

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Rule 30b1-9 and Form N-PORT**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 30(b) of the Investment Company Act of 1940 [15 U.S.C. 80a-30(b)] (“Act”) provides that “[e]very registered investment company shall file with the Commission...such information, documents, and reports (other than financial statements), as the Commission may require to keep reasonably current the information and documents contained in the registration statement of such company...” Final rule 30b1-9 under the Act [17 CFR 270.30b1-9], entitled “Monthly Report,” provides that each registered management investment company or exchange-traded fund organized as a unit investment trust, or series thereof, other than a registered open-end management investment company that is regulated as a money market fund under rule 2a-7 [17 CFR 270.2a-7] or a small business investment company registered on Form N-5 [17 CFR 239.24 and 274.5], must file a monthly report of portfolio holdings on Form N-PORT [17 CFR 274.150], current as of the last business day, or last calendar day, of the month.

On October 13, 2016, the Commission issued a release adopting rules requiring that certain funds file Form N-PORT, as described above, as part of an investment company reporting modernization release.<sup>1</sup> On that same day, the Commission also issued a companion release adopting additional reporting requirements on Form N-PORT

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<sup>1</sup> See Investment Company Reporting Modernization, Investment Company Act Release No. 32314 (October 16, 2016) (“Reporting Modernization Adoption”).

related to liquidity risk management.<sup>2</sup> Similar to Form N-MFP [17 CFR 274.201], Form N-PORT will require funds to report portfolio holdings information in a structured, XML format. The form will be filed electronically using the Commission’s electronic filing system (Electronic Data Gathering, Analysis and Retrieval or “EDGAR”). Consistent with the current portfolio disclosure regime, only information reported for the third month of each fund’s fiscal quarter on Form N-PORT will be made publicly available, and such information will not be made public until 60 days after the end of the third month of the fund’s fiscal quarter. This approach is intended to minimize the harm of free-riding and front running activity that might occur with more frequent or rapid public disclosure.

On March 14, 2018 proposed amendments to rescind the requirement that funds publicly disclose their aggregate liquidity profile on a quarterly basis with a 60-day delay.<sup>3</sup> We believe that public disclosure of this information would be of limited to no utility to investors without broader context and, therefore, may be confusing. However, because we would otherwise be unable to determine the amount of a fund's highly liquid investments that is actually unavailable to meet redemptions, we also proposed to re-designate reporting about the amount of a fund's highly liquid investments that are segregated or pledged to cover less liquid derivatives transactions to the non-public portion of the form. Finally, the Commission proposed other amendments to Form N-PORT to add an additional disclosure requirement relating to the fund's and other registrant's holdings of cash and cash equivalents not reported in Parts C and D of the

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<sup>2</sup> See Investment Company Liquidity Risk Management Programs, Investment Company Act Release No. 32315 (October 13, 2016) (the “Liquidity Adopting Release”).

<sup>3</sup> Investment Company Liquidity Disclosure, Investment Company Act Release No. 33046 (Mar. 14, 2018) [83 FR 11905 (Mar. 19, 2018)] (the “Proposing Release”).

Form and to allow funds the option of splitting a fund's holding into more than one classification category in three specified circumstances. We believe these additional amendments enhance, the liquidity data reported to the Commission. In addition, for some funds, these proposed changes may also reduce cost burdens as they comply with the rule.

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

The title for the collection of information is: Rule 30b1-9 and Form N-PORT. The information provided in reports on Form N-PORT will 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 will also be for the use and benefit of investors. The Commission will make information reported for the third month of each fund's fiscal quarter on Form N-PORT publicly available

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

The Commission's EDGAR electronic filing system is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits filers to transmit filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Reports on Form N-PORT are filed with the Commission electronically on EDGAR. 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. Efforts to Identify 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. Although reports of portfolio holdings on Form N-PORT for the first and third fiscal quarters of each fund's fiscal year would be largely redundant with similar reports on Form N-Q, the Commission has adopted rules rescinding Form N-Q to avoid such duplication.<sup>4</sup> Funds will also report certain information on Form N-PORT in a structured format that may be similarly disclosed or reported elsewhere in a non-structured format (*e.g.*, portfolio investments are also currently included as part of the schedules of investments contained in shareholder reports, and filed on a semi-annual basis with the Commission on Form N-CSR). Because collecting information in a structured format will enhance the ability of the Commission as well as investors and other potential users to analyze portfolio data, the Commission believes it is appropriate to require this information to be reported on Form N-PORT.

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

The Commission will provide smaller entities (*i.e.*, funds that together with other investment companies in the same "group of related investment companies" have net assets of less than \$1 billion as of the end of the most recent fiscal year) an extra 6 months to comply with the proposed amendments to Form N-PORT.

However, the requirements for reports on Form N-PORT will not distinguish between small entities and other funds in terms of what information will be required to be reported, including the information required by the proposed amendments. The Commission believes that imposing different reporting requirements on smaller funds

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<sup>4</sup> See Reporting Modernization Adoption, *supra* note 1.

will not be consistent with investor protection and the purposes of portfolio holdings reports. Differing reporting requirements will not provide comparable information about portfolio holdings held by small entities and other funds that could be used by Commission staff to identify trends and outliers and by investors to make informed investment decisions.

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small entities.

#### **6. Consequences of Not Conducting Collection**

Funds will be required to file reports on Form N-PORT with the Commission no later than 30 days after the end of each month. Less frequent collection would mean that current information will not be available to the Commission.

#### **7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

Rule 30b1-9 requires funds to submit reports on Form N-PORT on a monthly basis. Given the rapidly changing composition of fund portfolios, monthly reports are necessary to ensure that the Commission receives timely and accurate portfolio holdings information.

#### **8. Consultation Outside the Agency**

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 informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. The Commission requested public

comment on the proposed amendments to Form N-PORT and related information collection requirements before it submitted this request for revision and approval to the OMB. Before adopting the proposed amendments to Form N-PORT, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements.

**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 collects basic Personally Identifiable Information (PII) that may include names, job titles, work addresses and telephone numbers. 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. Burden of Information Collection**

In the Liquidity Adopting Release, we estimate that, for the 35% of funds that would file reports on Form N-PORT in house, the per fund average aggregate annual

hour burden will be 144 hours per fund, and the average cost to license a third-party software solution will be \$4,805 per fund per year.<sup>5</sup> For the remaining 65% of funds that would retain the services of a third party to prepare and file reports on Form N-PORT on the fund's behalf, we estimate that the average aggregate annual hour burden will be 125 hours per fund, and each fund will pay an average fee of \$11,440 per fund per year for the services of third-party service provider. In sum, we estimate that filing liquidity-related information on Form N-PORT will impose an average total annual hour burden of 144 hours on applicable funds, and all applicable funds will incur on average, in the aggregate, external annual costs of \$103,787,680, or \$9,118 per fund.<sup>6</sup>

Based on Commission staff experience, we believe that our proposal to rescind the requirement that funds publicly report the aggregate classification information on Form N-PORT will reduce the estimated burden hours and costs associated with Form N-PORT by approximately one hour. We believe, however, that this reduction in burden will be offset by the increase in burden associated with the other proposed amendments to Form N-PORT, which we also estimate to be one hour. Therefore, we believe that there will be no substantive modification to the existing collection of information for Form N-PORT. As a result, the Commission believes that the current PRA burden estimates for the existing collection of information requirements remain appropriate.

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

Cost burden is the cost of goods and services purchased to prepare and update filings on Form N-PORT, such as for licensing software solutions or for the services of

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<sup>5</sup> See Liquidity Adopting Release, *supra* footnote 2, at n.1237 and accompanying text.

<sup>6</sup> See Liquidity Adopting Release, *supra* footnote 2, at n.1238 and accompanying text.

external service providers. The cost burden does not include the hour burden discussed in Item 12. Estimates are based on the Commission's experience with the filing of registration forms. As discussed above, we do not estimate any change to the external costs associated with these amendments to Form N-PORT.

**14. Cost to the Federal Government**

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$22.9 million in fiscal year 2016, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

**15. Change in Burden**

There is no change in the annual hour and cost burdens associated with the proposed amendments to Form N-PORT.

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

Not applicable.

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

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

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

Not applicable.

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

Not applicable.