

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

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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.

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.

On October 13, 2016, the Commission issued a release adopting certain changes to the investment company reporting and disclosure regime.<sup>6</sup> Among other things, the final rules will include certain amendments to Articles 6 and 12 of Regulation S-X<sup>7</sup> – the regulation that prescribes the form and content for fund financial statements. Among other things, the amendments will: (1) require new, standardized disclosures regarding fund holdings in open futures contracts, open forward foreign currency contracts, and open swap contracts, and additional disclosures regarding fund holdings of written and purchased options; (2) update the disclosures for other investments, as well as reorganize the order in which some investments are

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<sup>6</sup> See Investment Company Reporting Modernization, Investment Company Act Release No. 32314 (October 13, 2016) (“Reporting Modernization Adoption”).

presented; and (3) amend the rules regarding the general form and content of fund financial statements. Compliance with the disclosure requirements of rule 30e-2 is mandatory. Responses to the disclosure requirements are not kept confidential.

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

The purpose of the collection of information required by rule 30e-2 is to provide UIT unitholders with current information about the operations of their UITs in accordance with Section 30 of the Investment Company Act.

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

Rule 30e-2 does not require filing of the shareholder report with the Commission, but instead the transmission of reports to unitholders. Shareholder reports are typically sent in paper; however, investors may currently consent to the delivery of electronic versions. If adopted, proposed rule 30e-3 would permit funds to transmit reports to unitholders by posting them on its website.

## **4. 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 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**

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<sup>7</sup> 17 CFR 210.1-01 et seq.

The current disclosure requirements for 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, printing, and transmitting 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 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 Not Conducting Collection**

The frequency with which information in compliance with rule 30e-2 is collected is semi-annual, as set out in Section 30(e) of the Investment Company Act and rule 30e-2. Less frequent collection of information would impede the amount of current information provided to unitholders about their UITs.

#### **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 the amendments to Regulation S-X, the Commission received and evaluated public comments on the proposals and its collection of information requirements. The Commission received no comments on this aspect of the proposal. Moreover, 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.

**9. Payment or Gift**

Not applicable.

**10. Confidentiality**

Not applicable.

**11. Sensitive Questions**

No PII collected/Not applicable.

**12. Burden of Information Collection**

We estimate that there are 721 UITs that may be subject to the amendments to Regulation S-X.<sup>8</sup> In addition, we estimate that the amendments to Regulation S-X will likely increase the time spent preparing, reviewing and certifying reports. The extent to which a UIT's burden increases as a result of the amendments will depend on the extent to which an underlying fund invests in the instruments covered by many of the amendments.

We estimate that, on an annual basis, UITs generally will annually incur an additional 7 burden hours in the first year and an additional 2.5 burden hours for filings in subsequent years in order to comply with the proposed amendments. Amortized over three years, we estimate that the average annual hour burden associated with the proposed amendments will be 4 hours per fund.<sup>9</sup> Accordingly, we estimate that the total average annual hour burden associated with the amendments to Regulation S-X will be 2,884 hours.<sup>10</sup>

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<sup>8</sup> This estimate is based on the number of UITs that filed Form N-SAR with the Commission as of December 31, 2015.

<sup>9</sup> The estimate is based on the following calculation:  $(7 \text{ hours} + (2.5 \text{ hours} \times 2)) / 3 = 4$ .

<sup>10</sup> The estimate is based on the following calculation:  $4 \text{ hours} \times 721 \text{ UITs} = 2,884$ .

We estimate that a UIT will spend on average approximately 125 hours<sup>11</sup> annually per fund of an in-house attorney's and accountant's time associated with preparing, reviewing, and filing semi-annual reports in accordance with rule 30e-2, at a total annual paperwork related cost of \$34,125 per fund.<sup>12</sup> In the aggregate, the staff estimates that compliance with rule 30e-2 would result in a total annual aggregate burden of approximately 90,125 hours<sup>13</sup> and total annual time costs of approximately \$24,604,125.<sup>14</sup>

### **13. Cost to Respondents**

We estimate that the annual external cost burden of compliance with the information collection requirements of rule 30e-2, which are currently \$20,000 per respondent, will not

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<sup>11</sup> Based on staff experience and conversations with fund representatives, the Commission previously estimated that it would take approximately 121 hours to comply with the collection of information associated with rule 30e-2 per portfolio. This time is spent, for example, preparing, reviewing, and certifying the reports. The current burden calculation adds the four additional burden hours from the current proposed rulemaking to rule 30e-2's previous burden of 121 hours.

<sup>12</sup> This estimate is based on annual ongoing burden hour estimate of 125 hours burden for portfolio. This was then multiplied by a blended hourly wage of \$273 per hour, \$160 per hour for Intermediate Accountant and \$386 per hour for an Attorneys ( $\$273 \times 125 = \$34,125$ ). The estimated wage figures are based on published rates for in-house attorneys, modified to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$273. See Securities Industry and Financial Markets Association, *Report on Management & Professional Earnings in the Securities Industry 2013*.

<sup>13</sup> This estimate is based on the following calculation: 125 hours per UIT x 721 UITs = 90,125 hours.

<sup>14</sup> This estimate is based on annual ongoing burden hour estimate of 90,125 hours burden for management companies. This was then multiplied by a blended hourly wage of \$273 per hour, \$160 per hour for Intermediate Accountant and \$386 per hour for an Attorneys ( $\$273 \times 90,125 = \$24,604,125$ ). The estimated wage figures are based on published rates for in-house attorneys, modified to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$273. See Securities Industry and Financial Markets Association, *Report on Management & Professional Earnings in the Securities Industry 2013*.

change as a result of the amendments to Regulation S-X.<sup>15</sup> We further estimate that the total annual external cost burden for rule 30e-2 will be \$14,420,000.<sup>16</sup> External costs include, for example, the costs for the UIT to prepare, print, and mail the reports.

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

There are no costs to the federal government associated with rule 30e-2. 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 \$19.5 million in fiscal year 2015, 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-2, which requires the transmission of the reports to shareholders.

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

The estimates represent an increase from 84,700 hours to 90,125 hours in internal burden and an increase from \$14,000,000 to \$14,420,000. in external costs per year. The increase in internal burden hours is due to both the increase in the number of portfolios estimated to respond to rule 30e-2, the increased burden our amendments to Regulation S-X, and the inapplicability of one-time hour burdens that were associated with amendments to Forms N-1A, N-2 and N-3. The increase in external costs per year is due to the increased number of portfolios estimated to respond to rule 30e-2.

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<sup>15</sup> Because the amendments will largely reorganize information currently reported by funds in their financial statements, either voluntarily or because it is required, we do not believe the external costs, such as printing and mailing costs, will increase as a result of the amendments.

<sup>16</sup> This estimate is based on the following calculations: 721 UITs x \$20,000 = \$14,420,000.

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

Not applicable.

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

Not applicable.

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

**Submission**

Not applicable.

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

Not applicable.