

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**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”)<sup>2</sup> 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>3</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>4</sup>

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.<sup>5</sup> 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. Reliance on the rule will be voluntary. Responses to the disclosure requirements are not kept confidential.

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

<sup>2</sup> Unless the context otherwise requires, for ease of reference, throughout this supporting statement “fund” or “funds,” individually or collectively, refers to registered management companies (and any separate series thereof) and UITs.

<sup>3</sup> 15 U.S.C. 80a-29(e).

<sup>4</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>5</sup> *See* Securities Act release no. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)] (“Adopting Release”).

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

Certain of the provisions of the rule contain “collection of information” requirements within the meaning on the Paperwork Reduction Act of 1995 (“Paperwork Reduction Act”),<sup>6</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 rule is intended to modernize the manner in which periodic information is made available to investors.

## **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>7</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 rule 30e-3 is not generally duplicated elsewhere.

## **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

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<sup>6</sup> 44 U.S.C. 3501 *et seq.*

<sup>7</sup> *See* rule 101(a)(1)(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iv)].

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.

**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 rule 30e-3, the Commission received and evaluated public comments on the proposal and its collection of information requirements. The Commission received comments on this aspect of the proposal. Some commenters provided estimates of the total costs of print and mail delivery that suggest that our previously estimated proportion of those costs may be understated, and we have revised our estimates to yield overall printing and mailing estimates more similar to those estimated by commenters than did the estimates in the proposing release.<sup>8</sup> 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.

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<sup>8</sup> See, e.g., Comment Letter of Investment Company Institute (Aug. 12, 2015).

## 11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection does not collect personally identifiable information (PII). The agency has determined that a system of records notice (SORN) and privacy impact assessment (PIA) are not required in connection with the collection of 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.

We estimate that 12,630 funds could rely on rule 30e-3.<sup>9</sup> Of these funds, we estimate that 90% of all funds (or 11,367 funds) would rely on rule 30e-3.<sup>10</sup> Of this 11,367, we estimate 10,230 are funds that already post shareholder reports on their websites.<sup>11</sup> Accordingly, with respect to these 10,230 funds, we estimate that annual compliance with the posting requirements of rule 30e-3 will require a half hour burden per fund.

Of the remaining funds estimated to rely on rule 30e-3, we further estimate that approximately 90% of those funds (or 1,137 funds) already have a website.<sup>12</sup> We estimate that, of the 1,137 funds estimated to rely on the new rule but that do not rely on the summary prospectus rule,<sup>13</sup> 1,023 funds already have a website and each such

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<sup>9</sup> This estimate includes 9,360 mutual funds, 1,821 exchange-traded funds (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, and 724 UITs. This estimate is based on data reported on Form N-SAR filed with the Commission as well as Investment Company Institute statistics as of December 31, 2017, *available at* <http://www.ici.org/research/stats>.  $9,360 + 1,821 + 711 + 14 + 724 = 12,630$ .

<sup>10</sup> We estimate the annual number of responses to be 22,734 ( $11,367 \times 2$ ) because we believe that funds relying on rule 30e-3 would rely on the rule for the annual report and the semiannual report.

<sup>11</sup>  $11,367$  funds relying on the rule  $\times 0.90 = 10,230$  funds that are estimated to rely on rule 30e-3 and already post shareholder reports on their websites.

<sup>12</sup>  $11,367$  funds relying on the rule -  $10,230$  funds using a summary prospectus that are estimated to rely on rule 30e-3 =  $1,137$  funds.

<sup>13</sup>  $11,367$  funds relying on the rule -  $10,230$  funds using a summary prospectus that are estimated to rely on rule 30e-3 =  $1,137$  funds.

fund will incur 1.5 burden hours per year as a result of the posting requirement,<sup>14</sup> and that 114 do not have a website and each such fund will incur 24 burden hours as a result of the posting requirement.<sup>15</sup>

Accordingly, we estimate that the posting requirements will result in an average annual hour burden of about 0.83 hours per fund in the first year of compliance<sup>16</sup> and about 0.75 hours per fund for each of the next two years.<sup>17</sup> Amortized over three years, the average annual hour burden will be about 0.78 hours per fund.<sup>18</sup> In sum, we estimate that the posting requirements of rule 30e-3 will impose an average total annual hour burden of about 8,866 hours on applicable funds.<sup>19</sup>

We estimate that each fund will require two hours to prepare and file the first Notice in the first year and an hour for each subsequent notice. Of this time, we estimated that 75% of the preparation time required would be incurred by the fund internally and that 25% of the burden would be carried out by outside counsel retained by the fund. We estimate that the first Notice in the first year internal burden hours will be two hours and subsequent Notices will require one hour to account for some funds that may include content from the shareholder report in the Notice.

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<sup>14</sup>  $(11,367 \text{ funds estimated to rely} - 10,230 \text{ funds relying on summary prospectus rule}) \times 0.90 \text{ proportion estimated to have a website} = 1,023 \text{ funds.}$

<sup>15</sup>  $11,367 \text{ funds estimated to rely} - 10,230 \text{ funds relying on summary prospectus rule} - 1,023 \text{ funds with a website} = 114 \text{ funds.}$

<sup>16</sup>  $((10,230 \text{ funds relying on the summary prospectus rule} \times 0.5 \text{ hours per fund per year}) + (1,023 \text{ funds with a website but not relying on the summary prospectus rule} \times 1.5 \text{ hours per fund or UIT per year}) + (114 \text{ funds without a website} \times 24 \text{ hours in the first year})) \div (11,367 \text{ funds estimated to rely}) = (5,115 \text{ hours for funds relying on the summary prospectus rule} + 1,535 \text{ hours for funds with a website but not relying on the summary prospectus rule} + 2,728 \text{ hours for funds without a website}) \div (11,367 \text{ funds estimated to rely}) = 9,378 \text{ total hours} \div 11,367 \text{ funds estimated to rely} = 0.83 \text{ hours per fund.}$

<sup>17</sup>  $((10,230 \text{ funds relying on the summary prospectus rule} \times 0.5 \text{ hours per fund per year}) + (1,023 \text{ funds with a website but not relying on the summary prospectus rule} \times 1.5 \text{ hours per fund or UIT per year}) + (114 \text{ funds without a website} \times 4 \text{ hours per fund per quarter} \times 4 \text{ quarters per year})) \div (11,367 \text{ funds estimated to rely}) = (5,115 \text{ hours for funds relying on the summary prospectus rule} + 1,534 \text{ hours for funds with a website but not relying on the summary prospectus rule} + 1,818 \text{ hours for funds without a website}) \div (11,367 \text{ funds estimated to rely}) = 8,468 \text{ total hours} \div 11,367 \text{ funds estimated to rely} = 0.75 \text{ hours per fund.}$

<sup>18</sup>  $(0.83 \text{ hours per fund in the first year} + (0.75 \text{ hours per fund each year thereafter} \times 2 \text{ years})) \div 3 \text{ years} = 0.78 \text{ hours per fund per year.}$

<sup>19</sup>  $0.78 \text{ hours per fund per year} \times 11,367 \text{ funds estimated to rely} = 8,866 \text{ hours.}$

Accordingly, we estimate that the Notice will result in an average annual hour burden of about 2.25 hours per fund in the first year<sup>20</sup> and about 1.5 hours per fund in each subsequent year.<sup>21</sup> Amortized over three years, the average annual hour burden associated with the Notice would be about 1.75 hours per fund.<sup>22</sup> In sum, we estimate that the Notice requirements of rule 30e-3 will impose an average total annual hour burden of about 19,892 hours on applicable funds.<sup>23</sup>

In total, rule 30e-3 will impose an average total annual hour burden of 28,758 hours on applicable funds.<sup>24</sup> Based on the Commission's estimate of 28,758 hours and an estimated wage rate of about \$342 per hour,<sup>25</sup> the total annual cost to registrants of the hour burden for complying with rule 30-3 is about \$9.8 million.<sup>26</sup>

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<sup>20</sup> (2 hours per first Notice + 1 hour per subsequent notice × 1 subsequent Notice in the first year) × 0.75 proportion internal hour burden = 2.25 hours per fund.

<sup>21</sup> (1 hour per subsequent Notice × 2 subsequent Notices in subsequent years) × 0.75 proportion internal hour burden = 1.5 hours per fund.

<sup>22</sup> (2.25 hours per fund in the first year + (1.5 hours each year thereafter × 2 years)) ÷ 3 years = 1.75 hours per fund.

<sup>23</sup> 1.75 hours per fund per year for the Notice × 11,367 funds estimated to rely = 19,892 hours per year.

<sup>24</sup> 8,866 hours for the posting requirements + 19,892 hours for the Notice requirements = 28,758 hours.

<sup>25</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 senior programmers and compliance attorneys, modified to account for an 1,800-hour work year; multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead; and adjusted to account for the effects of inflation, yielding effective hourly rates of \$320 and \$353, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that senior programmers and compliance attorneys will divide their time for every hour of senior programming work to two hours of compliance attorney work, yielding an estimated hourly wage rate of \$342. (((\$320 per hour for senior programs) + (2 × \$353 per hour for compliance attorneys)) ÷ 3 = \$342 per hour.

<sup>26</sup> 28,758 hours per year × \$342 per hour = \$9,835,236 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 rule 30e-3 but that do not currently have a website, we estimate that the posting requirements of the rule will result in an external cost burden of \$2,000 per fund in the first year to develop a website,<sup>27</sup> but no cost burden in subsequent years.<sup>28</sup> We further estimate that the amortized annual external cost burden associated with developing a website would be \$667.<sup>29</sup> In the aggregate, we estimate that the annual total external cost burden with respect to these funds would be \$76,038.<sup>30</sup> With respect to those funds that currently have websites, we estimate that the posting requirements of the rule will not result in any external costs.<sup>31</sup>

We estimate the external cost burden with respect to the Notice would include the costs associated with outside counsel and printing and mailing costs. Accordingly, we estimate that outside counsel costs associated with the Notice will result in an average cost burden per fund of about \$301 in the first year,<sup>32</sup> about \$201

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<sup>27</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 rule 30e-3 could be fairly basic considering the website would only need to accommodate posting of the required documents.

<sup>28</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>29</sup>  $\$2,000 \div 3 = \$667$ .

<sup>30</sup>  $114 \text{ funds without a website} \times \$667 \text{ per fund} = \$76,038$ .

<sup>31</sup> Because these funds maintain their websites for reasons other than compliance with rule 30e-3, we do not attribute any costs related to such maintenance to rule 30e-3.

<sup>32</sup>  $(2 \text{ hours per first Notice} + 1 \text{ hour per subsequent Notice} \times 1 \text{ subsequent Notice in the first year}) \times 0.25 \text{ proportion external cost} \times \$401 \text{ per hour} = \$301 \text{ per fund in the first year}$ .

in subsequent years,<sup>33</sup> and amortized over three years, about \$234.<sup>34</sup> In sum, we estimate that the outside counsel costs related to the Notice requirements of rule 30e-3 will impose an annual average total cost burden of about \$2,659,878 on applicable funds.<sup>35</sup>

We also estimate that the external cost burden associated with each Notice will be about \$3,106.<sup>36</sup> Because each fund relying on rule 30e-3 will be required, in the final rule, to send two Notices in the first year, we estimate that the external costs for the first year on a per fund will be \$6,212.<sup>37</sup> Likewise, we estimate that in subsequent years, annual external costs on a per fund will be \$6,212 as each fund will continue to be required to send two Notices per year. As such, amortized over three years, we estimate that the Notice will be \$6,212 annual cost burden per fund. In sum, we estimate that the printing and mailing costs related to the Notice requirements of rule 30e-3 will impose an average annual total cost burden of \$70,611,804 on applicable funds.<sup>38</sup> Accordingly, together with the costs associated with outside counsel, we estimate that the Notice requirements of the rule will impose an average annual total cost burden of \$73,271,682.<sup>39</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. Accordingly, we estimate that the aggregate

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<sup>33</sup> (1 hour per subsequent Notice × 2 subsequent Notices in subsequent years) × 0.25 proportion external cost × \$401 per hour = \$201 per fund in subsequent years.

<sup>34</sup> (\$301 per fund in the first year + (\$201 per fund in subsequent years × 2 years)) ÷ 3 years = \$234 per fund.

<sup>35</sup> \$234 per fund per year for the Notice × 11,367 funds estimated to rely = \$2,659,878 per year.

<sup>36</sup> \$31,061 external costs per shareholder report ×  $\frac{2}{3}$  share of external costs attributable to printing and mailing (including processing fees) × 0.15 proportion of complete report printing and mailing costs (including processing fees) applicable to Notices = \$3,106 external costs per Notice.

<sup>37</sup> \$3,106 external costs per Notice × 2 Notices in the first year = \$6,212 per fund in external costs in the first year.

<sup>38</sup> \$6,212 per year per fund for the Notice × 11,367 funds expected to rely = \$70,611,804 per year.

<sup>39</sup> \$2,659,878 outside counsel expenses + \$70,611,804 per year printing and mailing expenses (including processing fees) = \$73,271,682 per year.



annual external costs associated with printing and mailing shareholder reports upon request will be \$5,683,500.<sup>40</sup>

In total, rule 30e-3 will impose a total annual external cost burden of \$79,031,220 on applicable funds.<sup>41</sup>

**14. Costs to Federal Government**

The rule does not impose any additional costs on the federal government.

**15. Change in Burden**

The total annual hour burden is 28,758 hours. Because rule 30e-3 is a new rule, there is no prior existing annual burden. The increase in burden hours, therefore, is equivalent to the total annual burden hours of 28,758.

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

The results of any information collected 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.

**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.

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<sup>40</sup> \$500 per fund × 11,367 funds estimated to rely = \$5,683,500.

<sup>41</sup> \$76,038 for posting + \$73,271,682 for the Notice requirements + \$5,683,500 for the printing and mailing upon request requirements = \$79,031,220.