

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”)¹ requires a registered investment company (“fund”)² 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.³ Rule 30e-3 provides 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 is voluntary. Responses to the disclosure requirements are not kept confidential.

On August 5, 2020, the Commission proposed rule and form amendments that would modernize the disclosure framework for open-end management investment companies (“open-end funds”).⁴ As part of this proposal, the Commission proposed to amend the scope of rule 30e-3 to exclude open-end funds. The proposed amendment is designed to ensure that all open-end fund investors would experience the anticipated benefits of a modified disclosure framework, in which the fund’s shareholder report would serve a central role to keep shareholders informed.

¹ 15 U.S.C. 80a-1 *et seq.*

² 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.

³ 15 U.S.C. 80a-29(e).

⁴ *See* Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements, Investment Company Act Release No. 33963 (Aug. 5, 2020) (“Proposing 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”).⁵ 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 are required to be filed electronically on EDGAR.⁶ Although the conditions of rule 30e-3 require certain information to be sent to shareholders by mail, we 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 Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

⁵ 44 U.S.C. 3501 *et seq.*

⁶ *See* rule 101(a)(1)(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iv)].

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

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. Before adopting the proposed amendments to the scope of rule 30e-3, the Commission will receive and evaluate public comments on the proposal.

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 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 are proposing to amend the scope of rule 30e-3 to exclude open-end funds. Because our proposed amendment would decrease the number of funds that would

be able to rely on rule 30e-3, we are updating the PRA analysis for rule 30e-3 to account for any burden decrease that would result from this decrease in respondents. We are not updating the rule 30e-3 PRA analysis in any other respect.

Under current PRA estimates for rule 30e-3, we estimated that complying with the information collection requirements of rule 30e-3 would impose an average total annual hour burden of approximately 28,758 hours on funds that choose to rely on the rule.⁷ Of those costs, we estimated that 25,459 hours, at a time cost of \$8,706,978, were attributed to the compliance costs of open-end funds registered on Form N-1A. The table below summarizes the revisions to the estimated annual responses, burden hours, and burden-hour costs based on the proposed amendment to the scope of rule 30e-3.

Table 1: Summary of Burden Hour and Burden Hour Cost Estimates for Rule 30e-3

	Previously estimated annual internal hour burden	Updated estimated annual internal hour burden	Previously estimated annual internal burden time cost	Updated estimated annual internal time burden cost
Total annual burden ¹	28,758 hours	3,299 hours	\$9,835,236	\$1,128,258

Notes:

1. The estimated burdens and costs in this table are based on an estimate of 11,367 funds relying on rule 30e-3, of which 10,063 are open-end funds registered on Form N-1A. Thus, the estimated number of respondents for rule 30e-3 under the proposed amendments is 1,304 (11,367 – 10,063 = 1,304).

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.

Under current PRA estimates for rule 30e-3, we estimated that complying with the information collection requirements of rule 30e-3 would impose an estimated external cost burden of \$79,031,220 on funds that choose to rely on the rule.⁸ Of

⁷ This estimate is based on the last time the rule’s information collection was submitted in connection with the adoption of rule 30e-3 in 2019.

⁸ *Id.*

those costs, we estimated that an external cost of \$69,964,913 was attributed to the compliance costs of open-end funds registered on Form N-1A. The table below summarizes these revisions to the estimated external costs based on the proposed amendment to the scope of rule 30e-3.

Table 2: Summary of External Cost Estimates for Rule 30e-3

	Previously estimated annual external cost burden	Updated estimated annual external cost burden
Total annual burden ¹	\$79,031,220	\$9,066,307

Notes:

1. The estimated burdens and costs in this table are based on an estimate of 11,367 funds relying on rule 30e-3, of which 10,063 are open-end funds registered on Form N-1A. Thus, the estimated number of respondents for rule 30e-3 under the proposed amendments is 1,304 (11,367 – 10,063 = 1,304).

14. Costs to Federal Government

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

15. Change in Burden

The proposed amendments to the scope of rule 30e-3 would decrease the total annual hour burden from 28,758 hours to 3,299 hours (a decrease of 25,459 hours). The annual external costs would decrease from \$79,031,220 to \$9,066,307 (a decrease of \$69,964,913). These estimated reductions in burden hours and external costs would result from excluding open-end funds from the scope of the rule.

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.