

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-CSR

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-CSR¹ is a combined reporting form used by registered management investment companies (“funds”) to file certified shareholder reports under the Investment Company Act of 1940 (“Investment Company Act”)² and the Securities Exchange Act of 1934 (“Exchange Act”).³ Specifically, Form N-CSR is to be used for reports under section 30(b)(2) of the Investment Company Act⁴ and section 13(a) or 15(d) of the Exchange Act,⁵ filed pursuant to rule 30b2-1(a) under the Investment Company Act.⁶ Reports on Form N-CSR are to be filed with the Securities and Exchange Commission (“Commission”) no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act.⁷

On June 5, 2018, the Commission issued a release adopting new rule 30e-3 under the Investment Company Act and certain amendments to other rules and forms.⁸ New rule 30e-3 will provide certain funds and unit investment trusts with an optional method to satisfy shareholder report transmission requirements by making such reports and certain other materials publicly accessible on a website, as long as they satisfy certain other conditions of the rule regarding (a) availability of the report and other materials; (b) notice to investors of the website availability of the report; and (c) delivery of paper copies of materials upon request. In connection with our adoption of rule 30e-3, the Commission is amending certain rules and forms including Form N-CSR. Form N-CSR is amended to require that notices transmitted under rule 30e-3 that include optional content pursuant to rule 30e-3(c)(2) must file such

¹ 17 CFR 249.331 and 274.128.

² 15 U.S.C. 80a-1 *et seq.*

³ 15 U.S.C. 78a *et seq.*

⁴ 15 U.S.C. 80a-29(b)(2).

⁵ 15 U.S.C. 78m(a) and 78o(d).

⁶ 17 CFR 270.30b2-1(a).

⁷ 17 CFR 270.30e-1.

⁸ *See* Securities Act Release No. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)] (“Adopting Release”).

notices with the Commission in reports on Form N-CSR. Responses to the disclosure requirements are not kept confidential.

2. Purpose and Use of the Information Collection

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. The information provided in reports on Form N-CSR may 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 is also for the use and benefit of investors. The information filed with the Commission permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

3. Consideration Given to Information Technology

The Commission's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system 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. Reports on Form N-CSR are filed with the Commission electronically on EDGAR.⁹ 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. 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 requirements of Form N-CSR are not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,¹⁰ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for reports on Form N-CSR do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare reports on Form N-CSR may be

⁹ See rule 101(a)(1)(iii)–(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iii)–(iv)].

¹⁰ 5 U.S.C. 601 *et seq.*

proportionally greater than for larger funds. The Commission believes, however, that imposing different requirements on smaller funds would not be consistent with investor protection and the purposes of certified shareholder reports.

6. Consequences of Not Conducting Collection

Funds are required to file reports on Form N-CSR with the Commission no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act. Less frequent collection would mean that current information might not be available to fund investors.

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

The Commission requested public comment on the collection requirements for, and in connection with, rule 30e-3 before it submitted this request for revision and approval to the Office of Management and Budget. The Commission received no comments in response to its request. The Commission and 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 staff with a means of ascertaining and acting upon 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 information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include names, job titles and work addresses. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The

EDGAR PIA, published on 1/29/2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

12. /13. Estimate of Hour and Cost Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995¹¹ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with Form N-CSR is mandatory. Responses to the collection of information will not be kept confidential.

In our most recent Paperwork Reduction Act submission for Form N-CSR, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of Form N-CSR is 174,085 burden hours with an internal cost burden of \$56,000,000, and an external cost burden estimate of \$3,129,984.¹² The hour burden estimates for preparing and filing reports on Form N-CSR are based on the Commission's experience with the contents of the form. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the reports is performed by internal staff or outside counsel.

We estimate that there are 10,715 funds that will rely on rule 30e-3 and could prepare Notices that include content from the report to which it relates.¹³ The decision to include content from the report in the Notice is optional, and at the fund's election, but if the fund decides to include such content, then the Notice must be filed with the Commission in reports on Form N-CSR. We estimate that 50% of fund Notices will include content from the shareholder report. We estimate that each of these funds would incur one annual burden hour to file the Notice as part of their reports on Form N-CSR.

¹¹ 44 U.S.C. 3501 *et seq.*

¹² This estimate is based on the last time the rule's information collection was submitted for PRA renewal in 2016.

¹³ 11,906 funds = 9,360 mutual funds + 1,821 ETFs (1,829 ETFs less 8 UIT ETFs) + 711 closed-end funds + 14 funds that could file registration statements or amendments to registration statements on Form N-3. 11,906 funds relying on the rule $\times 0.90 = 10,715$ funds estimated to rely on rule 30e-3. This 90% estimate is based on the discussion provided in the Adopting Release, which recognizes that because rule 30e-3 provides an optional method for a fund to satisfy its obligations to transmit shareholder reports, it is reasonable to estimate that not all funds that could rely on this rule would in fact rely on this rule.

We estimate that of the 10,715 funds to rely on rule 30e-3 that could add content to the Notice from the report to which it relates, that 5,358 funds would add content from the shareholder Report to the Notice and would therefore be required to file such Notices with reports on Form N-CSR.¹⁴ Consequently, we estimate that the aggregate annual hour burden associated with the amendments to Form N-CSR is 5,358 hours.¹⁵

We estimate that, with the additional hour burdens associated with rule 30e-3, the total annual internal burden to comply is 179,443 burden hours,¹⁶ with an internal cost burden of \$57,723,571,¹⁷ and external cost burden is unchanged at \$3,129,984 for Form N-CSR.

14. Cost 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 \$22.2 million in fiscal year 2018, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Change in Burden

The estimated hourly burden associated with Form N-CSR has increased from 174,085 hours to 179,443 hours (an increase of 5,358 hours) with no change in the annual external cost burden of \$3,129,984. This increase is primarily due to the increase in filing time related to rule 30e-3 notices that include optional content and are required to be filed on Form N-CSR.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

17. Approval to Omit OMB Expiration Date

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

¹⁴ $10,715 \text{ funds} \times 0.5 = 5,358 \text{ funds.}$

¹⁵ $5,358 \text{ funds} \times 1 \text{ hour per year} = 5,358 \text{ hours.}$

¹⁶ This estimate is based on the following calculation: $174,085 + 5,358 = 179,443$ hours.

¹⁷ This estimate is based on the following calculation: $\$56,000,000 + \$567,360.5 = \$56,567,360.5.$

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

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.