

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 30e-1

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 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.² In addition, Section 30(f) permits the Commission to require by rule that semi-annual reports include such other information as the Commission deems necessary or appropriate in the public interest or for the protection of investors.³ Rule 30e-1 under the Investment Company Act generally requires a registered management company to transmit to its shareholders, at least semi-annually, a report containing the information that is required to be included in such reports by the fund’s registration statement form under the Investment Company Act.⁴ Failure to require the collection of this information would impede the amount of current information available to shareholders and the public about funds and would prevent the Commission from implementing the regulatory program required by statute.

¹ 15 U.S.C. 80a-1 et seq.

² 15 U.S.C. 80a-29(e).

³ 15 U.S.C. 80a-29(f).

⁴ 17 CFR 270.30e-1. Rule 30e-1 also permits, under certain conditions, delivery of a single shareholder report to investors who share an address (“householding”).

On August 5, 2020, the Commission proposed rule and form amendments that would modernize the disclosure framework for open-end management investment companies.⁵ The disclosure framework would feature concise and visually engaging shareholder reports that would highlight key information that is particularly important for retail investors to assess and monitor their fund⁶ investments. Certain information that may be less relevant to retail investors—and of more interest to financial professionals and investors who desire more in-depth information—would no longer appear in funds’ shareholder reports but would be available online, delivered free of charge upon request, and filed on a semi-annual basis on Form N-CSR. Funds’ shareholder reports would serve as the central source of fund disclosure for existing shareholders.

As part of the proposed rule and form amendments to modernize the disclosure framework, the Commission proposed to amend rule 30e-1 and Form N-1A, among other rules and forms. The proposed amendments to Form N-1A and rule 30e-1 would require funds to prepare annual and semi-annual reports pursuant to new Item 27A of Form N-1A. The proposed amendments to rule 30e-1 also would require funds to make available on their website the information that they would newly have to file on Form N-CSR, and to deliver such information upon request, free of charge. These proposed website availability requirements are designed to provide ready access to this information for shareholders who find this information pertinent.

⁵ *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*, Securities Act Release No. 10814 (Aug. 5, 2020) available at <https://www.sec.gov/rules/proposed/2020/33-10814.pdf> (the “Tailored Shareholder Report Proposal”).

⁶ For the purposes of the discussion of the amendments to rule 30e-1 in this PRA renewal, a “fund” is an open-end management investment company registered on Form N-1A or a series thereof, unless otherwise specified. Mutual funds and most exchange-traded funds (“ETFs”) are open-end management companies registered on Form N-1A.

Specifically, under the proposed amendments to rule 30e-1, funds would have to make the following available on their websites: financial statements for funds; financial highlights for funds; remuneration paid by directors, officers and others of funds; changes in and disagreement with accountants for funds; matters submitted to fund shareholders for a vote; statement regarding the basis for the board's approval of investment advisory contract; and complete portfolio holdings as of the close of the fund's (other than a money market fund) most recent first and third fiscal quarters.

In addition, the proposed amendments to rule 30e-1 would rescind rule 30e-1(d). Rule 30e-1(d) permits a fund to transmit a copy of its prospectus or statement of additional information in place of its shareholder report, if it includes all of the information that would otherwise be required to be contained in the shareholder report. The Commission understands that funds very rarely rely on rule 30e-1(d) to transmit a prospectus or statement of additional information in place of a shareholder report. In addition, the Commission believes that allowing funds to consolidate their prospectus, statement of additional information and shareholder report disclosures into a single document would result in shareholders receiving long, complex, and overlapping fund disclosures which could cause shareholder confusion and fatigue.

Compliance with the disclosure requirements of rule 30e-1 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-1 is to provide fund shareholders with current information about the operations of their funds in accordance with Section 30 of the Investment Company Act.

3. Consideration Given to Information Technology

Rule 30e-1 requires transmission of reports to shareholders. Shareholder reports historically have been sent in paper; however, investors currently may consent to the delivery of electronic versions.

The proposed amendments to rule 30e-1 would require a fund to make available online, and deliver free of charge in paper or electronically upon request, certain information that currently is included in a fund's annual and semi-annual shareholder reports that may be less relevant to retail shareholders, and of more interest to financial professionals and those investors who desire more in-depth information. The proposed amendments to rule 30e-1 are included as part of a broader proposed layered disclosure framework that would provide an alternative approach to keep investors informed about their fund investment and any fund updates that occur.

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-1 is not generally duplicated elsewhere. While the Commission's 2020 proposal would require funds to file the same information on Form N-CSR that they would have to make available online (on a website other than the Commission's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system), we believe that the proposed website availability requirement is not duplicative with the proposed Form N-CSR

filing requirement. These proposed website availability requirements are designed to provide ready access to this information for shareholders who find this information pertinent. The proposed requirements also would assist those investors who find it most convenient to locate fund materials on a website that is not EDGAR.

5. Effect on Small Entities

The information collection requirements of rule 30e-1, including the proposed amendments to rule 30e-1, do not distinguish between funds that are small entities and other funds. Nevertheless, the burden on smaller entities to comply with the proposed amendments to rule 30e-1 may be greater than for larger entities due to economies of scale.

The burden of the proposed amendments on smaller funds would include the cost of preparing annual and semi-annual reports pursuant to new Item 27A of Form N-1A, making certain information available on a website, and delivering copies of shareholder reports upon request. The Commission believes, however, that imposing different requirements on smaller investment companies 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-1 is collected is semi-annual, as set out in Section 30(e) of the Investment Company Act and rule 30e-1. Less frequent collection of information would impede the amount of current information provided to shareholders about their funds.

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 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 the paperwork burdens confronting the industry. The Commission has requested public comment on the collection of information requirements on the proposed amendments to rule 30e-1. Before the Commission submits a final request for approval to the Office of Management and Budget, the Commission will consider all comments received and address them in any adopting release.

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, would be required under this collection of information. The information collection would not collect personally identifiable information (“PII”). The agency has determined that a system of records notice (“SORN”) and privacy impact assessment (“PIA”) would not be 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 1995⁷ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

The Commission has previously estimated that it takes a total of 1,039,868 hours, and involves a total external cost burden of \$149,244,791, to comply with the collection of information associated with rule 30e-1.⁸

The table below summarizes our PRA initial and ongoing annual burden estimates associated with the proposed amendments to rule 30e-1.

TABLE 1: RULE 30E-1 PRA ESTIMATES

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
Prepare annual report pursuant to new Item 27A of Form N-1A	36 hours	22 hours ³	\$336	\$7,392	
			(blended rate for compliance attorney and senior programmer)		
Prepare semi-annual report pursuant to new Item 27A of Form N-1A	18 hours	11 hours ⁴	\$336	\$3,696	
			(blended rate for compliance attorney and senior programmer)		
Website availability requirements	12	8 hours ⁵	\$239 (webmaster)	\$1,912	
Delivery upon request requirements					\$500
Total additional burden per fund		41 hours		\$13,000	

⁷ 44 U.S.C. 3501 *et seq.*

⁸ On August 20, 2020, the Commission submitted updated PRA total burden estimates for rule 30e-1 to the Office of Management and Budget (“August 20th estimates”). The August 20th estimates, included as part of the rule and form amendments adopted by the Commission in Securities Offering Reform for Closed-End Investment Companies, Investment Company Act Release No. 33836 (April 8, 2020), would increase the total burden estimates for rule 30e-1. The Office of Management and Budget, as of October 14, 2020, had not concluded its action on the August 20th estimates. The August 20th estimates are higher than the total estimated burdens that were included in the Commission’s August 5, 2020 Tailored Shareholder Report Proposal. The total estimated burdens in Table 1 reflect the higher August 20th estimates for total estimated burdens.

Number of funds	× 12,410 funds ⁶	× 12,410 funds	× 12,410 funds
Total annual burden	508,810 hours	\$161,330,000	\$6,205,000
TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS			
Current burden estimates	+1,039,868		+\$149,244,791
Revised burden estimates	1,548,678		\$155,449,791

Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. These PRA estimates assume that the same types of professionals would be involved in satisfying the proposed reporting requirements that we believe otherwise would be involved in preparing and filing shareholder reports. The Commission's estimates of the relevant wage rates are based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's *Office Salaries in the Securities Industry 2013*. The estimated figures are modified by firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.
3. This estimate assumes that, after the initial 36 hours that a fund would spend preparing an annual report, which we annualize over a 3-year period, the fund would incur 10 additional burden hours associated with ongoing preparation of the shareholder report per year. The estimate of 22 hours is based on the following calculation: $((36 \text{ initial hours} / 3) + 10 \text{ hours of additional ongoing burden hours}) = 22 \text{ hours}$.
4. This estimate assumes that, after the initial 18 hours that a fund would spend preparing a semi-annual report, which we annualize over a 3-year period, the fund would incur 5 additional burden hours associated with ongoing preparation of the semi-annual report per year. The estimate of 11 hours is based on the following calculation: $((18 \text{ initial hours} / 3) + 5 \text{ hours of additional ongoing burden hours}) = 11 \text{ hours}$.
5. This estimate assumes that, after the initial 12 hours that a fund would spend complying with these website availability requirements, which we annualize over a 3-year period, the fund would incur 4 additional burden hours associated with ongoing compliance with these website availability requirements per year. The estimate of 8 hours is based on the following calculation: $((12 \text{ initial hours} / 3) + 4 \text{ hours of additional ongoing burden hours}) = 8 \text{ hours}$.
6. Includes all open-end funds, including ETFs, registered on Form N-1A.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare, comply with website availability requirements, and deliver reports upon request under the proposed amendments to

rule 30e-1, 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. The Commission staff estimates that for the proposed amendments to rule 30e-1, the total annual external cost burden would be \$155,449,791, which would represent an estimated annual increase of \$6,205,000 over the current burden estimates for the services for outside professionals.

14. Cost to the Federal Government

There are no costs to the federal government associated with rule 30e-1. 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 \$21.2 million in fiscal year 2019, 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-1, which requires the transmission of the reports to shareholders.

15. Change in Burden

As summarized in Table 1 above, the estimated hourly burden associated with rule 30e-1 would increase from 1,039,868 hours to 1,548,678 hours (an increase of 508,810 hours). The estimated cost burden associated with rule 30e-1 would increase from \$149,244,791 to \$155,449,791 (an increase of \$6,205,000). These increases would be due to increases in the estimated burden for funds to transmit shareholder reports pursuant to the proposed amendments to rule 30e-1, including the proposed website availability requirements and delivery of shareholder reports upon request requirements.

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 omit the expiration date for OMB approval.

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.