30e-1 is \$250,914,000 and the current estimated cost per fund to be \$66,030. As mentioned above, we now estimate that there are approximately 4,040 funds subject to Rule 30e-1 and, keeping the cost per fund unchanged, calculate the total estimated annual external cost to be \$266,761,200 (\$66,030 per fund x 4,040 funds). This represents an increase of \$15,847,200 per year.

14. Estimate of 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 \$17.5 million in fiscal year 2005, based on the Commission's computation of the value of staff time devoted to this activity and related overhead. We note,

however, that shareholder reports are filed with the Commission to comply with the requirements of Form N-CSR not Rule 30e-1, which requires the transmission of the reports to shareholders.

15. Explanation of Changes in Burden

As noted in sections 12 above, the new estimate represent increases of 69,668 hours in internal burden and \$15,847,200 in external costs per year. These increases are due to the increase in estimated number of annual responses from 3,800 to 4,040.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

Not applicable.

18. Exceptions to Certification Statement

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.