

**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”)<sup>1</sup> requires a registered investment company (“fund”)<sup>2</sup> 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.<sup>3</sup> Rule 30e-3 under the Investment Company Act provides certain funds and UITs 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 (1) availability of the report and other materials; (2) notice to investors of the website availability of the report; and (3) delivery of paper copies of materials upon request. Reliance on the rule is voluntary. Responses to the disclosure requirements are not kept confidential.

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.<sup>4</sup> The Commission also adopted amendments to rule 30e-3 that exclude open-end funds from the scope of the rule. These amendments to rule 30e-3 are designed to ensure that all fund investors will experience the anticipated benefits of the new tailored shareholder reports. Shareholders in open-end funds will directly receive the new tailored annual and semi-annual reports, either in paper or (if the shareholder has so elected) electronically.

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<sup>1</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>2</sup> Unless the context otherwise requires, for ease of reference, throughout this supporting statement the terms “fund” or “funds,” individually or collectively, refer to registered management companies (and any separate series thereof) and unit investment trusts (“UITs”).

<sup>3</sup> 15 U.S.C. 80a-29(e).

<sup>4</sup> *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”).*

## **2. Purpose and Use of the Information Collection**

Certain of the provisions of rule 30e-3 contain “collection of information” requirements within the meaning on the Paperwork Reduction Act of 1995 (“Paperwork Reduction Act”).<sup>5</sup> The rule is designed to modernize the manner in which periodic information is made available to investors.

## **3. Consideration Given to Information Technology**

The Commission’s Electronic Data Gathering, Analysis, and Retrieval System (“EDGAR”) automates the filing, processing, and dissemination of full disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Forms of notices to shareholders are required to be filed electronically on EDGAR.<sup>6</sup> Although the conditions of rule 30e-3 require certain information to be sent to shareholders by mail, we expect that reliance by funds on rule 30e-3 would in general increase the extent to which electronic methods are used by these funds 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.

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<sup>5</sup> 44 U.S.C. 3501 *et seq.*

<sup>6</sup> See rule 101(a)(1)(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iv)].

**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 information collection requirements of the amendments to rule 30e-3 before it submitted this request for revision and approval to the Office of Management and Budget. The Commission received no comments specifically addressing the estimated PRA burdens and costs that the rule proposal described, and no comments that addressed the information collection burdens of rule 30e-3. 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.

**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, 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. The Commission has

adopted amendments to the scope of rule 30e-3 to exclude open-end funds.<sup>7</sup> Because this amendment will decrease the number of funds that would be able to rely on rule 30e-3, we are updating the PRA analysis for rule 30e-3 to account for any burden decrease that would result from this decrease in respondents. We are not updating the rule 30e-3 PRA analysis in any other respect.

Under current PRA estimates for rule 30e-3, we estimated that complying with the information collection requirements of rule 30e-3 would impose an average total annual hour burden of approximately 24,719 hours on funds that choose to rely on the rule.<sup>8</sup> The table below summarizes our estimates associated with the final amendments to the scope of rule 30e-3.

**Table 1: Summary of Burden Hour and Burden Cost Estimates for Rule 30e-3**

	Currently approved annual internal hour burden <sup>1</sup>	Updated estimated annual internal hour burden	Previously estimated annual internal burden time cost	Updated estimated annual internal burden time cost
Total annual burden	24,719 hours	1,256 <sup>2</sup> hours	approx. \$8.9 million	approx. \$452,145 <sup>3</sup>

Notes:

1. The estimated current burdens and costs in this table are based on the PRA renewal submitted in 2022. This PRA renewal includes an estimate of 11,771 funds relying on rule 30e-3, of which approximately 10,547 are open-end funds registered on Form N-1A and 626 UITs.
2. This estimate is calculated as follows:  $((11,771 \text{ funds relying on rule 30e-3} - 10,547 \text{ open-end funds relying on rule 30e-3} - 626 \text{ UITs relying on rule 30e-3} = 598 \text{ funds relying on rule 30e-3 following amendments narrowing the rules' scope}) / 11,771) \times 24,719 \text{ hours} = \text{approximately } 1,256 \text{ hours}$ . Because of a math error, the Adopting Release calculates this estimate as 1,298 hours. *See* Adopting Release, Table 13 and accompanying notes.
3. This estimate is calculated as follows:  $((11,771 - 11,173 = 598) / 11,771) \times \$8.9 \text{ million} = \text{approximately } \$452,145$ .

<sup>7</sup> In addition to excluding open-end funds from the scope of rule 30e-3, the final amendments also address the ability of UITs to continue to rely on rule 30e-3 to satisfy shareholder report transmission obligations under rule 30e-2. *See* Adopting Release at nn.494-499 and accompanying paragraphs. Under the final rules, no shareholder report transmission requirements for funds that are registered on Form N-1A may be satisfied by relying on rule 30e-3. The underlying funds of variable contract UITs are solely funds that are registered on Form N-1A. Therefore, in effect, variable contract UITs may no longer rely on rule 30e-3 to satisfy their shareholder report transmission requirements with respect to underlying funds registered on Form N-1A. As a result, the estimates in this section 12 take into account not only open-end funds that rely on rule 30e-3 to satisfy shareholder report transmission obligations, but also those UITs that rely on the rule to satisfy their obligations under rule 30e-2.

<sup>8</sup> This estimate is based on the last time the rule's information collection was submitted for PRA renewal, in 2022.

### 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. Under current PRA estimates for rule 30e-3, we estimated that complying with the information collection requirements of rule 30e-3 would impose an estimated external cost burden of approximately \$82 million on funds that choose to rely on the rule.<sup>9</sup> The table below summarizes these revisions to the estimated external costs based on the final amendments to the scope of rule 30e-3.

**Table 2: Summary of External Cost Estimates for Rule 30e-3**

	Previously estimated annual external cost burden	Updated estimated annual external cost burden
Total annual burden	approx. \$82 million	approx. \$4.2 million <sup>1</sup>

Notes:

1. This estimate is calculated as follows:  $((11,771 - 11,173 = 598) / 11,771) \times \$82 \text{ million} = \text{approximately } \$4.2 \text{ million.}$

### 14. Costs to Federal Government

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

### 15. Change in Burden

The final amendments to the scope of rule 30e-3 will decrease the total annual hour burden from 24,719 hours to 1,256 hours (a decrease of 23,463 hours). The annual external costs will decrease from approximately \$82 million to approximately \$4.2 million (a decrease of approximately \$77.8 million). These estimated reductions in burden hours and external costs will result from excluding open-end funds from the scope of the rule.

### 16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

### 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 for Paperwork Reduction Act Submissions

The Commission is not seeking an exception to the certification statement.

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<sup>9</sup> *Id.*

## **B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

The collection of information will not employ statistical methods.