

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Rule 30e-2**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 30(e) of the Investment Company Act of 1940 (the “Investment Company Act”)<sup>1</sup> requires every registered investment company to transmit to its stockholders, at least semiannually, reports containing such information and financial statements or their equivalent, as of a reasonably current date, as the Commission may prescribe by rules and regulations.<sup>2</sup> Rule 30e-2 under the Investment Company Act requires registered unit investment trusts (“UITs”) that invest substantially all of their assets in shares of a management investment company<sup>3</sup> (“fund”) to send their unitholders annual and semiannual reports containing financial information on the underlying company.<sup>4</sup> Specifically, rule 30e-2 requires that the report contain all the applicable information and financial statements or their equivalent, required by rule 30e-1 under the Investment Company Act<sup>5</sup> to be included in reports of the underlying fund for the same fiscal period. Rule 30e-1 requires that the underlying fund’s report contain, among other things, the

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<sup>1</sup> 15 U.S.C. 80a-1 et seq.

<sup>2</sup> 15 U.S.C. 80a-29(e).

<sup>3</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 UIT, as those terms are defined in Section 4 of the Investment Company Act. See 15 U.S.C. 80a-4.

<sup>4</sup> 17 CFR 270.30e-2. Rule 30e-2 was originally adopted as rule 30d-2, but was redesignated as rule 30e-2 effective February 15, 2001. See Investment Company Act Release No. 24816 (Jan. 2, 2001) [66 FR 3734 (Jan. 16, 2001)].

<sup>5</sup> 17 CFR 270.30e-1.

information that is required to be included in such report by the fund's registration statement form under the Investment Company Act.

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 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 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. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Shareholder reports are required to be filed electronically on EDGAR.<sup>6</sup> 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.

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<sup>6</sup> See rule 101(a)(1)(iv) of Regulation S-T (17 CFR 232.101(a)(1)(iv)).

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

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or a change in a rule. The information required by rule 30e-2 is not generally duplicated elsewhere.

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

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.<sup>7</sup> The current requirements for the delivery of shareholder reports do not distinguish between small entities and other UITs. The burden on smaller UITs may be greater than for 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 current notice to investors requirement under the rule does not distinguish between small entities and other UITs. The burden on smaller UITs may be greater than for larger UITs. These costs could include the costs of producing, printing, and disseminating the notices. The Commission believes, however, that imposing different requirements on smaller UITs would not be consistent with investor protection and the purposes of the notice requirements.

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<sup>7</sup> 5 U.S.C. 601 et seq.

## **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)**

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

## **8. Consultations 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 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 that may confront the industry. The Commission requested public comment on the collection of information requirements in 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.

## **9. Payment or Gift to Respondents**

No payment or gift to respondents was provided.

**10. Assurance of Confidentiality**

No assurance of confidentiality was provided.

**11. Sensitive Questions**

No questions of a sensitive nature are involved.

**12. Estimates of Hour Burden**

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995<sup>8</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with rule 30e-2 is mandatory. Responses to the disclosure requirements will not be kept confidential.

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 Commission estimates that there are currently approximately 700 UITs. Therefore, the Commission estimates that the total hour burden is approximately 84,700 hours.<sup>9</sup>

Of the 84,700 hours spent annually to comply with Rule 30e-2, the Commission estimates that:

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<sup>8</sup> 44 U.S.C. 3501 et seq.

<sup>9</sup> 700 UITs x 121 hours per UIT = 84,700.

- Fifty percent are spent by attorneys at an estimated hourly wage of \$380,<sup>10</sup> for a total of approximately \$16,093,000 per year; and
- Fifty percent are spent by fund senior accountants at an estimated hourly wage of \$198,<sup>11</sup> for a total of approximately \$8,385,300 per year.

Based on these estimated wage rates, 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 \$24,478,300.<sup>12</sup>

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

Cost burden is the cost of services purchased to comply with rule 30e-2, such as for the services of computer programmers, outside counsel, financial printers, and advertising agencies. The cost burden does not include the cost of the hour burden discussed in Item 12 above. The Commission estimates that the annual cost of

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<sup>10</sup> The industry burden is calculated by multiplying the total annual hour burden to comply with rule 30e-2 by the estimated hour wage rate of \$380. The estimated wage figure is based on published rates for attorneys, 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 an effective hourly rate of \$380. See Securities Industry and Financial Markets Association's Report on Management & Professional Earnings in the Securities Industry 2014.

<sup>11</sup> The industry burden is calculated by multiplying the total annual hour burden to comply with rule 30e-2 by the estimated hour wage rate of \$198. The estimated wage figure is based on published rates for fund senior 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 an effective hourly rate of \$198. See Securities Industry and Financial Markets Association's Report on Management & Professional Earnings in the Securities Industry 2014.

<sup>12</sup> \$16,093,000 per year for attorneys + \$8,385,300 per year for senior fund accountants = \$24,478,300.

contracting for outside services associated with rule 30e-2 is \$20,000 per respondent,<sup>13</sup> for a total cost of approximately \$14,000,000.<sup>14</sup>

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

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$19.2 million in fiscal year 2014, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

#### **15. Explanation of Changes in Burden**

The decrease in burden hours and cost burden for complying with rule 30e-2 is attributable to a decrease in the estimated number of UITs from 760 to 700, resulting in a decrease of 7,260 hours and \$1,200,000.

#### **16. Information Collection Planned for Statistical Purposes**

The results of any information collected will not be published.

#### **17. Approval to not Display Expiration Date**

The Commission is not seeking approval to not display the expiration date for OMB approval.

#### **18. Exceptions to Certification Statement**

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<sup>13</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); 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). An outside auditor salary range is available from the U.S. Bureau of Labor Statistics, Occupational Employment Statistics website. Using their data for median salaries from New York State, which has the highest rates in the country, and multiplying by the 5.35 factor which is used to include benefits, the result is \$250 per hour. 80 hours per respondent x \$250 per hour = \$20,000 per respondent.

<sup>14</sup> \$20,000 per respondent x 700 respondents = \$14,000,000.

The Commission is not seeking an exception to the certification statement.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

The collection of information will not employ statistical methods.