

**SUPPORTING STATEMENT  
For the Paperwork Reduction Act Information Collection Submission for  
Rule 23c-1**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 23(c) of the Investment Company Act of 1940 (“Act”) (15 U.S.C. 80a-23(c)) prohibits a registered closed-end investment company (“closed end fund” or “fund”) from purchasing any security of which it is the issuer except on a securities exchange, pursuant to a tender, or under such other circumstances as the Securities and Exchange Commission (the “Commission”) may permit by rules, regulations, or orders designed to insure that the purchases are made in a manner or on a basis which does not unfairly discriminate against any holders of the securities to be purchased. Rule 23c-1 under the Act (17 CFR 270.23c-1) permits a closed-end fund to purchase its securities, other than on a securities exchange or pursuant to a tender, if certain conditions are met.

Rule 23c-1(a) permits a closed-end fund to repurchase its securities for cash if, in addition to the other requirements set forth in the rule, the following conditions are met:

(i) payment of the purchase price is accompanied or preceded by a written confirmation of the purchase (“written confirmation”); (ii) the asset coverage per unit of the security to be purchased is disclosed to the seller or his agent (“asset coverage disclosure”); and (iii) if the security is a stock, the fund has, within the preceding six months, informed stockholders of its intention to purchase stock (“six month notice”).

In addition, the fund must file with the Commission a copy of any written solicitation to purchase securities given by or on behalf of the fund to 10 or more persons. The copy must be filed as an exhibit to Form N-CSR (17 CFR 249.331 and 274.128).<sup>1</sup>

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<sup>1</sup> In addition, Item 9 of Form N-CSR requires closed-end funds to disclose information similar to the information that was required in Form N-23C-1, which was discontinued in 2004.

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

The purpose of the information collection requirements in rule 23c-1 is to protect shareholders of closed-end funds from fraud in connection with the repurchase by funds of the funds' own securities.

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

Form N-CSR must be 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. In addition, some closed-end funds may communicate with third parties electronically, which could reduce the burdens associated with the third party notifications required by the rule.

## **4. Duplication**

The requirements of rule 23c-1 are not duplicated elsewhere in federal securities laws, and similar information is not available from other sources.

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

Rule 23c-1 is available to any closed-end fund, including those that are small entities, that wishes to repurchase its own securities. Any fund that wishes to rely on rule 23c-1 must comply with its information collection requirements. These requirements are necessary for investor protection.

## **6. Consequences of Not Conducting Collection**

The information collection requirements of rule 23c-1 are applicable only when a closed-end fund decides to purchase securities of which it is the issuer pursuant to the rule. Because the information required to be provided to shareholders must be reasonably current, less frequent reporting would not serve the investor protection purposes of the rule.

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

The rule's required provision of written confirmations, asset coverage disclosures, and six month notices may cause information to be provided to third parties more often than quarterly, depending upon the frequency with which a closed-end fund repurchases its securities pursuant to the rule. However, rule 23c-1 does not require this information to be reported to the Commission more frequently than quarterly.

## **8. Consultation Outside the Agency**

The Commission and its staff participate in ongoing dialogue with representatives of the fund industry through public conferences, meetings and informal exchanges. These various forums provide the Commission and its 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 rule 23c-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 its request.

## **9. Payment or Gift**

Not applicable.

## **10. Confidentiality**

Not applicable.

## **11. Sensitive Questions**

No information of a sensitive nature will be required under this collection of information.

## **12. Burden of Information Collection**

The burden associated with filing Form N-CSR is addressed in the submission related to that Form and is not included in the estimates contained in this submission. Depending upon the number of securities repurchases by closed-end funds that may rely on the rule, the burden hours

associated with complying with the rule's paperwork requirements could vary widely. The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

Commission staff estimates that 91 closed-end funds undertake a total of 364 repurchases annually under rule 23c-1.<sup>2</sup> Staff estimates further that, with respect to each repurchase, each fund spends 2.5 hours to comply with the rule's written confirmation, asset coverage disclosure and six month notice requirements. Thus, Commission staff estimates the total annual respondent reporting burden is 910 hours.<sup>3</sup> Commission staff further estimates that the cost of the hourly burden per repurchase is approximately \$305 (one half hour of a compliance attorney's time at \$345 per hour,<sup>4</sup> and two hours of clerical time at \$66 per hour<sup>5</sup>). The total annual cost for all funds is estimated to be \$111,020.<sup>6</sup>

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<sup>2</sup> The number of closed-end funds that undertake repurchases annually under rule 23c-1 is based on information provided in response to Item 9 of Form N-CSR from January 1, 2017 through December 31, 2017. Although 136 closed-end funds made disclosures regarding "publicly announced" repurchase plans in response to Item 9, not all repurchases are made pursuant to rule 23c-1. We estimate that approximately 30% of such closed-end funds have not made repurchases pursuant to rule 23c-1. Therefore, our estimate does not include all 136 funds that made disclosures of publicly announced repurchases under Item 9, but only a subset thereof (91 funds). We also estimate that each of the 91 funds undertook an average of 4 repurchases annually (91 funds x 4 repurchases = 364 repurchases annually).

<sup>3</sup> This estimate is based on the following calculation: 364 repurchases x 2.5 hours per repurchase = 910 hours.

<sup>4</sup> The \$345/hour figure for a compliance attorney is from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

<sup>5</sup> The \$66/hour figure for a compliance clerk is from SIFMA's Office Salaries in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead.

<sup>6</sup> This estimate is based on the following calculation: 364 repurchases x \$305 per repurchase = \$111,020.

**13. Cost to Respondents**

Commission staff estimates that there is no external cost burden associated with the paperwork burdens of rule 23c-1 other than the cost of the hour burden identified in Item 12 above.

**14. Cost to the Federal Government**

There are no costs to the Federal government associated with rule 23c-1.

**15. Changes in Burden**

The decrease in internal burden hours from 1755 hours to 910 hours is a result of a decrease in the estimated number of securities repurchases made by closed-end funds under the rule.

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

Not applicable.

**17. Approval to Omit OMB Expiration Date**

Not applicable.

**18. Exceptions to Certification Statement for Paperwork Reduction Act**

**submission**

Not applicable.

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

Not applicable.