

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 Rules 30e-1 and 30e-2 under the Investment Company Act require most funds to send their shareholders annual and semiannual reports containing financial information on the fund.⁴

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.

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 purpose of the rule is to modernize the manner in which periodic information is made available to investors.

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 17 CFR 270.30e-1 (transmission requirement for management investment companies); 17 CFR 270.30e-2 (transmission requirement for unit investment trusts (“UITs”) that invest substantially all of their assets in shares of a management investment company).

⁵ 44 U.S.C. 3501 *et seq.*

3. Consideration Given to Information Technology

The Commission's electronic filing system (Electronic Data Gathering, Analysis, and Retrieval System, or "EDGAR") is designed to automate the filing, processing and dissemination of disclosure filings. Using the EDGAR system, publicly held companies generally transmit their filings to the Commission directly over the Internet. See Rulemaking for EDGAR System, Release No. 33-7855 (April 24, 2000) (part of the modernization of EDGAR). Such automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Although the conditions of rule 30e-3 require certain information to be sent to shareholders by mail, reliance by funds on rule 30e-3 has in general increased 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.

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)

Not applicable.

8. Consultation Outside the Agency

The Commission requested public comment on the information collection requirements in rule 30e-3 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission's solicitation of public comments included estimating and requesting public comments on updated burden estimates for all information collections under this OMB control number. The Commission received no comments in response to its request.

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 and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

We estimate that 13,079 funds could rely on rule 30e-3.⁶ Of these funds, we

⁶ This estimate includes 9,476 mutual funds, 2,243 exchange-traded funds, 651 closed-end funds, 14 funds that could file registration statements or amendments to registration statements on Form N-3, and 695 UITs. This estimate is based on data reported on Form N-CEN filed with the Commission as of November 30, 2021. $9,476 + 2,243 + 651 + 14 + 695 = 13,079$.

estimate that 90% (or 11,771 funds) are currently relying on rule 30e-3.⁷ With respect to these 11,771 funds, we estimate that 90% (or 10,594 funds) already post shareholder reports on their websites for other purposes. For these funds, we estimate that annual compliance with the posting requirements of rule 30e-3 will require a half hour burden per fund. For the remaining 1,177 funds, we estimate that funds will incur 1.5 burden hours per year as a result of the posting requirement. In sum, we estimate that the posting requirements of rule 30e-3 will impose an average total annual hour burden of about 7,062.5 hours on applicable funds.⁸

We also estimate that each fund will require one hour for each notice. Of this time, we estimated that 75% of the preparation time required would be incurred by the fund internally and that 25% of the burden would be carried out by outside counsel retained by the fund. Accordingly, we estimate that the notice will result in an average annual hour burden of 1.5 hours per fund each year.⁹ In sum, we estimate that the notice requirements of rule 30e-3 will impose an average total annual hour burden of about 17,656.5 hours on applicable funds.¹⁰

In total, rule 30e-3 will impose an average total annual hour burden of 24,719 hours on applicable funds.¹¹ Based on the Commission's estimate of 24,719 hours

⁷ We estimate the annual number of responses to be 23,542 (11,771 x 2) because we believe that funds relying on rule 30e-3 are relying on the rule for the annual report and the semiannual report.⁸ $(0.5 \text{ hours per fund per year} \times 10,594 \text{ funds}) + (1.5 \text{ hours per fund per year} \times 1,177 \text{ funds}) = 7,062.5 \text{ hours}$.

⁸ $(0.5 \text{ hours per fund per year} \times 10,594 \text{ funds}) + (1.5 \text{ hours per fund per year} \times 1,177 \text{ funds}) = 7,062.5 \text{ hours}$.

⁹ $(1 \text{ hour per notice} \times 2 \text{ notices per year}) \times 0.75 \text{ proportion internal hour burden} = 1.5 \text{ hours per fund}$.

¹⁰ $1.5 \text{ hours per fund per year for the notice} \times 11,771 \text{ funds estimated to rely} = 17,656.5 \text{ hours per year}$.

¹¹ $7,062.5 \text{ hours for the posting requirements} + 17,656.5 \text{ hours for the notice requirements} = 24,719 \text{ hours}$.

and an estimated wage rate of about \$362 per hour,¹² the total annual cost to registrants of the hour burden for complying with rule 30-3 is about \$8.9 million.¹³ Table 1 below reflects the revised estimates.

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 senior programmers and compliance attorneys, modified to account for and 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 \$339 and \$373, respectively. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that senior programmers and compliance attorneys will divide their time for every hour of senior programming work to two hours of compliance attorney work, yielding an estimated hourly wage rate of \$362. $((\$339 \text{ per hour for senior programmer}) + (2 \times \$373 \text{ per hour for compliance attorney})) \div 3 = \362 per hour .

¹³ $24,719 \text{ hours per year} \times \$362 \text{ per hour} = \$8,948,278 \text{ per year}$.

Table 1: Rule 30e-3 Revised Burden Estimates

	Annual hours	Wage rate	Internal time cost	External costs
Posting requirements	0.5 (90% already posting shareholder reports) and 1.5 (10% not already posting)	\$362	\$217 (average)	\$0
Notice requirements	1.5	\$362	\$543	\$76,040,660
Printing and mailing upon shareholder request	0			\$5,885,500
Estimated number of funds relying on rule 30e-3	11,771			
Revised total annual burden of rule 30e-3	24,719		\$8,948,278	\$81,926,160

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.

We estimate the external cost burden with respect to the notice would include the costs associated with outside counsel and printing and mailing costs. Accordingly, we estimate that outside counsel costs associated with the notice will result in an average cost burden per fund of about \$248 each year.¹⁴ In sum, we estimate that the

¹⁴ (1 hour per notice × 2 notices per year) × 0.25 proportion external cost × \$496 per hour = \$248.

outside counsel costs related to the notice requirements of rule 30e-3 will impose an annual average total cost burden of about \$2,919,208 on applicable funds.¹⁵

We also estimate that the external cost burden associated with each notice will be about \$3,106. Therefore, we estimate annual external costs per fund will be \$6,212, as each fund will continue to be required to send two notices per year. In sum, we estimate that the printing and mailing costs related to the notice requirements of rule 30e-3 will impose an average annual total cost burden of \$73,121,452 on applicable funds.¹⁶ Accordingly, together with the costs associated with outside counsel, we estimate that the notice requirements of the rule will impose an average annual total cost burden of \$76,040,660.¹⁷

Furthermore, we also estimate that funds may incur external costs in connection with the requirement to provide a complete shareholder report upon request of a shareholder. We estimate that the annual costs associated with printing and mailing these reports would be \$500 per fund. Accordingly, we estimate that the aggregate annual external costs associated with printing and mailing shareholder reports upon request will be \$5,885,500.¹⁸

In total, rule 30e-3 will impose a total annual external cost burden of \$81,926,160 on applicable funds.¹⁹

14. Costs to Federal Government

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

15. Change in Burden

The estimated total annual burden hours decreased by 4,039, from 28,758 to 24,719 hours. The estimated cost burden increased by \$2,894,940, from \$79,031,220 to \$81,926,160.

¹⁵ \$248 per fund per year for the notice × 11,771 funds estimated to rely = \$2,919,208 per year.

¹⁶ \$6,212 per year per fund for the notice × 11,771 funds expected to rely = \$73,121,452 per year.

¹⁷ \$2,919,208 outside counsel expenses + \$73,121,452 per year printing and mailing expenses (including processing fees) = \$76,040,660 per year.

¹⁸ \$500 per fund × 11,771 funds estimated to rely = \$5,885,500.

¹⁹ \$76,040,660 for the notice requirements + \$5,885,500 for the printing and mailing upon request requirements = \$81,926,160.

Table 2: Change in Burden Estimates

	Annual Number of Responses			Annual Time Burden (hours)			Cost Burden (dollars)		
	Previously approved	Proposed estimate	Change	Previously approved	Proposed estimate	Change	Previously approved	Proposed estimate	Change
Rule 30e-3	22,734	23,542	808	28,758	24,719	-4,039	\$79,031,220	\$81,926,160	\$2,894,940

16. Information Collection Planned for Statistical Purposes

Not applicable.

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 Statement for Paperwork Reduction Act Submissions

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.