

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.¹

Form N-PORT requires funds to report portfolio holdings information in a structured, XML format. The form is 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 is made

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

publicly available, and such information is not 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 June 28, 2018, the Commission adopted amendments to Form N-PORT to rescind the requirement that funds publicly disclose their aggregate liquidity profile on a quarterly basis with a 60-day delay, 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 Form, and to allow funds the option of splitting a fund's holding into more than one classification category in three specified circumstances.² We believe these additional amendments enhance the liquidity data reported to the Commission. In addition, for some funds, these 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. 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 collection required by the amendments to Form N-PORT is not duplicated elsewhere.

5. Effect on Small Entities

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 amendments. The Commission believes that imposing different reporting requirements on smaller funds 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 are 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.

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

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act (“PRA”) (44 U.S.C. 3501 et seq.) and are not derived from a comprehensive or even representative survey or study of the cost of the Commission rules and forms.

Preparing reports of portfolio holdings on Form N-PORT is mandatory for all management investment companies (other than money market funds and small business investment companies) and UITs that operate as ETFs and is a collection of information under the PRA. We estimate that 11980 entities will be required to submit reports on

Form N-PORT. We estimate that 35% of funds will file reports on Form N-PORT in house and the remaining 65% of funds will retain the services of a third party to prepare and file reports on Form N-PORT on the fund's behalf.

The information required by Form N-PORT must be data-tagged in XML format. Responses to the reporting requirements will be kept confidential, subject to the provisions of applicable law, for reports filed with respect to the first two months of each quarter; the third month of the quarter will not be kept confidential, but made public 60 days after the quarter end, unless otherwise stated in the form. Form N-PORT is designed to assist the Commission its regulatory, disclosure review, inspection, and policymaking roles, and to help investors and other market participants better assess different fund products.

Beginning in 2022, Form N-PORT will also require funds that are limited derivatives users to report information about derivatives exposure, including the number of business days that a fund's derivatives exposure exceeds 10% of its net assets during the reporting period.³ We estimate that 2,437 funds will be subject to this exposure-related disclosure requirement.⁴ In addition, funds that are subject to rule 18f-4's limit on fund leverage risk will have to report the fund's median daily VaR for the reporting period, reported as a percentage of the fund's net asset value. Funds subject to the relative

³ See Use of Derivatives by Registered Investment Companies and Business Development Companies, Investment Company Act Release No. 34084 (Nov. 2, 2020) ("Derivatives Adopting Release").

⁴ See Derivatives Adopting Release, *supra* footnote 3, at nn.1036-1037 and accompanying paragraph.

VaR test during the reporting period also will report: (1) the name of the fund's designated index or a statement that the fund's designated reference portfolio is its securities portfolio; (2) the index identifier, as applicable; and (3) the fund's median VaR ratio for the reporting period. Finally, all funds that are subject to the limit on fund leverage risk also will have to report the number of exceptions that the fund identified as a result of backtesting its VaR calculation model during the reporting period. We estimate that 2,696 funds will be subject to these VaR-related reporting requirements.⁴

Table 1 below summarizes our PRA burden estimates associated with filing Form N-PORT.

Table 1: Form N-PORT PRA Estimates

	Internal initial burden hours	Internal annual burden hours		Wage rate ¹	Internal time costs	Initial external cost burden	Annual external cost burden
Annual burden for funds that license a software solution to prepare Form N-PORT		169.33	×	\$356 [blended wage rate]	\$60,281		\$4,805
Number of funds		4,193			x 4,193		x 4,193
Annual burden for funds that retain the services of a third-party vendor to prepare Form N-PORT		139.33	×	\$356 [blended wage rate]	\$49,601		\$11,440
Number of funds		7,787			x 7,787		x 7,787
I. Total annual burden for reporting non-derivatives related information on Form N-PORT		1,794,963 hours			\$639,001,220		\$109,230,645
Report derivatives exposure information for limited derivative users	2 hours	4.33 hours ²	×	\$373 (compliance attorney)	\$1,615		\$912 ⁵
	2 hours	4.33 hours	×	\$339 (senior programmer)	\$1,467		
Total burden for derivatives exposure information for limited derivatives users		8.66 hours			\$3,082		
Number of funds		x 2,378			x 2,378		x 2,378
II. Total annual burden for limited derivatives user derivatives exposure information		21,593 hours			\$7,331,065		\$2,168,736⁶
Report exceedance of 10% derivatives exposure threshold for limited derivatives users	0 hours	0.01 hours	×	\$373 (compliance attorney)	\$3.73		
	0 hours	0.01 hours	×	\$339 (senior programmer)	\$3.39		
Total burden for exceedance-related information		0.02 hours			\$7.12		
Number of funds							

				× 2,378		× 2,378	
III. Total annual burden for limited derivatives users exceedance-related information				47.56 hours		\$ 16,931	
Report VaR-related information	2 hours	4.33 hours	×	\$373 (compliance attorney)		\$1,615	\$912 ⁵
	2 hours	4.33 hours	×	\$339 (senior programmer)		\$1,467	
Total new burden for VaR-related information		8.66 hours				\$3,082	
Number of funds				× 2,696		× 2,696	× 2,696
IV. Total annual burden for VaR-related information				23,347 hours		\$8,309,072	\$2,458,752
Total estimated annual burden (I + II + III + IV)				1,839,903 hours		\$654,658,288	\$113,858,133
Current burden estimates				1,848,326 hours		\$611,247,737⁷	\$108,457,536
Change to current burden estimates				-8,423 hours		-\$43,410,551	\$5,400,597

Notes to Table 1:

1. Estimates of the relevant wage rates for internal time costs in the table above are based on salary information for the securities industry compiled by and reported in the Securities Industry and Financial Markets Association's Report on Management & Professional Earnings in the Securities Industry 2013 ("SIFMA Report"), and modified by Commission staff to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. The final internal wage figures are slightly higher than the proposed estimates due to inflation.

Estimates of the relevant wage rates for external time costs, such as outside legal services, take into account staff experience, information from a variety of sources including general information websites, and adjustments for inflation.

These PRA estimates assume that the same types of professionals will be involved in the reporting requirements that we believe otherwise will be involved in preparing and filing reports on Form N-PORT.

2. Includes initial burden estimates annualized over a three-year period.

3. This estimate assumes that, annually after the initial 2 hours to comply with the new N-PORT requirements, a compliance attorney and a senior programmer will each incur 1 burden hour per filing associated with the new reporting requirements. The estimate of 4.33 hours is based on the following calculation: ((2 hours for the first filing x 1 = 2) + (3 additional filings in year 1 x 1 hour for each of the additional 3 filings in year 1 = 3) + (4 filings in years 2 and 3 x 1 hour

per filing x 2 years) = 8) / 3 = 4.33.

4. This estimate is based on the following calculation: \$4,210 (average costs for funds reporting the information on Form N-PORT) * 5,091 funds (which includes funds reporting derivative exposure information and VaR-related information).

5. This estimate is based on the following information and calculations: (35% x \$4,805 (the average cost to license a third-party software solution per year) = \$1,681.75) + (65% x \$11,440 (the average cost of retaining the services of a third-party vendor to prepare and file reports on Form N-PORT on the fund's behalf) = \$7,436) = basis for existing external N-PORT filing costs. We estimate that the new N-PORT requirements will add an additional 10% costs (e.g., (\$1,681.75 + \$7,436 = \$9,117.75) x 10% = \$912 per fund).

6. This estimate of the external annual cost burden of Form N-PORT reporting for limited derivatives users encompasses any external costs burdens associated with reporting derivatives exposure and any reporting related to exceedances of the 10% derivatives exposure threshold on the Form N-PORT.

7. Current burden estimate of internal time costs is based on the following calculation: \$595,631,442 (estimated total annual internal time cost of Form N-PORT as approved on November 13, 2018) + \$15,616,295 (estimated change in internal time cost for Form N-PORT derivatives-related changes as approved on May 14, 2021).

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 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 \$21.9 million in fiscal year 2019, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Change in Burden

As summarized in Table 1 above, the estimated hourly burden associated with Form N-PORT has decreased from 1,848,326 hours to 1,839,903 hours (a decrease of 8,423 hours). The internal time cost has increased from \$611,247,737 to \$654,658,288 (an increase of \$43,410,551). The annual external cost burden has increased from \$108,457,536 to \$113,858,133 (an increase of \$5,400,597). The changes in burden hours and cost burdens are due to the effects of inflation and the number of funds that must file 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.