

SUPPORTING STATEMENT
Rule 30e-1

A. JUSTIFICATION

1. Necessity for the Information Collection

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 financial statements and other financial information as the Commission may prescribe by rules and regulations. In addition, Section 30(f) permits the Commission to require by rule 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. Rule 30e-1 generally requires a fund to transmit to its shareholders, at least semi-annually, reports containing the information that is required to be included in such reports by the fund’s registration statement form under the Investment Company Act. 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 Act.

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 current disclosure requirements for shareholder reports do not distinguish between small entities and other funds. The burden on smaller funds may be greater than for larger funds. This burden includes the cost of producing, printing, and transmitting the shareholder reports. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of shareholder reports. 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 and rule 30e-1. 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 an ongoing dialogue with representatives of the investment company industry and through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public comment on the collection of information requirements in rule 30e-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 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 internal hour burden for preparing and filing semi-annual or annual shareholder reports in compliance with rule 30e-1 is 1,178,064. We now estimate that 2,800

funds, with a total of approximately 10,460 portfolios, respond to rule 30e-1 annually.¹ Using an estimate of 114.2 hours per portfolio, we calculate the total estimated annual internal burden of responding to rule 30e-1 to be approximately 1,194,532 hours (114.2 hours x 10,460 portfolios). This represents an increase of 16,468 hours per year over the current approved burden.

Of the 1,194,532 hours spent annually to comply with rule 30e-1, the Commission estimates that:

- Fifty percent are spent by in-house legal counsel at an estimated hourly wage of \$305, for a total of approximately \$182,166,000 per year; and
- Fifty percent are spent by internal fund accountants at an estimated hourly wage of \$151, for a total of \$90,187,000 per year.

Based on these estimated wage rates,² the total cost to the industry of the hour burden for complying with the annual and semi-annual shareholder report requirements of rule 30e-1 is approximately \$272,353,000.³

¹ We estimated in 2004 that the total annual burden for the 3,800 investment companies with 9,706 portfolios then subject to rule 30e-1 was approximately 1,108,396 hours, or an average of approximately 114.20 hours per portfolio (1,108,396 hours ÷ 9,706 portfolios). See Securities Act Release No. 8433 (June 23, 2004) [69 FR 39798 (June 30, 2004)]. Because rule 30e-1 has not been amended since 2004, we believe that the average burden per portfolio of responding to rule 30e-1 has remained unchanged.

² 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 and Financial Markets Association. The estimated wage figures are also based on published rates for compliance attorneys and internal accountants, 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.

³ The cost to the industry is calculated by multiplying the total annual hour burden by the estimated hourly wage rate.

13. Estimate of Total Annual Cost Burden

The current cost burden of rule 30e-1 is \$266,761,200.⁴ Adjusting for the effects of inflation since 2004, we now estimate that the total cost burden is approximately \$31,400 per portfolio. Basing our calculation on the approximately 10,460 portfolios now subject to rule 30e-1, we estimate the annual external cost burden associated with rule 30e-1 to be approximately \$328,444,000 ($\$31,400 \times 10,460$ portfolios). This represents an increase of \$61,682,800 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 \$19.6 million in fiscal year 2008, 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, and not rule 30e-1, which requires the transmission of the reports to shareholders.

15. Explanation of Changes in Burden

As noted in sections 12 and 13 above, the new estimates represent increases of 16,468 hours in internal burden and \$61,682,800 in external costs per year. These increases are due to the increase in the number of portfolios responding to rule 30e-1 as well as, in the case of the external cost estimate, an adjustment to the previous per portfolio estimate to account for inflation.

⁴ In 2004, we estimated the total cost burden for the 3,800 investment companies with 9,706 portfolios then subject to rule 30e-1 to be approximately \$266,761,200, or an average of approximately \$27,500 per portfolio ($\$266,761,200 \div 9,706$ portfolios).

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.