

SUPPORTING STATEMENT
Rule 30b1-5

A. JUSTIFICATION

1. Necessity for the Information Collection

Shareholder reports are one of the principal means by which funds provide periodic information to their investors. Fund shareholder reports historically have served primarily as a vehicle to provide financial statements and other financial information to shareholders.¹ The Commission adopted Rule 30b1-5 to improve the periodic disclosure provided by registered management investment companies (“funds”) to their investors about fund investments. Pursuant to Rule 30b1-5, a fund is required to file its complete portfolio schedule as of the end of its first and third fiscal quarters. Under proposed amendments to Rule 30b1-5, however, funds that are regulated as money market funds under rule 2a-7 would be exempt from the requirement to file a portfolio schedule.

2. Purpose of the Information Collection

Certain provisions of the rule 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 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 “Rule 30b1-5 under the

¹ Section 30(e) of the Investment Company Act (15 U.S.C. 80a-29(e)) (requiring a fund to transmit to its stockholders, at least semi-annually, reports containing financial statements and other financial information as the Commission may prescribe by rules and regulations); National Securities Markets Improvement Act of 1996, Pub. L. 104-290, 207, 110 Stat. 3416 (Oct. 11, 1996) (adding Section 30(f) to the Investment Company Act, which allows the Commission to require that semi-annual reports “include such other information as the Commission deems necessary or appropriate in the public interest or for the protection of investors.”)

Investment Company Act of 1940, Quarterly Filing of Schedule of Portfolio Holdings of Registered Management Investment Companies.”

Failure to collect this information would seriously impede the Commission’s regulatory program and make selective review of disclosure documents registered investment companies send to the public less effective as the industry continues to grow. The public also would suffer by receiving less current information.

3. Role of Improved Information Technology

The Commission’s electronic filing system (“EDGAR”) automates the filing, processing and dissemination of full disclosure filings. The system permits publicly held companies to transmit their filings to the Commission electronically, increasing the speed and accuracy of filings.

4. Efforts to Identify Duplication

To ensure the relevance of the information filed by each registered investment company 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.

5. Effect on Small Entities

The rule applies equally to funds that are small entities and to other funds. The Commission estimates that the rule results in some ongoing costs and burdens that are imposed on all funds, but which may have a relatively greater impact on smaller firms. These include the costs related to the requirement that funds file their complete portfolio schedules with the Commission on a quarterly basis. These costs also could include expenses for computer time, legal and accounting fees, information technology staff, and

additional computer and telephone equipment. However, we believe the benefits that will result to shareholders through better information about their funds' investments justify these potential costs.

6. Consequences of Less Frequent Collection

Funds currently file their complete portfolio holdings schedules with the Commission on a semi-annual basis as part of their shareholder reports. In addition, funds are required to file their portfolio schedules for the first and third fiscal quarters on Form N-Q pursuant to the rule. The Commission requires the filing of Form N-Q semi-annually for all registered investment companies so that it will have current information available for use in performing inspections of registered investment companies, selectively reviewing registration documents, and conducting studies and other types of analyses necessary to keep the Commission's regulatory program for investment companies current with industry conditions.

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. Before adopting proposed amendments to Rule 30b1-5, the Commission will receive and evaluate public comments on the proposals and their collection of information requirements.

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 30b1-5 requires funds to file a quarterly report via the Commission's EDGAR system on Form N-Q, not more than sixty calendar days after the close of each first and third fiscal quarter, containing their complete portfolio holdings. The purpose of Rule 30b1-5 is to improve transparency of information about funds' portfolio holdings. The likely respondents to Rule 30b1-5 are registered management investment companies, other than small business investment companies registered with the Commission on Form N-5. Under proposed amendments to rule 30b1-5, however, funds that are regulated as money market funds under rule 2a-7 would be exempt from the requirement to file a schedule of investments pursuant to Item 1 of Form N-Q.

We estimate that there are approximately 2,820 funds that are affected by the rule. Each of those 2,820 funds is required by Rule 30b1-5 to file a Form N-Q via EDGAR. For purposes of this Paperwork Reduction Act analysis, the burden associated with the requirements of Rule 30b1-5 has been included in the collection of information requirements of Form N-Q, rather than the rule.

13. Estimate of Total Annual Cost Burden

Cost burden is the cost of services purchased to prepare and update Rule 30b1-5, such as for the services of independent auditors, outside counsel, and the costs associated with purchasing technology or other components used in generating, maintaining, and disclosing or providing the information. Estimates are based on the Commission's experience with the filing of registration forms and shareholder reports.

We estimate that there are approximately 2,820 funds that are affected by the rule. Each of those 2,820 funds is required by Rule 30b1-5 to file a Form N-Q via EDGAR. For purposes of this analysis, the burden associated with the requirements of Rule 30b1-5 has been included in the collection of information requirements of Form N-Q, rather than the rule.

14. Estimate of Cost to the Federal Government

The Commission does not expect an increase in staff time or annual operating costs to review and process these forms due to the rule.

15. Explanation of Changes in Burden

Not applicable.

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.