

**SUPPORTING STATEMENT  
For Rule 27e-1 and Form N-27E-1**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 27(e) of the Investment Company Act of 1940 (“Act”) (15 U.S.C. 80a-27(e)) provides in part that a registered investment company issuing a periodic payment plan certificate, or any depositor or underwriter for such company (collectively “issuer”), must notify in writing “each certificate holder who has missed three payments or more, within thirty days following the expiration of fifteen months after the issuance of the certificate, or, if any such holder has missed one payment or more after such period of fifteen months but prior to the expiration of eighteen months after the issuance of the certificate, at any time prior to the expiration of such eighteen month period, of his right to surrender his certificate . . . and inform the certificate holder of (A) the value of the holder’s account . . . , and (B) the amount to which he is entitled . . . .”

Section 27(e) authorizes the Securities and Exchange Commission (“Commission”) to “make rules specifying the method, form, and contents of the notice required by this subsection.” Rule 27e-1 (17 CFR 270.27e-1) under the Act, entitled “Requirements for Notice to Be Mailed to Certain Purchasers of Periodic Payment Plan Certificates Sold Subject to Section 27(d) of the Act,” provides instructions for the delivery of the notice required by section 27(e).

Rule 27e-1(f) prescribes Form N-27E-1 (17 CFR 274.127e-1), which sets forth the language the issuing registered investment company or its depositor or underwriter

must use “to inform certificate holders of their right to surrender their certificates pursuant to Section 27(d).” The instructions to the form require that a notice containing the language on the form be sent to certificate holders on the sender’s letterhead. The issuer is not required to file with the Commission a copy of the Form N-27E-1 notice.

The Form N-27E-1 notice to certificate holders who have missed certain payments is intended to encourage certificate holders, in light of the potential for further missed payments, to weigh the anticipated costs and benefits associated with continuing to hold their certificates. The disclosure assists certificate holders in making careful and fully informed decisions about whether to continue investing in periodic payment plan certificates.

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

The information disseminated to third parties in accordance with rule 27e-1 satisfies the mandates in section 27(e) of the Act. By prescribing the precise language to be used and specifying the information to be provided, Form N-27E-1 ensures that important facts about certificate holders’ investments are presented to them in a consistent and understandable manner. The rule and form provide clear guidance about how to satisfy the requirements in section 27(e). In the absence of the rules and the associated forms, it would be difficult for the industry and the Commission to ensure the requisite quality and consistency of the statutorily mandated notifications.

## **3. Role of Improved Information Technology**

Improved technology has reduced the burden on the industry associated with rule 27e-1 by facilitating the timely and accurate generation of the required notices. Rule 27e-1 mandates that the notices be sent to certificate holders by first-class mail. The

first-class postmark serves to evidence the date of delivery, which is relevant to an assessment of compliance with the rule. Therefore, the rule does not authorize electronic delivery of the required notices,

#### **4. Efforts to Identify Duplication**

Some of the information provided pursuant to rule 27e-1 may repeat certain information provided in the fund prospectus. Nevertheless, the manner in which the information is presented is tailored to highlight the circumstances of the investor receiving the notice. Moreover, the rule is consistent with the statutory mandate that particular information be provided to holders of periodic payment plan certificates who have missed certain payments within eighteen months after issuance of the certificate.

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

The notification requirements prescribed by rule 27e-1 apply to all investment companies issuing periodic payment plan certificates and their depositors or underwriters, regardless of their size. The Commission would not be able to minimize the burden on small entities without compromising the mandates set forth in section 27(e) of the Act. The Commission does not believe that the requirements in rule 27e-1 and Form N-27E-1 have a significant effect on small entities. Moreover, none of the entities currently required to send out notices under rule 27e-1 is a small entity.

#### **6. Consequences of Less Frequent Collection**

Because section 27(e) requires that notices be sent at specific times after the issuance of the periodic payment plan, the Commission is unable to revise the rule and form promulgated pursuant to that section in a way that would reduce the frequency of the mailings.

**7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

Not applicable.

**8. Consultations Outside the Agency**

The Commission requested public comment on the collection of information requirements in rule 27e-1 and Form N-27E-1 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to this request.

More generally, the Commission and the staff at 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.

**9. Payment or Gift to Respondents**

Not applicable.

**10. Assurance of Confidentiality**

Not applicable.

**11. Sensitive Questions**

Not applicable.

**12. Estimate of Hour Burden**

The staff spoke with representatives of a number of firms in the industry that currently have periodic payment plan accounts. Based upon these conversations, the staff estimates that 3 respondents annually send out an aggregate of approximately 5054 notices, all of which, according to industry sources, are sent out automatically by outside

contractors and involve no clerical time to prepare. For administrative purposes, however, we are requesting approval for an information collection burden of one hour per year.

These estimates of burden hours are based on an informal survey of representatives of several entities and are not derived from a comprehensive or necessarily even representative study of the cost of the Commission's rules and forms.

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

The staff estimates that respondents spend approximately \$3,184 annually to print and mail the Form N-27E-1 notices and required enclosures.<sup>1</sup> This estimate is based on an informal survey of several entities and is not derived from a comprehensive or necessarily even representative study of the cost of the Commission's rules and forms.

### **14. Estimate of Cost to the Federal Government**

Because rule 27e-1 does not require the entity compiling and distributing the information to send copies of the notices to the Commission, the federal government does not incur any cost in receiving or reviewing these notices.

### **15. Explanation of Changes in Burden**

The estimated annual hour burden is not changed. It remains zero hours. For administrative purposes, however, we are requesting approval for an information collection burden of one hour per year. The increase in estimated total annualized cost burden, from \$1,779 to \$3,184, is attributable to an increase in the cost of printing and mailing the notices and an increase in the estimated number of Form N-27E-1 notices printed and mailed, as reported by the entities surveyed.

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<sup>1</sup> This estimate was based on the following calculation: \$0.63 (printing, handling, and mailing costs per notice) x 5054 (number of notices sent per year) = \$3184.

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

Not applicable.

**17. Approval to not Display Expiration Date**

Not applicable.

**18. Exceptions to Certification Statement**

Not applicable.

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

Not applicable.