

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”)¹ 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.² 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 company³ (“fund”) to send their unitholders annual and semiannual reports containing financial information on the underlying company.⁴ 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 Act⁵ 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.

¹ 15 U.S.C. 80a-1 et seq.

² 15 U.S.C. 80a-29(e).

³ 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.

⁴ 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)].

⁵ 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.

Effective January 1, 2019, rule 30e-3 provided 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.⁶ Reliance on rule 30e-3 is voluntary and may reduce the external cost burden associated with rule 30e-2.⁷ Compliance with the disclosure requirements of rule 30e-2 is mandatory. Responses to the disclosure requirements are not kept confidential.

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

⁷ See rule 30e-3 [17 CFR 270.30e-3].

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 permits 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. 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

The Commission requested public comment on the collection of information requirements of rule 30e-2 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

In addition, the Commission and its staff participate in an ongoing dialogue with representatives of the fund 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 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 1995⁸ 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 the 660 UITs⁹ that are required to comply with rule 30e-2 file 1320 reports per year.¹⁰ We estimate that each UIT incurs an annual hourly burden of 125 hours to comply with the annual and semi-annual shareholder report requirements of rule 30e 2. Thus, in the aggregate, the Commission estimates that compliance with rule 30e-2 will result in a total annual burden of about 82,500 hours.¹¹ Based on the Commission's estimate of 82,500 hours and

⁸ 44 U.S.C. 3501 *et seq.*

⁹ This estimate is based on data on data from Commission filings as of December 2020.

¹⁰ 660 UITs × 2 reports (annual and semi-annual) = 1320 reports

¹¹ 660 UITs × 125 hours per UIT per year = ~82,500 hours per year.

an estimated wage rate of about \$300 per hour,¹² the total annual cost to registrants of the hour burden for complying with the requirements of rule 30e-2 is about \$24.8 million.¹³

TABLE 1: CHANGE IN BURDEN ESTIMATES

	Reports per year required by rule 30e-2			Annual Time Burden (hours)			Cost Burden (dollars)		
	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change
Rule 30e-2	1448	1320	-128	90,500	82,500	-8,000	\$25,700,000	\$24,800,000	-\$900,000

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 594 UITs) rely on rule 30e-3 to transmit reports electronically.¹⁴ We estimate that two-thirds of the external costs currently attributed to rule 30e-2 relate to printing and mailing costs, which would not be applicable to the 90 percent of UITs relying on rule 30e-3. Thus, their annual cost burden related

¹² 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 \$175 and \$425, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013, updated for 2021. We estimate that intermediate accountants and attorneys will divide their time equally, yielding an estimated hourly wage rate of \$284. ($\$175 \text{ per hour for intermediate accountants} + \$425 \text{ per hour for attorneys} \div 2 = \300 per hour .)

¹³ $82,500 \text{ hours per year} \times \$300 \text{ per hour} = \$24,750,000 \text{ per year}$.

¹⁴ $660 \text{ UITs} \times 0.90 \text{ proportion estimated to rely} = 594 \text{ UITs relying}$.

to rule 30e-2 would decrease from \$20,000 to about \$6,667 per UIT.¹⁵ Therefore, we estimate that the total annual external cost burden for all UITs under rule 30e-2 will be \$5,280,198.¹⁶

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 \$25.7 million in fiscal year 2020, 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 decreased from 90,500 hours to 82,500 hours (a decrease of 8000 hours). The estimated cost burden associated with rule 30e-2 has decreased from \$5,786,884 to \$5,280,198 (a decrease of \$506,686). This decrease is due to a decrease in the number UITs that are required to comply with rule 30e-2.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

¹⁵ \$20,000 per UIT per year in external costs \times $\frac{1}{3}$ proportion not attributable to printing and mailing expenses = \sim \$6,667 per UIT per year in external costs.

¹⁶ \$3,960,198 (594 UITs estimated to rely \times \$6,667) + \$1,320,000 (66 UITs estimated not to rely \times \$20,000) = \$5,280,198.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.