

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Proposed Rule 30e-3**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 30(e) of the Investment Company Act of 1940 (“Investment Company Act”)<sup>1</sup> 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.<sup>2</sup> Rules 30e-1 and 30e-2 under the Investment Company Act require most funds to send their shareholders annual and semiannual reports containing financial information on the fund.<sup>3</sup>

On May 20, 2015, the Commission issued a release proposing new rule 30e-3, which would permit, but not require, a fund to transmit its reports to shareholders by posting them on its website, as long as the fund meets certain other conditions of the rule regarding (a) availability of the report and other materials; (b) shareholder consent; (c) notice to shareholders; and (d) delivery of materials upon request of the shareholder.<sup>4</sup>

Proposed rule 30e-3 would provide that a fund’s annual or semiannual report to shareholders would be considered transmitted to a shareholder of record if certain conditions set forth in the rule are satisfied. Among these conditions are the requirements that (i) the fund’s shareholder report, any previous shareholder report transmitted to shareholders of record within the last 244 days, and in the case of a fund that is not an SBIC, the fund’s complete portfolio holdings as of the close of its most recent first and third fiscal quarters, be publicly accessible, free of charge, at a specified website address; and (ii) the fund (or a financial intermediary through which shares of the fund may be purchased or sold) must send a paper copy of any of the materials discussed in (i) above to a shareholder upon request.

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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> 17 CFR 270.30e-1 (transmission requirement for management investment companies); 17 CFR 270.30e-2 (transmission requirement for unit investment trusts (“UITs”) that invest substantially all of their assets in shares of a management investment company).

<sup>4</sup> Investment Company Act Release No. 31610 (May 20, 2015) (“Proposing Release”).

Reliance on proposed rule 30e-3 would be voluntary; however, compliance with its conditions would be mandatory for funds relying on the rule. Responses to the information collections would not be kept confidential.

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

Certain of the provisions of the proposed rule contain “collection of information” requirements within the meaning on the Paperwork Reduction Act of 1995 (“Paperwork Reduction Act”),<sup>5</sup> 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 proposed rule is intended to modernize the manner in which periodic information is transmitted to shareholders. The information collection requirements of proposed rule 30e-3 are designed to avoid investor confusion and protect the ability of investors to choose their preferred means of communication.

## **3. Consideration Given to Information Technology**

The Commission’s Electronic Data Gathering, Analysis, and Retrieval System (“EDGAR”) automates the filing, processing, and dissemination of full disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Forms of notices to shareholders would be required to be filed electronically on EDGAR.<sup>6</sup> Although the conditions of rule 30e-3 would require certain information to be sent to shareholders by mail, we would expect that reliance by funds on rule 30e-3 would in general increase the extent to which electronic methods are used to deliver information to shareholders.

## **4. 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 proposed rule 30e-3 is not generally duplicated elsewhere.

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<sup>5</sup> 44 U.S.C. 3501 *et seq.*

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

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

The information collection requirements of rule 30e-3 do not distinguish between small entities and other funds. The burden of the conditions on smaller funds may be proportionally greater than for larger funds. This burden includes the cost of preparing, printing, and transmitting notices to shareholders. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the rule's conditions. 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 Not Conducting Collection**

Section 30(e) of the Investment Company Act and rules 30e-1 and 30e-2 thereunder require that reports to shareholder be transmitted at least semi-annually. Less frequent collection would mean that current information would not be available to fund investors. In addition, the consent provisions of rule 30e-3 require prior notice to be sent to shareholders before transmission by electronic means begins. Funds relying on the rule would be required to periodically explain to investors who have provided consent to electronic transmission how they can revoke their consent. If collection occurs less frequently, certain investors who wish to receive print 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. Consultation Outside the Agency**

Before adopting proposed rule 30e-3, 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**

No payment or gift to respondents was provided.

## 10. Confidentiality

No assurance of confidentiality was provided.

## 11. Sensitive Questions

No questions of a sensitive nature are involved. The information collection does not include personally identifiable information.

## 12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Reliance on proposed rule 30e-3 would be voluntary; however, compliance with its conditions would be mandatory for funds relying on the rule. Responses to the information collections would not be kept confidential.

We estimate that 11,957 funds could rely on proposed new rule 30e-3.<sup>7</sup> Of these funds, we estimate that 90% of all funds (or 10,761 funds) would rely on proposed rule 30e-3. Of this 10,761, we estimate 9,634 are funds relying on rule 498 under the Securities Act of 1933 (“the Securities Act”)<sup>8</sup> and, thus, currently posting annual and semiannual shareholder reports on their websites.<sup>9</sup> Accordingly, with respect to these

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<sup>7</sup> This estimate includes 9,259 mutual funds (including money market funds), 1,403 ETFs (1,411 ETFs – 8 UIT ETFs), 568 closed-end funds, and 727 UITs (including UIT ETFs) based on ICI statistics, Form N-SAR filings, and internal SEC data as of December 31, 2014. *See* ICI statistics *available at* <http://www.ici.org/research/stats>.

<sup>8</sup> 15 U.S.C. 77a *et seq.*

<sup>9</sup> Open-end funds relying on the summary prospectus rule, rule 498 under the Securities Act, are required to post their annual and semi-annual reports online. *See* rule 498(e)(1) [17 CFR 240.498(e)(1)]. In 2014, 9,634 funds filed a summary prospectus, which amounts to 90% of all open-end funds (9,634 ÷ (9,259 mutual funds + 1,403 ETFs other than UITs)). Because these funds are already posting their shareholder reports online, we estimate that they will rely on proposed rule 30e-3 to transmit their reports. Based on the percentage of funds that rely on the summary prospectus rule, which, like proposed rule 30e-3, requires posting of documents online while also reducing printing and mailing costs for funds, we estimate that 90% of closed-end funds and UITs—or 1,166 funds ((568 closed-end funds + 727 UITs) × 90%)—will rely on proposed rule 30e-3. Accordingly, we estimate that 90% of all funds ((9,634 open-end funds + 1,166 other funds) / 11,957 funds) would also rely on proposed rule 30e-3.

funds, we estimate that annual compliance with the posting requirements of proposed rule 30e-3 will require a half hour burden per fund.<sup>10</sup>

Of the remaining funds estimated to rely on proposed rule 30e-3, we further estimate that approximately 90% of those funds<sup>11</sup> (or 1,014 funds) already have a website.<sup>12</sup> With respect to these funds, we estimate that the posting requirements of proposed rule 30e-3 will require a one and a half hour burden per fund to post the required documents online, both in the first year and annually thereafter. For the remaining 10% of funds (or 113 funds) that we estimate will rely on the proposed rule but that do not have a website,<sup>13</sup> we estimate initial compliance with the posting requirements will require approximately 24 hours per fund of internal fund staff time to develop a webpage and post the required documents on the webpage.<sup>14</sup> In addition, we estimate that each of these funds would spend approximately four hours of professional time to maintain and update a webpage with the required information on a quarterly basis.<sup>15</sup>

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<sup>10</sup> Because each of these funds is already required to have a website and to post its annual and semiannual shareholder reports on this website, we estimate that proposed rule 30e-3 will only result in each of these funds incurring a half hour burden per year to post their first and third quarter portfolio holdings on their websites, including in the first year of compliance with the rule.

<sup>11</sup> See Investment Company Act Release No. 29132 (Feb. 23, 2010) [75 FR 10060, 10092 (Mar. 4, 2010)] (“Money Market Fund Reform Release”) (estimating that 20% of money market funds would have to develop a website in connection with new website posting requirements). Because five years have passed since we estimated 80% of money market funds had websites, and given the increased use of the Internet, we believe it is appropriate to estimate that 90% of funds currently have websites.

<sup>12</sup>  $(10,761 \text{ funds} - 9,634 \text{ open-end funds relying on the summary prospectus rule}) \times 90\% = 1,014 \text{ funds}$ .

<sup>13</sup>  $(10,761 \text{ funds} - 9,634 \text{ open-end funds relying on the summary prospectus rule}) \times 10\% = 113 \text{ funds}$ .

<sup>14</sup> See Money Market Fund Reform Release, *supra* note 11, at 10092 (estimating 24 hours of internal staff time to develop a webpage). Funds that are part of a larger fund complex may realize certain economies of scale in connection with creating a website. For purposes of our analysis, we do not account for such economies of scale.

<sup>15</sup> See *id.* (estimating 4 hours of professional time to maintain and update a webpage with the required money market fund information on a monthly basis). Funds that are part of a larger fund complex may realize certain economies of scale in connection with maintaining and updating a website. For purposes of our analysis, we do not account for such economies of scale.

Accordingly, we estimate that the posting requirements will result in an average annual hour burden of 0.84 hours per fund in the first year of compliance<sup>16</sup> and 0.76 hours per fund for each of the next two years.<sup>17</sup> Amortized over three years, the average annual hour burden would be 0.79 hours per fund.<sup>18</sup> In sum, we estimate that the posting requirements of proposed rule 30e-3 would impose an average total annual hour burden of 8,447 hours on applicable funds.<sup>19</sup>

Proposed rule 30e-3 would permit electronic transmission of a shareholder report to a particular shareholder only if the shareholder has either previously consented to this method of transmission or has been determined to have provided implied consent under certain conditions specified in the rule. One of the conditions for implied consent requires that the fund transmit to the shareholder an Initial Statement, at least 60 days before it begins to rely on the rule, notifying the shareholder of the fund's intent to make future shareholder reports available on the fund's website until the shareholder revokes consent. Additionally, proposed rule 30e-3 would require funds relying on the rule with respect to a shareholder who has consented to electronic transmission to send a Notice containing certain information to the shareholder within 60 days of the close of the fiscal period to which the report relates. The proposed rule would also require funds to file a form of the Notice with the Commission not later than 10 days after the Notice is sent to shareholders.

As discussed above, we estimate that 90% of all eligible funds (or 10,761 funds) will choose to rely on proposed rule 30e-3.<sup>20</sup> For those funds relying on the rule, we estimate that it will take each fund one and a half hours to prepare the Initial Statement in the first year of compliance with the rule.<sup>21</sup> We further estimate that

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<sup>16</sup> 9,634 open-end funds relying on the summary prospectus rule  $\times$  .5 hours = 4,817 hours; 1,014 funds with a website but not relying on the summary prospectus rule  $\times$  1.5 hours = 1,521 hours; 113 funds without a website  $\times$  24 hours in the first year = 2,712 hours; 4,817 hours + 1,521 hours + 2,712 hours = 9,050; 9,050  $\div$  10,761 = 0.84 hours.

<sup>17</sup> 9,634 open-end funds relying on the summary prospectus rule  $\times$  .5 hours = 4,817 hours; 1,014 funds with a website but not relying on the summary prospectus rule  $\times$  1.5 hours = 1,521 hours; 113 funds without a website  $\times$  (4 hours  $\times$  4 quarters) = 1,808 hours; 4,817 + 1,521 + 1,808 = 8,146; 8,146  $\div$  10,761 = 0.76 hours.

<sup>18</sup>  $(0.84 + (0.76 \times 2)) \div 3 = 0.79$  hours.

<sup>19</sup> 9,050 hours for the first year + (8,146 hours  $\times$  the 2 following years) = 25,342; 25,342  $\div$  3 = 8,447.

<sup>20</sup> See *supra* text following note 7.

<sup>21</sup> See Exchange Act Release No. 55146 (Jan. 22, 2007) [72 FR 4148, 4161 (Jan. 29, 2007)] (“Proxy Notice Release”) (estimating the annual burden for an issuer or other soliciting

each fund will incur a half hour burden in subsequent years to the extent the fund has shareholders that have not previously consented to website transmission of the fund's shareholder reports.<sup>22</sup> We also estimate that each fund will incur two hours to prepare and file the first Notice in the first year<sup>23</sup> and an hour for each subsequent notice.<sup>24</sup> Additionally, with respect to both the Initial Statement and the Notice, we estimate that 75% of the annual hour burden would be incurred by the fund and that 25% of the burden would be incurred by outside counsel retained by the fund.<sup>25</sup>

Accordingly, we estimate that the Initial Statement will result in an average hourly burden per fund of 1.3 hours in the first year<sup>26</sup> and 0.38 hours in each

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person to prepare a notice of Internet availability of proxy materials ("proxy notice") to be approximately one and half hours). We estimate that the length and breadth of the Initial Statement would be similar to that of a proxy notice.

<sup>22</sup> Based on our initial hour burden estimate for the Initial Statement, and given that a fund will only have to provide the Initial Statement in subsequent years to those shareholders who have not previously consented, we believe the subsequent hour burden will be minimal. Accordingly, we have estimated a half hour burden per fund in subsequent years.

<sup>23</sup> We estimate that the length and breadth of the Notice would be similar to that of a proxy notice. *See supra* note 21. However, under proposed rule 30e-3, a Notice would also have to be separately filed with the Commission. Accordingly, we have increased the initial estimated hour burden for the Notice to two hours versus the hour and half estimated hour burden for the proxy notice. In addition, a fund relying on the proposed rule would have to prepare and send a notice to relevant shareholders, and file the notice with the Commission, twice a year—once for the annual shareholder report and once for the semiannual shareholder report. In the first year of compliance with the rule, we estimate that the fund would need two hours to prepare and file the first notice and one hour to prepare and file the second notice, for a total of three hours in the first year of compliance.

<sup>24</sup> Based on our initial hour burden estimate for the Notice, and given that a fund will likely use its original Notice as a template for subsequent notices but will also have to file each Notice with the Commission, we believe one hour burden per fund per subsequent filing is an appropriate estimate. As noted above, a fund would have to prepare and file a Notice twice a year. As such, we estimate the hour burden for each fund in subsequent years would be two hours.

<sup>25</sup> *See Proxy Notice Release, supra* note 21 (estimating 75% of the proxy notice burden would be prepared by the issuer and that 25% of the burden would be prepared by outside counsel retained by the issuer).

<sup>26</sup> 1.5 hours  $\times$  75% = 1.3 hours.

subsequent year.<sup>27</sup> Amortized over three years, the average annual hour burden associated with the Initial Statement would be 0.69 hours per fund.<sup>28</sup> In addition, we estimate that the Notice will result in an average annual hour burden of 2.3 hours per fund in the first year<sup>29</sup> and 1.5 hours per fund in each subsequent year.<sup>30</sup> Amortized over three years, the average annual hour burden associated with the Notice would be 1.8 hours per fund.<sup>31</sup> In sum, we estimate that the shareholder consent and Notice requirements of proposed rule 30e-3 would impose an average total annual hour burden of 8,932 hours on applicable funds.<sup>32</sup>

In total, proposed rule 30e-3 would impose an average total annual hour burden of 17,379 hours on applicable funds.<sup>33</sup> Based on the Commission's estimate of 17,379 burden hours and an estimated wage rate of about \$319 per hour,<sup>34</sup> the total annual cost to reporting persons of the hour burden to comply with the conditions of rule 30e-3 is about \$5,542,684.<sup>35</sup>

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<sup>27</sup>  $0.5 \text{ hours} \times 75\% = 0.38 \text{ hours}$ .

<sup>28</sup>  $(1.3 \text{ hours} + (2 \text{ years} \times 0.38 \text{ hours})) \div 3 \text{ years} = 0.69 \text{ hours}$ .

<sup>29</sup>  $(2 \text{ hours} + 1 \text{ hour}) \times 75\% = 2.3 \text{ hours}$ .

<sup>30</sup>  $(1 \text{ hour} + 1 \text{ hour}) \times 75\% = 1.5 \text{ hours}$ .

<sup>31</sup>  $(2.3 \text{ hours} + (2 \text{ years} \times 1.5 \text{ hours})) \div 3 \text{ years} = 1.8 \text{ hours}$ .

<sup>32</sup>  $(0.69 \text{ hours for the Initial Statement} \times 10,761 \text{ funds}) + (1.8 \text{ hours for the Notice} \times 10,761 \text{ funds}) = 26,795$ ;  $26,795 \text{ hours} \div 3 \text{ years} = 8,932$ .

<sup>33</sup>  $8,447 \text{ hours for the posting requirements} + 8,932 \text{ hours for the written shareholder consent statement and Notice requirements} = 17,379 \text{ hours}$ .

<sup>34</sup> The Commission's estimate concerning the wage rate is based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. The estimated wage figure is based on published rates for compliance attorneys and senior programmers, modified to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$334 and \$303, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that 8,447 of the hours will be performed by senior programmers and 8,932 will be performed by compliance attorneys, yielding an estimated hourly wage rate of about \$318.93.  $((8,447 \text{ hours} \times \$303 \text{ per hour for senior programmers}) + (8,932 \text{ hours} \times \$334 \text{ per hour for compliance attorneys})) \div 17,379 \text{ total hours} = \$318.93$ .

<sup>35</sup>  $17,379 \text{ hours per year} \times \$318.93 \text{ per hour} = \$5,542,684.47 \text{ per year}$ .

### 13. Cost to Respondents

Cost burden is the cost of goods and services purchased in connection with complying with the collection of information requirements of rule 30e-3. The cost burden does not include the cost of the hour burden discussed in Item 12 above.

The external cost burden of the posting requirements would include costs associated with development of a website. With respect to those funds that would rely on proposed rule 30e-3 but that do not currently have a website, we estimate that the posting requirements of the proposed rule will result in an external cost burden of \$2,000 per fund in the first year to develop a website,<sup>36</sup> but no cost burden in subsequent years.<sup>37</sup> We further estimate that the amortized annual external cost burden associated with developing a website would be \$667.<sup>38</sup> In the aggregate, we estimate that the annual total external cost burden with respect to these funds would be \$75,371.<sup>39</sup> With respect to those funds that currently have websites, we estimate that the posting requirements of the proposed rule will not result in any external costs.<sup>40</sup>

Furthermore, we also estimate that funds may incur external costs in connection with the requirement to provide a complete shareholder report upon request of a shareholder. We estimate that the annual costs associated with printing and mailing these reports would be \$500 per fund.<sup>41</sup> Accordingly, we estimate that the aggregate

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<sup>36</sup> See, e.g., *How Much Should a Web Design Cost, Budgeting for a Professional Design for a Small Business Website*, available at <http://webdesign.about.com/od/beforeyoustartawebsite/a/how-much-should-a-web-design-cost.htm> (suggesting that a fairly basic website would cost \$1,250–\$1,500); *What Does a Website Cost? Website Development Costs*, available at <http://www.atilus.com/what-does-a-website-cost-web-site-development-costs/> (suggesting a basis website can be created for \$2,000–\$5,000). We believe that a website developed for purposes of proposed rule 30e-3 could be fairly basic considering the website would only need to accommodate posting of the required documents.

<sup>37</sup> We believe the collection of information burden in subsequent years will be handled internally and have, therefore, accounted for this burden in our estimate of the hourly burden for subsequent years. See *supra* text following note 12.

<sup>38</sup>  $\$2,000 \div 3 = \$667$ .

<sup>39</sup>  $113 \text{ funds} \times \$667 = \$75,371$ .

<sup>40</sup> Because these funds maintain their websites for reasons other than compliance with proposed rule 30e-3, we do not attribute any costs related to such maintenance to proposed rule 30e-3.

<sup>41</sup> We have estimated the external costs associated with rules 30e-1 and 30e-2 (the rules relating to shareholder reports) to be \$31,061 and \$20,000, respectively. See Proposing

annual external costs associated with printing and mailing shareholder reports upon request would be \$5,380,500.<sup>42</sup> Together with the external costs for those funds that would rely on proposed rule 30e-3 but that do not currently have a website, we estimate that the posting and shareholder request requirements of the proposed rule will result in an annual external cost burden of \$5,455,871.<sup>43</sup>

In addition, we estimate that funds will incur external costs in connection with the Initial Statement and Notice conditions, including the costs associated with outside counsel and printing and mailing. We estimate outside counsel retained by the fund will incur 25% of the hourly burden associated with each of the Initial Statement and Notice at a rate of \$380 per hour.<sup>44</sup> Accordingly, we estimate that outside counsel costs associated with the Initial Statement will result in an average cost burden per fund of \$144 in the first year,<sup>45</sup> \$49 in subsequent years,<sup>46</sup> and

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Release, *supra* note 4, at notes 853–856 and accompanying text. These costs account for preparation and transmission of complete shareholder reports twice a year in paper to shareholders. We estimate that one-third of these external costs are attributed to printing and mailing shareholder reports. Additionally, we estimate that 5% of shareholders may request paper copies of shareholder reports transmitted via website pursuant to proposed rule 30e-3. In this regard, we note that shareholders preferring paper copies of shareholder reports will also have the ability to return the postage-paid, pre-addressed reply card that all shareholders will receive with their Initial Statement to indicate that they want to opt-out of website transmission. *See* Proposing Release, *supra* note 4, Part II.D.3.b. (discussing the Initial Statement). Accordingly, we believe that only a small percentage of shareholders whose shareholder reports are transmitted via website will request paper copies. In order to be conservative in our estimates, we have multiplied 5% by \$10,000, which is approximately one-third of the external costs associated with management companies' shareholder reports ( $\$31,061 \div 3 = \$10,354$ ), which are higher than the external costs associated with UITs' shareholder reports. Thus, we estimate that the external costs associated with providing complete shareholder reports upon request would be \$500 ( $5\% \times \$10,000$ ).

<sup>42</sup>  $\$500 \times 10,761 \text{ funds} = \$5,380,500$ .

<sup>43</sup>  $\$5,380,500 + \$75,371 = \$5,455,871$ .

<sup>44</sup> This estimate is based on the rate for attorneys in SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>45</sup>  $1.5 \text{ hours associated with initial statement} \times 25\% = 0.38 \text{ hours}; 0.38 \text{ hours} \times \$380 = \$144$ .

<sup>46</sup>  $0.5 \text{ hours} \times 25\% = 0.13 \text{ hours}; 0.13 \text{ hours} \times \$380 = \$49$ .

amortized over three years, \$81.<sup>47</sup> Additionally, we estimate that outside counsel costs associated with the Notice will result in an average cost burden per fund of \$285 in the first year,<sup>48</sup> \$190 in subsequent years,<sup>49</sup> and amortized over three years, \$222.<sup>50</sup> In sum, we estimate that the outside counsel costs related to the shareholder consent and Notice requirements of proposed rule 30e-3 would impose an annual average total cost burden of \$3,260,583 on applicable funds.<sup>51</sup>

We also estimate that, in the first year, each fund will incur approximately \$1,000 in printing and mailing costs related to each of the first Initial Statement and Notice.<sup>52</sup> In subsequent years, we estimate each fund will incur \$333 in printing and mailing costs related to the Initial Statement<sup>53</sup> and \$1,000 with respect to each

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<sup>47</sup>  $(\$144 + (2 \text{ years} \times \$49)) \div 3 = \$81$ .

<sup>48</sup>  $(2 \text{ hours} + 1 \text{ hour}) \times 25\% = 0.75 \text{ hours}$ ;  $0.75 \text{ hours} \times \$380 = \$285$ .

<sup>49</sup>  $(1 \text{ hour} + 1 \text{ hour}) \times 25\% = 0.5 \text{ hours}$ ;  $0.5 \text{ hours} \times \$380 = \$190$ .

<sup>50</sup>  $(\$285 + (2 \text{ years} \times \$190)) \div 3 = \$222$ .

<sup>51</sup>  $(\$81 \text{ for the Initial Statement} \times 10,761 \text{ funds}) + (\$222 \text{ for the Notice} \times 10,761 \text{ funds}) = \$3,260,583$ .

<sup>52</sup> As noted above, we have estimated the external costs associated with rules 30e-1 and 30e-2 (the rules relating to shareholder reports) to be \$31,061 and \$20,000, respectively. *See supra* note 41. These costs account for preparation and transmission of complete shareholder reports twice a year in paper to shareholders. We estimate that one-third of these external costs are attributed to printing and mailing shareholder reports. We estimate that the Initial Statement and Notice would require significantly less be spent on printing and mailing costs given the significantly smaller size of the documents. Accordingly, we estimate that each of the Initial Statement and Notice would require 10% of the printing and mailing costs associated with complete shareholder reports. We also estimate that there would be no other external costs attributable to the Initial Statement or Notice. In order to be conservative in our estimates, we have multiplied 10% by \$10,000, which is approximately one-third of the external costs associated with management companies' shareholder reports ( $\$31,061 \div 3 = \$10,354$ ), which are higher than the external costs associated with UITs' shareholder reports. Thus, we estimate that the initial printing and mailing costs associated with each of the Initial Statement and Notice would be \$1,000 ( $10\% \times \$10,000$ ). Additionally, however, with respect to the Notice, we note that a fund would send two Notices a year—one for each shareholder report. Accordingly, we estimate that the printing and mailing costs associated with the Notice would be \$2,000 ( $\$1000 \times 2 \text{ Notices}$ ) in the first year.

<sup>53</sup> Given that funds will only have to send the Initial Statement to shareholders who have not yet consented (*e.g.*, new shareholders), we estimate that the external cost burden in subsequent years would only be one-third the cost of the first Initial Statement ( $\$1,000 \div 3 = \$333$ ).

Notice.<sup>54</sup> Amortized over three years, we estimate that the Initial Statement will result in \$555 annual cost burden per fund<sup>55</sup> and the Notice will result in a \$2,000 annual cost burden per fund.<sup>56</sup> In sum, we estimate that the printing and mailing costs related to the shareholder consent and Notice requirements of proposed rule 30e-3 would impose an average annual total cost burden of \$27,494,355 on applicable funds.<sup>57</sup> Accordingly, together with the costs associated with outside counsel, we estimate that the shareholder consent and Notice requirements of the proposed rule would impose an average annual total cost burden of \$30,754,938.<sup>58</sup>

In total, proposed rule 30e-3 would impose an average total annual external cost burden of \$36,210,809 on applicable funds.<sup>59</sup>

#### **14. Costs to Federal Government**

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$19.8 million in fiscal year 2012, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

#### **15. Change in Burden**

This is the first request for approval of the collection of information for this rule.

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

The results of any information collected will not be published.

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<sup>54</sup> We do not believe the external costs associated with printing and mailing the Notice will be different in subsequent years because proposed rule 30e-3 specifies the information to be included in the Notice, which must be sent each time a shareholder report is transmitted. As noted above, funds would send two Notices a year—one for each shareholder report. Accordingly, we estimate that the printing and mailing costs associated with the Notice would be \$2,000 ( $\$1,000 \times 2$  Notices) in each subsequent year.

<sup>55</sup>  $(\$1,000 + (2 \text{ years} \times \$333)) \div 3 = \$555$ .

<sup>56</sup>  $(\$2,000 \text{ per year} \times 3 \text{ years}) \div 3 = \$2,000$ .

<sup>57</sup>  $(\$555 \text{ for the Initial Statement} \times 10,761 \text{ funds}) + (\$2,000 \text{ for the Notice} \times 10,761) = \$27,494,355$ .

<sup>58</sup>  $\$3,260,583 + \$27,494,355 = \$30,754,938$ .

<sup>59</sup>  $\$5,455,871 + \$30,754,938 = \$36,210,809$ .

**17. Approval to Omit OMB Expiration Date**

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

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

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

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

The collection of information will not employ statistical methods.