

**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...” Proposed 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.

On May 20, 2015, the Commission issued a release proposing that certain funds file Form N-PORT, as described above, as part of an investment company reporting modernization proposal.<sup>1</sup> Similar to Form N-MFP [17 CFR 274.201], proposed Form N-PORT would require funds to report portfolio holdings information in a structured, XML format. The form would be filed electronically using the Commission’s electronic filing system (Electronic Data Gathering, Analysis and Retrieval or “EDGAR”). Consistent

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<sup>1</sup> See Investment Company Reporting Modernization, Investment Company Act Release No. 31610 (May 20, 2015) (“Reporting Modernization Proposal”).

with the current portfolio disclosure regime, only information reported for the third month of each fund's fiscal quarter on Form N-PORT would be made publicly available, and such information would not be 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.

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

The information provided in reports on Form N-PORT could 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 would also be for the use and benefit of investors. As discussed above, the Commission would make information reported for the third month of each fund's fiscal quarter on Form N-PORT publicly available. The Commission expects that investors would be able to use this information to make more informed investment decisions either through direct use or through analyses prepared by third-party users that provide services to investors.

## **3. Role of Improved 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. Efforts to Identify 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. Although reports of portfolio holdings on Form N-PORT for the first and third fiscal quarters of each fund's fiscal year would be largely redundant with similar reports on Form N-Q, the Commission has proposed to rescind Form N-Q to avoid such duplication.<sup>2</sup> Funds would also report certain information on Form N-PORT in a structured format that may be similarly disclosed or reported elsewhere in a non-structured format (*e.g.*, portfolio investments are also currently included as part of the schedules of investments contained in shareholder reports, and filed on a semi-annual basis with the Commission on Form N-CSR). Because collecting information in a structured format would enhance the ability of the Commission as well as investors and other potential users to analyze portfolio data, the Commission believes it is appropriate to require this information to be reported on Form N-PORT.

#### **5. Effect on Small Entities**

The Commission would provide smaller entities (*i.e.*, funds that together with other investment companies in the same "group of related investment companies" have net assets of less than \$1 billion as of the end of the most recent fiscal year) an extra 12 months (or 30 months after the effective date) to comply with the new reporting requirements for Form N-PORT.

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<sup>2</sup> See Reporting Modernization Proposal, *supra* note 1.

However, the proposed requirements for reports on Form N-PORT would not distinguish between small entities and other funds in terms of what information would be required to be reported. The Commission believes that imposing different reporting requirements on smaller funds would not be consistent with investor protection and the purposes of portfolio holdings reports. Differing reporting requirements would 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 Less Frequent Collection**

Funds would be 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 would 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. The Commission requested public comment on the collection of information requirements in Form N-PORT before it submitted this request for extension and approval to the Office of Management and Budget.

**9. Payment or Gift to Respondents**

Not applicable.

**10. Assurance of Confidentiality**

Not applicable.

**11. Sensitive Questions**

No PII collected/not applicable. A System of Records Notice (SEC-6) can be found at <http://www.sec.gov/about/privacy/secprivacyoffice.htm>.

**12. Estimate of Hour Burden**

We estimate that the burden hours that would be imposed by Form N-PORT are as follows:

We estimate that 10,710 funds<sup>3</sup> would be required to file, on a monthly basis, a complete report on proposed Form N-PORT reporting certain information regarding the fund and its portfolio holdings. Based on our experience with other interactive data filings, we estimate that funds would prepare and file their reports on proposed Form N-PORT by either (1) licensing a software solution and preparing and filing the reports in house, or (2) retaining

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<sup>3</sup> This estimate includes 8,731 mutual funds (excluding money market funds), 1,411 ETFs and 568 closed-end funds and is based on ICI statistics as of December 31, 2014 available at <http://www.ici.org/research/stats>.

a service provider to provide data aggregation, validation and/or filing services as part of the preparation and filing of reports on proposed Form N-PORT on behalf of the fund. We estimate that 35% of funds (3,749 funds) would license a software solution and file reports on proposed Form N-PORT in house.<sup>4</sup> We further estimate that each fund that files reports on proposed Form N-PORT in house would require an average of approximately 44 burden hours to compile (including review of the information), tag, and electronically file a report on proposed Form N-PORT for the first time<sup>5</sup> and an average of approximately 14 burden hours for subsequent filings.<sup>6</sup>

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<sup>4</sup> See Amendments to Form PF, Investment Company Act Release No. 31166 (July 23, 2014) [79 FR 47736 (Aug. 14, 2014)] (“Money Market Fund Reform 2014 Release”), at 47945 (adopting amendments to Form N-MFP and noting that approximately 35% of money market funds that report information on Form N-MFP license a software solution from a third party that is used to assist the funds to prepare and file the required information).

<sup>5</sup> We anticipate that these funds would use the same software that was used to generate reports on Form N-Q and that the software vendor offering the Form N-Q software would likely offer an update to that software to handle reports on Form N-PORT. Accordingly, we estimate the burden associated with information that is currently filed on Form N-Q and that would also be filed on Form N-PORT to generally be the same – 10.5 hours per filing. With respect to new data that would be required by Form N-PORT that was not required by Form N-Q, we generally estimate that it would initially take up to 10 hours to connect the software to the new data points. However, because we understand risk metrics data may be located on a different system than portfolio holdings data and because current reporting requirements do not require funds to have a process in place for these two systems to work together, with respect to the new risk metrics data that would be required by Form N-PORT, we estimate that it would initially take up to 15 hours to connect the risk metrics data to the software and that, once connected, it would take 5 hours to program the risk metrics software to output the required data to the Form N-PORT software. Additionally, we added another 3.5 hours to our estimated initial burden to account for the increased amount of information that would be required to be reported on Form N-PORT, but that is not currently required by Form N-Q. See *infra* note 6 (discussing the additional 30% burden added to the current Form N-Q estimate). We also note that funds that are part of a larger fund complex may realize certain economies of scale when preparing and filing reports on proposed Form N-PORT. For purposes of our analysis, we do not account for such economies of scale.

<sup>6</sup> We anticipate that most of the burden associated with licensing a software solution, as discussed above, will be a one-time burden. Accordingly, we estimate approximately 14 hours per fund for subsequent filings. This estimate is based on the 10.5 hours currently estimated for filings on Form N-Q, plus 30% to account for the amount of additional

Therefore, we estimate the per fund average annual hour burden associated with proposed Form N-PORT for 3,749 fund filers is 198 hours for the first year<sup>7</sup> and 168 hours for each subsequent year.<sup>8</sup> Amortized over three years, the average aggregate annual hour burden would be 178 hours per fund.<sup>9</sup>

We estimate that 65% of funds (6,962 funds) would retain the services of a third party to provide data aggregation, validation and/or filing services as part of the preparation and filing of reports on proposed Form N-PORT on the fund's behalf.<sup>10</sup> Because reports on Form N-PORT would be filed in a structured format and more frequently than current portfolio holdings reports (*i.e.*, Form N-CSR and Form N-Q), we anticipate that funds and their third-party service providers will move to automate the aggregation and validation process to the extent they do not already use an automated process for portfolio holdings reports. For these funds, we estimate that each fund would require an average of approximately 60 burden hours to compile and review the information with the service provider prior to electronically filing the report for the first time<sup>11</sup> and an average of approximately 9 burden hours for

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information that would be required to be filed on Form N-PORT. Additionally, because we believe that the required information is generally maintained by funds pursuant to other regulatory requirements or in the ordinary course of business, for the purposes of our analysis, we have not ascribed any time to collecting the required information. *See also supra* note 5 (noting that our estimates do not account for economies of scale).

<sup>7</sup> The estimate is based on the following calculation: (1 filing x 44 hours) + (11 filings x 14 hours) = 198 burden hours in the first year.

<sup>8</sup> This estimate is based on the following calculation: 12 filings x 14 hours = 168 burden hours in each subsequent year.

<sup>9</sup> The estimate is based on the following calculation:  $(198 + (168 \times 2)) / 3 = 178$ .

<sup>10</sup> *See Money Market Fund Reform 2014 Release, supra* note 4, at 47945 (adopting amendments to Form N-MFP and noting that approximately 65% of money market funds that report information on Form N-MFP retain the services of a third party to provide data aggregation and validation services as part of the preparation and filing of reports on Form N-MFP).

<sup>11</sup> In order to be able to automate the process of communicating data to a third-party service provider so that it can be reported on Form N-PORT, we estimate that it will initially take

subsequent filings.<sup>12</sup> Therefore, we estimate the per fund average annual hour burden associated with proposed Form N-PORT for 6,962 funds would be 159 hours for the first year<sup>13</sup> and 108 hours for each subsequent year.<sup>14</sup> Amortized over three years, the average aggregate annual hour burden would be 125 hours per fund.<sup>15</sup> In sum, we estimate that filing reports on proposed Form N-PORT would impose an average total annual hour burden of 1,537,572 on applicable funds.<sup>16</sup>

### **13. Estimate of Total Annual Cost Burden**

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

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a fund 60 hours to either procure software and integrate it into its systems or, alternatively, to write its own software. For those funds that already have an automated portfolio reporting process in place, we estimate that they would initially incur the same burden as those funds that license a software solution and file reports on proposed Form N-PORT in house. For these latter funds, however, we are using the higher burden hours estimated for using a third party service provider in order to be conservative in our estimates because we lack data on the number of funds that currently have an automated portfolio reporting process in place. *See supra* note 5 (discussing the burdens associated with licensing a software solution and filing reports on proposed Form N-PORT in house, and noting that our estimates do not account for economies of scale).

<sup>12</sup> We anticipate that most of the burden associated with third-party aggregation and validation will be the result of creating an automated process, as discussed above, and thus will be a one-time burden. Accordingly, we estimate approximately 9 hours per fund for subsequent filings. This estimate is based on the 10.5 hours currently estimated for filings on Form N-Q, plus 30% to account for the amount of additional information that would be required to be filed on Form N-PORT, and subtracting 5 hours in recognition of the use of a third-party service provider to assist in the preparation and filing of reports on the form. Additionally, because we believe that the required information is generally maintained by funds pursuant to other regulatory requirements or in the ordinary course of business, for the purposes of our analysis, we have not ascribed any time to collecting the required information. *See also supra* note 5 (noting that our estimates do not account for economies of scale).

<sup>13</sup> The estimate is based on the following calculation: (1 filing x 60 hours) + (11 filings x 9 hours) = 159 burden hours per year.

<sup>14</sup> The estimate is based on the following calculation: 12 filings x 9 hours = 108.

<sup>15</sup> The estimate is based on the following calculation: (159 + (108 x 2)) / 3 = 125.

<sup>16</sup> The estimate is based on the following calculation: (3,749 x 178 hours) + (6,962 x 125 hours) = 1,537,572.

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.

Based on our experience with other interactive data filings, we estimate that funds that would file reports on proposed Form N-PORT in house would license a third-party software solution to assist in filing their reports at an average cost of \$4,805 per fund per year.<sup>17</sup> In addition, we estimate that funds that would use a service provider to prepare and file reports on proposed Form N-PORT would pay an average fee of \$11,440 per fund per year for the services of that third-party provider.<sup>18</sup> In sum, we estimate that all applicable funds would incur on average, in the aggregate, external annual costs of \$97,674,221.<sup>19</sup>

#### **14. Estimate of 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 \$19.2 million in fiscal year 2014, based on the

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<sup>17</sup> We estimate that money market funds that file reports on Form N-MFP in house license a third-party software solution for approximately \$3,696 per fund per year. Due to the increased volume and complexity of the information that would be filed in reports pursuant to proposed Form N-PORT, we have increased our external cost estimate for funds filing in house on proposed Form N-PORT by 30% (or \$1,109).

<sup>18</sup> We estimate that money market funds that file reports on Form N-MFP through a third-party service provider pay approximately \$8,800 per fund per year. Due to the increased volume and complexity of the information that would be filed in reports pursuant to proposed Form N-PORT, we have increased our estimate for funds filing through a third-party service provider on proposed Form N-PORT by 30% (or \$2,640).

<sup>19</sup> This estimate is based on the following calculation: (3,749 funds that would file reports on proposed Form N-PORT in house x \$4,809 per fund, per year) + (6,962 funds that would file reports on proposed Form N-PORT using a third-party service provider x \$11,440 per fund, per year) = \$97,674,221.

Commission's computation of the value of staff time devoted to this activity and related overhead. The RIN number for the Reporting Modernization Proposal is 3235-AL42.<sup>20</sup>

**15. Explanation of Changes in Burden**

Not applicable. This is the first request for approval of the collection of information for this rule and form.

**16. Information Collection Planned for Statistical Purposes**

Not applicable.

**17. Approval to not Display 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**

Not applicable.

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

Not applicable.

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<sup>20</sup> See Reporting Modernization Proposal, *supra* note 1.