

## SUPPORTING STATEMENT FOR FINAL RULES RELATING TO SHARE REPURCHASE DISCLOSURE MODERNIZATION FOR FORM N-CSR

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, *et seq.*

### A. JUSTIFICATION

#### 1. Necessity for the Information Collection

Form N-CSR<sup>1</sup> is a combined reporting form used by registered management investment companies (“funds”) to file certified shareholder reports under the Investment Company Act of 1940 (“Investment Company Act”)<sup>2</sup> and the Securities Exchange Act of 1934 (“Exchange Act”).<sup>3</sup> Specifically, Form N-CSR is to be used for reports under section 30(b)(2) of the Investment Company Act<sup>4</sup> and section 13(a) or 15(d) of the Exchange Act,<sup>5</sup> filed pursuant to rule 30b2-1(a) under the Investment Company Act.<sup>6</sup> Reports on Form N-CSR are to be filed with the Securities and Exchange Commission (“Commission”) no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act.<sup>7</sup>

On May 3, 2023, the Commission adopted amendments to modernize and improve the disclosure requirements for repurchases of an issuer’s equity securities that are registered under the Securities Exchange Act of 1934.<sup>8</sup> The final amendments will require closed-end funds whose shares are listed on a national securities exchange (“listed closed-end funds”) to file

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<sup>1</sup> 17 CFR 249.331 and 274.128.

<sup>2</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>3</sup> 15 U.S.C. 78a *et seq.*

<sup>4</sup> 15 U.S.C. 80a-29(b)(2).

<sup>5</sup> 15 U.S.C. 78m(a) and 78o(d).

<sup>6</sup> 17 CFR 270.30b2-1(a).

<sup>7</sup> 17 CFR 270.30e-1.

<sup>8</sup> *Share Repurchase Disclosure Modernization*, Release No. 34-97424 (May 3, 2023), a copy of which is attached.

repurchase data in their annual and semi-annual reports on Form N-CSR showing daily details, rather than providing this information on an aggregated monthly basis as previously required.

Consistent with the proposal, the final amendments will also require additional detail regarding the structure of a listed closed-end fund's repurchase program on Form N-CSR. Specifically, the final amendments establish new requirements on Form N-CSR for such funds to disclose:

- The objectives or rationales for each repurchase plan or program and process or criteria used to determine the amount of repurchases;
- Any policies and procedures relating to purchases and sales of its securities by its officers and directors during a repurchase program, including any restriction on such transactions; and
- Whether any of its directors and officers subject to the reporting requirements under Exchange Act section 16(a) purchased or sold shares or other units of the class of the issuer's equity securities that are registered pursuant to section 12 of the Exchange Act and subject of a publicly announced repurchase plan or program within four business days before or after the issuer's announcement of such repurchase plan or program or the announcement of an increase of an existing share repurchase plan or program by checking a box before the tabular disclosure of issuer purchases of equity securities.

The final amendments also require listed closed-end funds to disclose in Form N-CSR, in tabular form, the number of shares purchased daily in reliance on Rule 10b-18 or intended to qualify for the affirmative defense provisions of Rule 10b5-1(c), as proposed. The final amendments require these funds to disclose in Form N-CSR, by footnote to the daily repurchase

table – rather than by narrative disclosure, as was proposed – the date any plan that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) for the shares was adopted or terminated. As proposed, the final amendments require closed-end funds to tag the disclosure using Inline XBRL.

The final amendments related to listed closed-end funds contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995 (“PRA”). As a result of the changes to the changes to Form N-CSR discussed above, we are revising our estimates for this collection of information. Our estimate also reflects a correction to an error in the estimated responses and hours burden reflected in the most recent supporting statement for this collection of information. The title of the collections of information impacted by the final amendments applicable to listed closed-end funds is: “Form N-CSR” (OMB Control No. 3235-0570).

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. The information provided in reports on Form N-CSR may 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 is also for the use and benefit of investors. The information filed with the Commission permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

The purpose of the final amendments is to improve the quality, relevance, and timeliness of information related to issuer share repurchases, thereby enabling investors to make informed

investment and voting decisions. In particular, because issuers are repurchasing their own securities, asymmetries may exist between issuers and affiliated purchasers and investors with regard to information about the issuer and its future prospects, which could exacerbate some of the potential harms associated with issuer repurchases.

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

The information required by Form N-CSR is to be filed electronically with the Commission using the Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. We are additionally requiring the information be reported on Form N-CSR using a structured data language (specifically, Inline eXtensible Business Reporting Language (Inline XBRL)) which would make the disclosures more readily available and easily accessible to investors, market participants, and others for aggregation, comparison, filtering, and other analysis.

### **4. Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or form or a change in a rule or form. We believe that the final amendments will not duplicate, overlap,<sup>9</sup> or conflict with other federal rules.

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<sup>9</sup> The final amendments include a checkbox for listed closed-end funds to indicate if any of their officers or directors reporting pursuant to Section 16(a) of the Exchange Act purchased or sold shares or other units of the class of the issuer's equity securities that is the subject of an issuer share repurchase plan or program within four business days before or after the issuer's announcement of such repurchase plan or program. Investors and other interested parties could conduct their own review of Section 16 reports to identify purchases or sales made by officers or directors within the relevant time period, thereby making the checkbox unnecessary. This, however, could be a burdensome exercise if a high volume of Section 16 reports have been filed. The checkbox is intended to provide a more efficient means of making this information available.

## 5. Effects on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,<sup>10</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for reports on Form N-CSR do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare reports on Form N-CSR may be proportionally greater than for larger funds. The Commission believes, however, that imposing different requirements on smaller funds would not be consistent with investor protection and the purposes of certified shareholder reports.

The final amendments will affect some issuers that are small entities. The final amendments are intended to improve disclosure about repurchases of an issuer's equity securities for investors to evaluate those activities and decrease any information asymmetry between issuers and investors. The additional disclosure, which would be provided in a machine-readable format, should permit investors to more quickly and efficiently evaluate information relating to issuer share repurchases. We expect small entities to be less likely to conduct share repurchases, and the amendments place no burdens on small entities not conducting share repurchases. Also, to the extent that small filers have relatively high information asymmetries because of lower analyst and institutional coverage, the proposed additional disclosure about their repurchases may be relatively more informative to investors. Because small entities are less likely to conduct share repurchases, and, if they do, are more likely to have relatively high information asymmetries, we do not believe it would be appropriate to provide simplified or consolidated reporting requirements, a delayed compliance timetable, or an exemption for small entities from all or part of these requirements.

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<sup>10</sup> 5 U.S.C. 601 *et seq.*

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

Funds are required to file reports on Form N-CSR with the Commission no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act. Failure to conduct this collection of information would reduce the information available to investors to make these decisions.

## **7. Special Circumstances**

There are no special circumstances in connection with these amendments.

## **8. Consultations with Persons 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 staff with a means of ascertaining and acting upon paperwork burdens confronting the industry.

In the proposing release, the Commission requested comment on the PRA burden hour and cost estimates and the analysis used to derive such estimates. The Commission's solicitation of public comments included estimating and requesting public comments on the burden estimates for all information collections including that under this OMB control number (i.e., both changes associated with the rulemaking and other burden updates). One commenter directly addressed the PRA analysis of the proposed amendments, and other commenters provided responses to certain requests for comment that have informed some of our PRA estimates. Generally, these

commenters asserted that the costs and burdens of the proposed amendments would likely be greater than what the Commission estimated in the proposing release.

#### **9. Payment or Gift**

No payment or gift has been provided to any respondents.

#### **10. Confidentiality**

Documents submitted to the Commission are available to the public.

#### **11. Sensitive Questions**

No information of a sensitive nature will be required under these amendments. These information collections collect basic Personally Identifiable Information (PII) that may include a name and job title. However, the agency has determined that these information collections do not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on February 5, 2020, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

#### **12./13. Estimates of Hour and Cost Burdens**

The estimated burden hours and cost burden are made solely for the purposes of the PRA and represent the average burden for all issuers. The cost burden is not derived from a comprehensive or even a representative survey of the costs of Commission rules and forms.

The following table summarizes the estimated paperwork burden associated with the final amendments required daily quantitative repurchase disclosures for issuers of equity securities

registered under Section 12 of the Exchange Act in existing Form N-CSR, and the elimination of the monthly repurchase disclosures in existing Form N-CSR.<sup>11</sup>

**PRA Table 1: Estimated Paperwork Burden of Daily Quantitative Share Repurchase Disclosures on Form N-CSR and Elimination of Monthly Repurchase Disclosures**

Estimated Burden	Brief Explanation of Estimated Burden
An increase of 5.0 burden hours	This estimated burden includes the estimated 5.0-hour burden for the compilation of the data elements, tagging the data using Inline XBRL, and preparing the table.
A decrease of 2.0 burden hours	This estimated burden reduction reflects the elimination of the monthly aggregated repurchase data.

We estimate that the new daily quantitative repurchase disclosure requirements will change the paperwork burden for filings on the affected periodic disclosure forms that include share repurchase disclosure. However, not all filings on the affected forms will include these disclosures because the disclosures are required only when an issuer conducts a share repurchase. Based on staff analysis of data from Compustat and EDGAR filings for fiscal year 2021, we estimate that the daily quantitative repurchase disclosure requirements in the final amendments will affect approximately 100 listed closed-end funds.

Additionally, we note that most issuers that conduct share repurchases do so over a period of time, rather than by making a single purchase or a few isolated purchases during the year. Therefore, for purposes of this PRA analysis, we assume that the daily quantitative repurchase disclosures will be distributed evenly throughout an issuer’s fiscal year. As a result, we estimate that, annually, the required daily quantitative repurchase disclosure will be included in two Form N-CSRs for each affected listed closed-end fund. Based on the staff’s findings, the

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<sup>11</sup> Any burdens associated with interactive data associated with the final amendments are estimated to be negligible. For administrative simplicity, these burdens therefore are incorporated into the burdens associated with the forms.



table below sets forth our estimates of the number of filings on these forms that include share repurchase disclosure.<sup>12</sup>

**PRA Table 2: Estimated Number of Affected Filings**

<b>Number of Issuers Affected by the Repurchase Disclosure Annually (A)</b>	<b>Current Annual Responses in PRA Inventory (B)</b>	<b>Number of Forms that Include Share Repurchase Disclosure Annually Per Issuer (C)</b>	<b>Number of Filings that Include Share Repurchase Disclosure Annually Per Form (D) = (A) x (D)</b>	<b>Increase in Burden Hours for Daily Quantitative Share Repurchase Disclosures Per Form (E) = (E) x 5.0</b>	<b>Decrease in Burden Hours for Daily Quantitative Share Repurchase Disclosures Per Form (F) = (E) x 2.0</b>
100	6,898	2	200	1,000	(400)

Table 3 summarizes the estimated paperwork burdens associated with the final amendments required narrative disclosure for issuers of equity securities registered under Section 12 of the Exchange Act in Form N-CSR.

**PRA Table 3: Estimated Paperwork Burden of the Narrative Share Repurchase Disclosures in Form N-CSR**

<b>Estimated Burden Increase</b>	<b>Brief Explanation of Estimated Burden</b>
An increase of 3.0 burden hours	This estimated burden includes the estimated 3.0-hour burden for the narrative share repurchase disclosures, including the checkbox requirement, and the use of structured data for this information.

Table 4 below sets forth our estimates of the number of filings on Form N-CSR that will include share repurchase disclosure.

<sup>12</sup> We used this data to extrapolate the effect of these changes on the paperwork burden for the listed periodic reports. The OMB's PRA filing inventories represent a three-year average, which may not align with the actual number of filings in any given year.

**PRA Table 4: Estimated Number of Affected Filings**

<b>Number of Issuers Affected by the Repurchase Disclosure Annually (A)</b>	<b>Current Annual Responses in PRA Inventory (B)</b>	<b>Number of Forms that Include Share Repurchase Disclosure Annually Per Issuer (C)</b>	<b>Number of Filings that Include Share Repurchase Disclosure Annually Per Form (D) = (A) x (C)</b>	<b>Burden Hour Increase for Narrative Share Repurchase Disclosures (E) = (D) x 3.0</b>
100	6,898	2	200	600

Below we estimate the incremental and aggregate changes in paperwork burden as a result of the final amendments. These estimates represent the average burden for all issuers, both large and small. In deriving our estimates, we recognize that the burdens will likely vary among individual listed closed-end funds.

We calculated the burden estimates by multiplying the estimated number of responses by the estimated average amount of time it would take an issuer to prepare and review disclosure required under the final amendments. For purposes of the PRA, the burden is to be allocated between internal burden hours and outside professional costs. The table below sets forth the percentage estimates we typically use for the burden allocation for each collection of information and the estimated burden allocation for the new collection of information. We also estimate that the average cost of retaining outside professionals is \$600 per hour.

**PRA Table 5. Estimated Burden Allocation for Form N-CSR**

<b>Internal</b>	<b>Outside Professionals</b>
75%	25%

Table 6 below illustrates the incremental change to the total annual compliance burden of Form N-CSR to listed closed-end funds, in hours and in costs, as a result of the final amendments' estimated effect on the paperwork burden per response.

**PRA Table 6. Calculation of the Incremental Change in Burden Estimates of Current Responses Resulting from the Final Amendments**

<b>Total Incremental Increase in Burden Hours (A)<sup>a</sup></b>	<b>Change in Company Hours (B) = (A) x 0.75</b>	<b>Change in Outside Professional Hours (C) = (A) x 0.25</b>	<b>Change in Outside Professional Costs (D) = (C) x \$600</b>
1,200	900	300	\$180,000

<sup>a</sup> Sum of columns (E) and (F) in Table 2, and column (E) in Table 4.

Table 7 summarizes the requested paperwork burden, including the estimated total reporting burdens and costs, under the final amendments.

**PRA Table 7. Requested Form N-CSR Paperwork Burden under the Final Amendments<sup>13</sup>**

<b>Current Burden</b>			<b>Program Change</b>			<b>Requested Change in Burden</b>		
Current Annual Responses (A)	Current Burden Hours (B)	Current Outside Professional Cost Burden (C)	Number of Affected Responses (D)	Change in Company Hours (E) <sup>a</sup>	Change in Outside Professional Costs (F) <sup>b</sup>	Current Annual Responses (G) <sup>c</sup>	Burden Hours (H) = (B) + (E)	Outside Professional Cost Burden (I) = (C) + (F)
23,680	487,639	\$5,953,724	5,628	-259,602	\$175,800	29,308	228,037	\$6,129,524

<sup>a</sup> From column (B) in Table 6.  
<sup>b</sup> From column (D) in Table 6.  
<sup>c</sup> From column (A).

**14. Costs to Federal Government**

The annual cost of reviewing and processing disclosure documents, including new registration statements, post effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$29 million in fiscal year 2020, based on the Commission’s computation of the value of staff time devoted to this activity and related overhead.

<sup>13</sup> Figures in this table are rounded to the nearest whole number.

**15. Change in Burden**

As explained in further detail in Items 1, 12 and 13 above, changes in the estimated burden for Form N-CSR result from the final amendments. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission requested public comment on all information collection burden estimates for this OMB control number.

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

The information collections do not employ statistical methods.

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

We request authorization to omit the expiration date on the electronic version of the forms and schedule. Including the expiration date on the electronic version of the form and schedule will result in increased costs, because the need to make changes to the form and schedule may not follow the application's scheduled version release dates. The OMB control number will be displayed.

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

There are no exceptions for the Paperwork Reduction Act submissions.

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

The information collections do not employ statistical methods.