

**SUPPORTING STATEMENT**  
**Rule 30e-2**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 30(e) of the Investment Company Act of 1940 (15 U.S.C. 80a-29(e)) (the “Investment Company Act”) and Rule 30e-2<sup>1</sup> thereunder (17 CFR 270.30e-2) require registered unit investment trusts (“UITs”) that invest substantially all of their assets in securities of a management investment company<sup>2</sup> (“fund”) to send to shareholders at least semi-annually a report containing certain financial statements and other information. Specifically, Rule 30e-2 requires that the report contain the financial statements and other information that Rule 30e-1 under the Investment Company Act (17 CFR 270.30e-1) requires to be included in the report of the underlying fund for the same fiscal period. Rule 30e-1 requires that the underlying fund’s report contain, among other things, the financial statements and other information that is required to be included in such report by the fund’s registration form. Preparing and sending the above-described reports under Rule 30e-2 are collections of information.

Rule 30e-2, however, permits, under certain conditions, delivery of a single shareholder report to investors who share an address (“householding”). The purpose of the householding provisions of the rule is to reduce the amount of duplicative reports delivered to investors sharing the same address. Specifically, Rule 30e-2 permits

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<sup>1</sup> Rule 30e-2 was originally adopted as Rule 30d-2, but was redesignated as Rule 30e-2 effective February 15, 2001. See Role of Independent Directors of Investment Companies, Securities Act Rel. No. 7932; Exchange Act Rel. No. 43786; Investment Company Act Rel. No. 24816 (Jan. 2, 2001) (66 FR 3734 (Jan. 16, 2001)).

<sup>2</sup> Management investment companies are defined in Section 4 of the Investment Company Act as any investment company other than a face-amount certificate company or a unit investment trust, as those terms are defined in Section 4 of the Investment Company Act. See 15 U.S.C. 80a-4.

householding of annual and semi-annual reports by UITs to satisfy the delivery requirements of Rule 30e-2 if, in addition to the other conditions set forth in the rule, the UIT has obtained from each applicable investor written or implied consent to the householding of shareholder reports at such address. The rule requires UITs that wish to household shareholder reports with implied consent to send a notice to each applicable investor stating that the investors in the household will receive one report in the future unless the investors provide contrary instructions. In addition, at least once a year, UITs relying on the rule for householding must explain to investors who have provided written or implied consent how they can revoke their consent. Preparing and sending the initial notice and the annual explanation of the right to revoke consent are collections of information.

## **2. Purpose of the Information Collection**

The purpose of the requirement that UITs that invest substantially all of their assets in securities of a fund transmit to shareholders at least semi-annually reports containing financial statements and certain other information is to apprise current shareholders of the operational and financial condition of the UIT. Absent the requirement to disclose all material information in reports, investors would be unable to obtain accurate information upon which to base investment decisions and consumer confidence in the securities industry might be adversely affected. Requiring the submission of these reports to the Commission permits us to verify compliance with securities law requirements.

Rule 30e-2 allows UITs to household shareholder reports if certain conditions are met. Among the conditions with which a UIT must comply are providing notice to each

investor that only one report will be sent to the household and providing to each investor that consents to householding an annual explanation of the right to revoke such consent. The purpose of the notice and annual explanation requirements associated with the householding provisions of the rule is to ensure that investors who wish to receive individual copies of shareholder reports are able to do so.

### **3. Role of Improved Information Technology**

The Commission's electronic filing project (Electronic Data Gathering, Analysis and Retrieval System 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. Such automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Shareholder reports are required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(iv)). The public may access filings on EDGAR through the Commission's website (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

Shareholder reports may be sent to investors by electronic means if the investors consent.<sup>3</sup> The Commission has no information concerning the percentage of shareholder reports that are sent electronically, but believes it is a small percentage.

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<sup>3</sup> See Use of Electronic Media for Delivery Purposes, Securities Act Rel. No. 7233; Exchange Act Rel. No. 36345; Investment Company Act Rel. No. 21399 (Oct. 6, 1995) (60 FR 53458 (Oct. 13, 1995)).

#### **4. Efforts to Identify Duplication**

Shareholder reports required by Rule 30e-2 contain information that would not otherwise be provided to shareholders. The requirements of Rule 30e-2 are not generally duplicated elsewhere in the federal securities laws and similar information is not available from other sources.

#### **5. Effect on Small Entities**

The current requirements for the delivery of shareholder reports do not distinguish between small entities and other entities. The burden imposed by Rule 30e-2 may have a relatively greater impact on smaller UITs than on larger UITs. This burden includes the cost of producing financial statements (including the cost of an annual audit by independent accountants) and the cost of producing, printing and disseminating the shareholder reports. The Commission believes, however, that imposing different requirements on smaller UITs would not be consistent with investor protection and the purposes of Section 30(e) of the Investment Company Act.

The notice to investors required by the householding provisions of the rule is typically a short, one-page statement that is enclosed with other materials sent to shareholders. Therefore, the Commission believes that the burden imposed by the notice is low. Deleting the notice requirement for small entities would not be consistent with investor protection.

#### **6. Consequences of Less Frequent Collection**

Section 30(e) of the Investment Company Act and Rule 30e-2 thereunder require that reports to shareholders be transmitted at least semi-annually. Less frequent collection would mean that current information would not be available to fund investors.

In addition, the householding provisions of the rule require prior notice be sent to shareholders before householding begins. At least once a year, UITs relying on the rule for householding must explain to investors who have provided written or implied consent to householding how they can revoke their consent. If collection occurs less frequently, certain investors who wish to receive individual copies of shareholder reports may be unaware of their right to do so.

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

None.

**8. Consultation Outside the Agency**

Rule 30e-2 has been amended several times since its adoption through rulemaking actions pursuant to the Administrative Procedures Act. Comments on proposed changes to Rule 30e-2 are generally received from registrants, trade associations, the legal and accounting professions, and other interested persons. Commentators on amendments to Rule 30e-2 generally discuss the availability of records and the reportability of data. The Commission requested public comment on the collection of information requirements of Rule 30e-2 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.

In addition, the Commission and its staff participate in ongoing dialogue with representatives of the investment company industry through public conferences, meetings and informal exchanges. These various forums provide the Commission and its staff with a means of ascertaining and acting upon paperwork burdens confronting the industry.

**9. Payment or Gift to Respondents**

Not applicable.

**10. Assurance of Confidentiality**

Not applicable.

**11. Sensitive Questions**

Not applicable.

**12. Estimates of Hour Burden**

The Commission estimates that the annual burden associated with Rule 30e-2 is 121 hours per respondent, including an estimated 20 hours associated with the notice requirement for householding and an estimated 1 hour associated with the explanation of the right to revoke consent to householding. The total hourly burden is therefore approximately 99,220 hours (820 UITs x 121 hours per respondent).

Of the 99,220 hours spent annually to comply with Rule 30e-2, the Commission estimates that:

- Fifty percent are spent by in-house legal counsel at an estimated hourly wage of \$305, for a total of \$15,131,050 per year; and
- Fifty percent are spent by internal fund accountants at an estimated hourly wage of \$151, for a total of \$7,491,110 per year.

Based on these estimated wage rates,<sup>4</sup> the total cost to the industry of the hour burden for complying with the annual and semi-annual shareholder report requirements of Rule 30e-2 is approximately \$22,622,160.<sup>5</sup>

### **13. Estimate of Total Annual Cost Burden**

The Commission estimates that the annual cost of contracting for outside services associated with Rule 30e-2 is \$20,000 per respondent (80 hours times \$250 per hour for independent auditor services), for a total cost of \$16,400,000 (\$20,000 times 820 respondents).<sup>6</sup> This estimate is based, in part, on the experiences of Commission employees who previously worked for accounting firms and industry sources.

### **14. Estimate of Cost to the Federal Government**

Although UITs submit copies of their shareholder reports to the Commission, the staff does not ordinarily review them, and they are not considered documents “filed” with the Commission. Thus, any burdens to the Federal government associated with Rule 30e-2 are de minimis.

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<sup>4</sup> 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 Association. The estimated wage figures are also based on published rates for compliance attorneys and internal accountants outside New York City, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, yielding effective hourly rates of \$305 and \$151, respectively. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2008.

<sup>5</sup> The cost to the industry is calculated by multiplying the total annual hour burden by the estimated hourly wage rate.

<sup>6</sup> The services of an outside auditor are required because audited financial statements must be included in the annual report transmitted to shareholders. See 17 CFR 270.30e-2(a) (which refers to the contents of financial statements required by 17 CFR 270.30e-1(a)); see also Item 27(b)(1) of Form N-1A (17 CFR 274.11A); Instruction 4.a. to Item 24 of Form N-2 (17 CFR 274.11a-1); Instruction 4.(i) to Item 28(a) of Form N-3 (17 CFR 274.11b).

**15. Explanation of Changes in Burden**

The change in the estimate of burden hours for Rule 30e-2 from the previous PRA submission is due to an increase in the number of UITs subject to the rule. The number of UITs subject to the rule has increased from 737 to 820, resulting in an increase of 10,043 burden hours. The change in the estimate of the total annual cost burden from the previous PRA submission is due to an increase in the number of UITs subject to the rule as well as a decrease in estimated wage rates, resulting in a net decrease of \$1,759,680 in the total annual cost burden.

**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. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.