

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission For
Rule 30b1-9 and Form N-PORT

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 30(b) of the Investment Company Act of 1940 [15 U.S.C. 80a-30(b)] (“Act”) provides that “[e]very registered investment company shall file with the Commission...such information, documents, and reports (other than financial statements), as the Commission may require to keep reasonably current the information and documents contained in the registration statement of such company....” Proposed rule 30b1-9 under the Act [17 CFR 270.30b1-9], entitled “Monthly Report,” provides that each registered management investment company or exchange-traded fund organized as a unit investment trust, or series thereof, other than a registered open-end management investment company that is regulated as a money market fund under rule 2a-7 [17 CFR 270.2a-7] or a small business investment company registered on Form N-5 [17 CFR 239.24 and 274.5], must file a monthly report of portfolio holdings on Form N-PORT [17 CFR 274.150], current as of the last business day, or last calendar day, of the month.

On May 20, 2015, the Commission proposed Form N-PORT, which would require funds to report information within thirty days after the end of each month about their monthly portfolio holdings to the Commission in a structured data format.¹ Preparing a report on Form N-PORT is mandatory and a collection of information under the PRA, and the information required by Form N-PORT would be data-tagged in an

¹ Investment Company Reporting Modernization, Investment Company Act Release No. 31610 (May 20, 2015) [80 FR 33590 (June 12, 2015)] (“Investment Company Reporting Modernization Release”).

XML format. Responses to the reporting requirements would be kept confidential for reports filed with respect to the first two months of each quarter; the third month of the quarter would not be kept confidential, but made public sixty days after the quarter end.

On September 22, 2015, the Commission issued a release proposing new rule 22e-4, which would require registered open-end management investment companies, including open-end exchange traded funds but not including money market funds, to establish a written liquidity risk management program that is reasonably designed to assess and manage a fund's liquidity risk.² The proposed amendments would seek to enhance disclosure regarding fund liquidity and redemption practices. Among other things, the Commission proposed amendments to proposed Form N-PORT that would require disclosure of certain information regarding the liquidity of a fund's holdings and the fund's liquidity risk management practices.

On December 11, 2015, the Commission issued a release proposing rule 18f-4, a new exemptive rule under the Investment Company Act designed to address the investor protection purposes and concerns underlying section 18 of the Act and to provide an updated and more comprehensive approach to the regulation of funds' use of derivatives, as well as proposed amendments to proposed Forms N-PORT and N-CEN.³ The proposed rule would permit mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and companies that have elected to be treated as business development companies ("BDCs") under the Act (collectively, "funds") to enter into derivatives transactions and

² Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of the Comment Period for Investment Company Reporting Modernization Release. Investment Company Act Release No. 31835 (Sep. 22, 2015) [80 FR 62274 (Oct. 15, 2015)] ("Liquidity Proposal").

³ Use of Derivatives by Registered Investment Companies and Business Development Companies (Dec. 11, 2015) [80-FR 80883 (Dec. 28, 2015)]("Derivatives Proposal").

financial commitment transactions (as those terms are defined in the proposed rule) notwithstanding the prohibitions and restrictions on the issuance of senior securities under section 18 of the Act, provided that the funds comply with the conditions of the proposed rule. With respect to reporting and disclosure, among other things, the Commission proposed amendments to proposed Form N-PORT that would require reporting and disclosure of certain information regarding a fund's derivatives usage.

2. Purpose of the Information Collection

The information provided in reports on Form N-PORT could be used by the Commission in its regulatory, disclosure review, inspection, and policymaking roles. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection would also be for the use and benefit of investors. As proposed, the Commission would make information reported for the third month of each fund's fiscal quarter on Form N-PORT publicly available. The Commission expects that investors would be able to use this information to make more informed investment decisions either through direct use or through analyses prepared by third-party users that provide services to investors.

3. Role of Improved Information Technology

The Commission's EDGAR electronic filing system is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits filers to transmit filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Reports on Form N-PORT are filed with the Commission electronically on EDGAR. The public may access filings on EDGAR through the

Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

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. Although reports of portfolio holdings on Form N-PORT for the first and third fiscal quarters of each fund's fiscal year would be largely redundant with similar reports on Form N-Q, the Commission has proposed to rescind Form N-Q to avoid such duplication.⁴ Funds would also report certain information on proposed Form N-PORT in a structured format that may be similarly disclosed or reported elsewhere in a non-structured format (*e.g.*, portfolio investments are also currently included as part of the schedules of investments contained in shareholder reports, and filed on a semi-annual basis with the Commission on Form N-CSR). Because collecting information in a structured format would enhance the ability of the Commission as well as investors and other potential users to analyze portfolio data, the Commission believes it is appropriate to require this information to be reported on proposed Form N-PORT.

5. Effect on Small Entities

As proposed, the Commission would provide smaller entities (*i.e.*, funds that together with other investment companies in the same "group of related investment companies" have net assets of less than \$1 billion as of the end of the most recent fiscal year) an extra 12 months (or 30 months after the effective date) to comply with the new reporting requirements for Form N-PORT.

⁴ See Investment Company Reporting Modernization Release, *supra* note 1.

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small entities.

6. Consequences of Less Frequent Collection

Not collecting information or collecting such information less frequently would be incompatible with the objectives of proposed Form N-PORT. Funds would be required to file reports on Form N-PORT with the Commission no later than 30 days after the end of each month. Less frequent collection would mean that current information would not be available to the Commission.

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

Rule 30b1-9 requires funds to submit reports on Form N-PORT on a monthly basis. Given the rapidly changing composition of fund portfolios, monthly reports are necessary to ensure that the Commission receives timely and accurate portfolio holdings information.

8. Consultation Outside the Agency

Before adopting proposed Form N-PORT, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements. Moreover, 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 information exchanges. These various forums provide the Commission and staff with a means of ascertaining and acting upon the paperwork burdens confronting the industry.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

No PII collected/not applicable. A System of Records Notice (SEC-6) can be found at <http://www.sec.gov/about/privacy/secprivacyoffice.htm>.

12. Estimate of Hour Burden

In the Investment Company Reporting Modernization Release, we estimated that, for the 35% of funds that would file reports on proposed Form N-PORT in house, the per fund aggregate average annual hour burden was estimated to be 178 hours per fund, and the average cost to license a third-party software solution would be \$4,805 per fund per year.⁵ For the remaining 65% of funds that would retain the services of a third party to prepare and file reports on proposed Form N-PORT on the fund's behalf, we estimated the aggregate average annual hour burden to be 125 hours per fund, and each fund would pay an average fee of \$11,440 per fund per year for the services of third-party service provider. In sum, we estimated that filing reports on proposed Form N-PORT would impose an average total annual hour burden of 1,537,572 hours on applicable funds, and all applicable funds would incur on average, in the aggregate, external annual costs of \$97,674, 221.⁶

⁵ See Investment Company Reporting Modernization Release, at notes.736-741, 749 and accompanying text.

⁶ See *id.*, at notes 748 and 751 and accompanying text.

Recordkeeping and Reporting

In the Derivatives Proposal, we are proposing amendments to Form N-PORT that would require each fund that is required to implement a derivatives risk management program as required by proposed rule 18f-4(a)(3) to report gamma and vega for options and warrants, including options on a derivative, such as swaptions.⁷ We believe that the enhanced reporting proposed in these amendments would help our staff better monitor price and volatility trends, as well as various funds' risk profiles.

Estimated Total Burden

We estimate that 14% of funds (1,676 funds)⁸ would be required to file, on a monthly basis, additional information on Form N-PORT as a result of the proposed amendments. We estimate that each fund that files reports on Form N-PORT in house (35%, or 587 funds) would require an average of approximately 2 burden hours to compile (including review of the information), tag, and electronically file the additional information in light of the proposed amendments for the first monthly filing and an average of approximately 1 burden hour for each subsequent monthly filing. Therefore, we estimate the per fund average annual hour burden associated with the incremental changes to Form N-PORT as a result of the proposed amendments for these funds would be an additional 13 hours for the first year⁹ and an additional 12 hours for each

⁷ See Item C.11.c.viii of proposed Form N-PORT.

⁸ Commission staff estimates, therefore, that approximately 14% of funds (1,676 funds) would be required to establish a derivatives risk management program. See Derivatives Proposal, at note 612 and accompanying text.

⁹ The estimate is based on the following calculation: (1 filing x 2 hours) + (11 filings x 1 hour) = 13 burden hours in the first year.

subsequent year.¹⁰ We further estimate an upper bound on the initial annual costs to funds choosing this option of \$3,352 per fund¹¹ with annual ongoing costs of \$2,991 per fund.¹² Amortized over three years, the average annual hour burden would be an additional 12 hours per fund¹³ and the aggregate average annual cost would be an additional \$3,111 per fund.¹⁴

We estimate that 65% of funds (1,075 funds) would retain the services of a third party to provide data aggregation, validation and/or filing services as part of the preparation and filing of reports on proposed Form N-PORT on the fund's behalf. For these funds, we estimate that each fund would require an average of approximately 3 hours to compile and review the information with the service provider prior to electronically filing the monthly report for the first time and an average of .5 burden hours for each subsequent monthly filing. Therefore, we estimate the per fund average annual hour burden associated with the incremental changes to proposed Form N-PORT as a result of the proposed amendments for these funds would be an additional 8.5 hours

¹⁰ This estimate is based on the following calculation: (12 filings x 1 hour) = 12 burden hours in each subsequent year.

¹¹ This estimate is based upon the following calculations: \$3,352 in internal costs = (\$3,196 = 1 hour x \$303/hour for a senior programmer) + (2.5 hours x \$312/hour for a senior database administrator) + (2 hours x \$266/hour for a financial reporting manager) + (2 hours x \$198/hour for a senior accountant) + (2 hours x \$157/hour for an intermediate accountant) + (2 hours x \$301/hour for a senior portfolio manager) + (1.5 hours x \$283/hour for a compliance manager)). See Derivatives Proposal, at note 797 and accompanying text.

¹² This estimate is based upon the following calculations: \$2,991 in internal costs = (2.14 hours x \$266/hour for a financial reporting manager) + (2.14 hours x \$198/hour for a senior accountant) + (2.14 hours x \$157/hour for an intermediate accountant) + (2.14 hours x \$301/hour for a senior portfolio manager) + (1.71 hours x \$283/hour for a compliance manager) + (1.71 hours x \$312/hour for a senior database administrator)). See Derivatives Proposal, at note 798 and accompanying text.

¹³ The estimate is based on the following calculation: (13 + (12 x 2)) ÷ 3 = 12.33.

¹⁴ The estimate is based on the following calculation: (\$3,352 + (\$2,991 x 2)) ÷ 3 = \$3,111

for the first year¹⁵ and an additional 6 hours for each subsequent year.¹⁶ We further estimate an upper bound on the initial costs to funds choosing this option of \$2,319 per fund¹⁷ with annual ongoing costs of \$1,517 per fund.¹⁸ Amortized over three years, the aggregate average annual hour burden would be an additional 7 hours per fund,¹⁹ with average annual ongoing costs of \$1,784 per fund.²⁰

In sum, we estimate that the proposed amendments to Form N-PORT would impose an average total annual hour burden of an additional 14,667 hours on applicable funds,²¹ and an average additional total cost of \$3,768,933 on applicable funds.²² We do not anticipate any change to the total external annual costs of \$97,674,221.²³

¹⁵ The estimate is based on the following calculation: (1 filing x 3 hours) + (11 filings x 0.5 hour) = 8.5 burden hours in the first year.

¹⁶ This estimate is based on the following calculation: 12 filings x 0.5 hour = 6 burden hours in each subsequent year.

¹⁷ This estimate is based upon the following calculations: \$2,319 in internal costs = (1.5 hours x \$303/hour for a senior programmer) + (2.5 hours x \$312/hour for a senior database administrator) + (.9 hours x \$266/hour for a financial reporting manager) + (.9 hours x \$198/hour for a senior accountant) + (.9 hours x \$157/hour for an intermediate accountant) + (.9 hours x \$301/hour for a senior portfolio manager) + (.9 hours x \$283/hour for a compliance manager)). *See* Derivatives Proposal, at note 803 and accompanying text.

¹⁸ This estimate is based upon the following calculations: \$1,517 in internal costs = (1 hours x \$266/hour for a financial reporting manager) + (1 hours x \$198/hour for a senior accountant) + (1 hours x \$157/hour for an intermediate accountant) + (1 hours x \$301/hour for a senior portfolio manager) + (1 hours x \$283/hour for a compliance manager) + (1 hours x \$312/hour for a senior database administrator)). *See* Derivatives Proposal, at note 804 and accompanying text.

¹⁹ The estimate is based on the following calculation: (8.5 + (6 x 2)) ÷ 3 = 6.83.

²⁰ The estimate is based on the following calculation: (\$2,319 + (\$1,517 x 2)) ÷ 3 = \$1,784

²¹ The estimate is based on the following calculation: (587 funds x 12 hours) + (1,089 funds x 7 hours) = 14,667 hours.

²² The estimate is based on the following calculation: (587 funds x \$3,111) + (1,089 funds x \$1,784) = \$3,768,933.

²³ *See* Derivatives Proposal, at note 821 and accompanying text.

13. Estimate of Total Annual Cost Burden

We do not estimate any change to the external costs associated with the proposed amendments to proposed Form N-PORT.

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing 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

Not applicable. This request for approval of the collection of information for this rule and form has not been previously approved by OMB. This submission does not include other Form N-PORT collection of information requirements, which were proposed by the Commission in the Investment Company Reporting Modernization Release and submitted to OMB on July 22, 2015 and also in the Open-End Fund Liquidity Risk Management Programs; Swing Pricing; Re-Opening of the Comment Period for Investment Company Reporting Modernization Release, which was submitted to OMB on December 1, 2015.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

18. Exceptions to Certification Statement

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.