

**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 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>6</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. We expect that rule 30e-3 will have the effect of reducing external

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<sup>6</sup> See Securities Act release no. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)].

cost burden associated with rule 30e-2.<sup>7</sup> 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. Rule 30e-3 permist a UIT 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**

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.

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<sup>7</sup> See rule 30e-3 [to be codified at 17 CFR 270.30e-3].

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 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. Although commenters did not opine on the proposed estimate of the proportion of total external costs associated with rule 30e-2 associated with printing and mailing expenses, some did provide 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

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

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**

Not applicable.

**10. Confidentiality**

Not applicable.

**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 of 1995<sup>9</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with the disclosure requirements of rule 30e-2 is mandatory. Responses to the disclosure requirements are not kept confidential.

We estimate that there are 724 UITs that are required to comply with rule 30e-2.<sup>10</sup> We

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<sup>9</sup> 44 U.S.C. 3501 *et seq.*

<sup>10</sup> This estimate is based on data on data from Commission filings as well as Investment Company Institute statistics as of December 31, 2017, available at <http://www.ici.org/research/stats>.

estimate that each UIT incurs an annual hourly burden of 125 hours based on current and previously adopted requirements.<sup>11</sup> We estimate that the hourly burden associated with rule 30e-2 will not change as a result of rule 30e-3. Thus, in the aggregate, the Commission estimates that compliance with rule 30e-2 will result in a total annual burden of about 90,500 hours.<sup>12</sup> Based on the Commission's estimate of 90,500 hours and an estimated wage rate of about \$284 per hour,<sup>13</sup> the total annual cost to registrants of the hour burden for complying with the requirements of rule 30e-2 is about \$25.7 million.<sup>14</sup>

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

Cost burden is the cost of goods and services purchased to prepare, print, and transmit reports under rule 30e-2, such as for the services of independent auditors and outside counsel. The cost burden does not include the hour burden discussed in Item 12 above.

We estimate that each UIT currently incurs an annual cost burden of \$20,000. We estimate that 90 percent of UITs required to comply with rule 30e-2 (or about 652 UITs) will

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<sup>11</sup> 121 hours per UIT per year current burden + 2.5 hours per UIT per year for recently adopted amendments to the requirements of Regulation S-X = ~125 hours per fund per year. *See* Investment Company Reporting Modernization, Investment Company Act Release No. 32314 (Oct. 13, 2016) [81 FR 81870, at text following n.1562 (Nov. 18, 2016)].

<sup>12</sup>  $724 \text{ UITs} \times 125 \text{ hours per UIT per year} = \sim 90,500 \text{ hours per year}$ .

<sup>13</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 intermediate accountants and 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 \$166 and \$401, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that intermediate accountants and attorneys will divide their time equally, yielding an estimated hourly wage rate of \$284.  $(\$166 \text{ per hour for intermediate accountants} + \$401 \text{ per hour for attorneys}) \div 2 = \$284 \text{ per hour}$ .

rely on new rule 30e-3.<sup>15</sup> We estimate that for the 90 percent of UITs relying on rule 30e-3, two-thirds of the external costs currently attributed to rule 30e-2 relate to printing and mailing costs, which would not be applicable to UITs relying on rule 30e-3. Thus, their annual cost burden related to rule 30e-2 would decrease from \$20,000 to about \$6,667 per UIT.<sup>16</sup> Therefore, we estimate that the total annual external cost burden for all UITs under rule 30e-2 will be \$5,786,884.<sup>17</sup>

#### **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 \$22.2 million in fiscal year 2017, 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 estimated hourly burden associated with rule 30e-2 has increased from 90,125 hours to 90,500 hours (an increase of 375 hours). The estimated cost burden associated with rule 30e-2 has decreased from \$14,420,000 to \$5,786,884 (a decrease of \$8,633,116). This decrease is due to a decrease in the estimated burden for those UITs that rely on new rule 30e-3.

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<sup>14</sup> 90,500 hours per year  $\times$  \$284 per hour = \$25,702,00 per year.

<sup>15</sup> 724 UITs  $\times$  0.90 proportion estimated to rely = ~652 UITs relying.

<sup>16</sup> \$20,000 per UIT per year in external costs  $\times$   $\frac{1}{3}$  proportion not attributable to printing and mailing expenses = ~\$6,667 per UIT per year in external costs.

**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.

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<sup>17</sup> \$4,346,884 (652 UITs estimated to rely  $\times$  \$6,667) + \$1,440,000 (72 UITs estimated not to rely  $\times$  \$20,000) = \$5,786,884.