

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 (“fund”) 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.

Rule 30e-1 also permits, under certain conditions, delivery of a single shareholder report to investors who share an address (“householding”).⁵ Specifically, rule 30e-1 permits

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.

⁵ *See* 17 CFR 270.30e-1(f).

householding of annual and semi-annual reports by management companies to satisfy the transmission requirements of rule 30e-1 if, in addition to the other conditions set forth in the rule, the management company has obtained from each applicable investor written or implied consent to the householding of shareholder reports at such address. The rule requires management companies that wish to household shareholder reports with implied consent to send a notice to each applicable investor stating, among other things, 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, management companies relying on the householding provision must explain to investors who have provided written or implied consent how they can revoke their consent.

On October 26, 2022, the Commission adopted rule and form amendments that require open-end management investment companies (“open-end funds”) to transmit concise and visually engaging annual and semi-annual reports to shareholders that highlight key information that is particularly important for retail investors to assess and monitor their fund investments.⁶ This information will include—among other things—fund expenses, performance, and portfolio holdings. Funds will have the flexibility to make electronic versions of their shareholder reports more user-friendly and interactive. Certain information that may be more relevant to financial professionals and investors who desire more in-depth information will no longer appear in funds’ shareholder reports but will be available online, delivered free of charge upon request, and filed on a semi-annual basis on Form N-CSR.

As part of the rule and form amendments to modernize the disclosure framework, the Commission amended rule 30e-1 and Form N-1A, among other rules and forms. The

⁶ See Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements, Investment Company Act Release No. 34731 (Oct. 26, 2022) (“Adopting Release”).

amendments to Form N-1A and rule 30e-1 require funds to prepare annual and semi-annual reports pursuant to new Item 27A of Form N-1A. Funds will have the flexibility to make electronic versions of their shareholder reports more user-friendly and interactive. The amendments to rule 30e-1 also 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 website availability requirements are designed to provide ready access to this information for shareholders who find this information pertinent. 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 have historically been sent in paper; however, investors may currently consent to the delivery of electronic versions.

The amendments to rule 30e-1 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.

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 2022 amendments require funds to file the same information on Form N-CSR that they will 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 website availability requirement is not duplicative with the Form N-CSR filing requirement. These website availability requirements are designed to provide ready access to this information for shareholders who find this information pertinent. The requirements also will 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 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 amendments to rule 30e-1 may be greater than for larger entities due to economies of scale. The burden of the 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

Before adopting the amendments, the Commission solicited and evaluated public comments on the proposal and its collection of information requirements. Specifically, the public was given the opportunity to comment on the Commission's estimates for the burdens of rule 30e-1 as proposed and as compared to the existing approved burden inventory in the proposing and adopting releases for the amendments.⁷ Moreover, 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.

⁷ See, e.g., 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> (“Proposing 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. The table below summarizes our PRA initial and ongoing annual burden estimates associated with the amendments to rule 30e-1.

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. We have 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-1.⁹ Compliance with the disclosure requirements of rule 30e-1 is mandatory. Responses to the disclosure requirements are not kept confidential.

⁸ 44 U.S.C. 3501 *et seq.*

⁹ This estimate is based on the last time the rule’s information collection was submitted for PRA renewal in 2020.

TABLE 1: RULE 30E-1 PRA ESTIMATES

ESTIMATED BURDENS					
	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
			\$381		
Prepare annual report pursuant to Item 27A of amended Form N-1A	72 hours	34 hours ³	× (blended rate for compliance attorney and senior programmer)	\$12,954	
Prepare semi-annual report pursuant to Item 27A of amended Form N-1A	36 hours	17 hours ⁴	× (blended rate for compliance attorney and senior programmer)	\$6,477	
Website availability requirements	12	8 hours ⁵	× \$272 (webmaster)	\$2,176	
Delivery upon request requirements					\$500
Total additional burden per fund		59 hours		\$21,607	
Number of funds		× 11,840 funds ⁶		× 11,840 funds	× 11,840 funds
Total annual burden		698,560 hours		\$255,826,880	\$5,920,000
TOTAL FINAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
Current burden estimates		1,039,868			\$149,244,791
Revised burden estimates		1,738,428			\$155,164,791

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 final 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 72 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 annual report per year. The estimate of 34 hours is based on the following calculation: $((72 \text{ initial hours} / 3) + 10 \text{ hours of additional ongoing burden hours}) = 34 \text{ hours}$.
4. This estimate assumes that, after the initial 36 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 17 hours is based on the following calculation: $((36 \text{ initial hours} / 3) + 5 \text{ hours of additional ongoing burden hours}) = 17 \text{ hours}$.
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 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 amendments to rule 30e-1, the total annual external cost burden would be \$155,164,791, which would represent an estimated annual increase of \$5,920,000 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 \$30 million in fiscal year 2021, 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 1,738,428 (an increase of 698,560 hours). The estimated cost burden associated with rule 30e-1 would increase from \$149,244,791 to \$155,164,791 (an increase of \$5,920,000). This increase is due to increases in the estimated burden for funds to transmit shareholder reports pursuant to the amendments to rule 30e-1,

including the 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.