

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Rule 23c-2**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

Section 23(c) of the Investment Company Act of 1940 (“Act”)<sup>1</sup> 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-2(a) under the Act provides that a closed-end fund may call or redeem any securities it has issued in accordance with the charter, provided that in instances where less than all of the outstanding shares of a class or series are called or redeemed, the call or redemption is made by lot on a pro rata basis, or in a manner that does not discriminate against any shareholders.<sup>2</sup> Further, rule 23c-2(b) requires closed-end funds that propose to call or redeem any securities it has issued to file with the Commission notice of its intention at least 30 days prior to the date set for the call or redemption, provided that if such notice is required to be published in newspaper, notice is required within 10 days of publication.<sup>3</sup> The notice is required to include (1) the title of the class of securities to be called or redeemed; (2) the date on which the securities are to be called or redeemed; (3) the

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<sup>1</sup> 15 U.S.C. 80a-23(c).

<sup>2</sup> 17 CFR 270.23c-2(a).

<sup>3</sup> 17 CFR 270.23c-2(b).

applicable provisions of the governing instrument pursuant to which the securities are to be called or redeemed; and (4) if less than all the outstanding securities of a class or series are to be called or redeemed, the principal amount or number of shares and the basis upon which the securities to be call or redeemed are to be selected.<sup>4</sup>

The Commission last submitted an information collection request (“ICR”) regarding this rule to the Office of Management and Budget (“OMB”) for approval under the Paperwork Reduction Act of 1995 (“PRA”)<sup>5</sup> in November of 1982. The submission was subsequently approved in February of 1983. The Commission never sought an extension of the previously approved ICR upon expiration of the OMB approval in February of 1986. The reason the Commission never sought an extension is because the number of responses to this ICR recorded within the 1982 submission was only five, which is below the threshold of ten respondents outlined within the PRA for requiring OMB clearance. The Commission is now seeking to reinstate the rule 23c-2 ICR under control number 3235-0282.

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

The purpose of rule 23c-2 is to ensure that the call and redemption of securities issued by closed-end funds is conducted in a fair manner and that certain material information regarding such activity is made available to shareholders and other interested parties. The information required to be filed with the Commission assures the public availability of the information and is designed to enable the Commission to monitor funds’ compliance with the notification requirement.

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<sup>4</sup> *Id.*

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

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

The Commission's electronic filing system (Electronic Data Gathering, Analysis, and Retrieval or "EDGAR") provides for automated 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. The rule 23c-2 notification submissions are required to be filed with the Commission electronically on EDGAR.

### **4. Duplication**

The requirements of rule 23c-2 are not duplicated elsewhere in federal securities laws, and similar information is not available from other sources.

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

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,<sup>6</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The information collection requirements of rule 23c-2 do not distinguish between funds that are small entities and other funds. Nevertheless, the burden on smaller entities to comply with rule 23c-2 may be greater than for larger entities due to economies of scale. The burden of the rule on smaller funds would include the cost of preparing the filing and ensuring it includes the required information and is submitted to the Commission in a timely manner as outlined within rule 23c-2(b). The Commission believes, however, that imposing different requirements on smaller closed-end investment companies would not be consistent with investor protection and the purposes of the rule.

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<sup>6</sup> 5 U.S.C. 601 *et seq.*

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

The Commission requires the filing of information outlined within rule 23c-2 when a registered closed-end fund proposes to call or redeem any securities it has issued. Not requiring the submission of this information in a timely manner will limit the availability of material information related to the underlying closed-end fund which may harm investors and may potentially decrease investor confidence in the full and fair disclosure system that is the hallmark of the U.S. capital markets.

## **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 collection of information requirements in rule 23c-2 before it submitted these requests for extension and approval to OMB. The Commission received no comments in response to this request.

The Commission and the staff also participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. These forums provide the Commission and the staff with means to identify and address paperwork burdens that may confront 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, would be required under this collection of information. The information collection would not collect personally identifiable information (“PII”). The agency has determined that a system of records notice (“SORN”) and privacy impact assessment (“PIA”) would not be required in connection with the collection of information.

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

Depending upon the number of instances whereby a closed-end fund proposes to call or redeem securities it has issued, 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. Responses to the collection of information will not be kept confidential.

Commission staff estimates that approximately 75 closed-end funds<sup>7</sup> undertake an average of 110 proposed calls or redemptions of securities annually under rule 23c-2.<sup>8</sup> Staff estimates further that, with respect to each proposed call or redemption, each fund spends 1.5 hours to comply with the rule’s filing requirement with the Commission. Thus, Commission staff estimates the total annual respondent reporting burden is 165

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<sup>7</sup> This estimate is based on rule 23c-2 filings submitted through EDGAR. Some closed-end funds submit multiple rule 23c-2 filings during the year.

<sup>8</sup> This estimate is based on an average of the number of rule 23c-2 filings submitted through EDGAR over the prior three years. There were 162 filings in 2024, 112 filings in 2023, and 56 filings in 2022.  $(162 + 112 + 56)/3 = 110$  filings.

hours.<sup>9</sup> Commission staff further estimates that the cost of the hourly burden per filing is approximately \$492 (one hour of a compliance attorney's time at \$449 per hour,<sup>10</sup> and one half-hour of clerical time at \$86 per hour<sup>11</sup> ).<sup>12</sup> The total annual cost for all funds is estimated to be \$81,180.<sup>13</sup>

Annual # of Responses			Annual Time Burden (Hrs)			Burden Cost (\$)		
Previously Approved	Requested	Change	Previously Approved	Requested	Change	Previously Approved	Requested	Change
0	110	110	0	165	165	0	\$81,180	\$81,180

### 13. Cost to Respondents

Commission staff estimates that there is no external cost burden associated with the paperwork burdens of rule 23c-2 other than the cost of the hour burden identified in Item 12 above.

### 14. Costs to Federal Government

The SEC is in the process of revising its methodologies to estimate annualized costs to the Federal government for all its relevant collections of information. The SEC

<sup>9</sup> 110 repurchases x 1.5 hours per repurchase = 165 hours.

<sup>10</sup> The \$449/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>11</sup> The \$86/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>12</sup> (1 hour x \$449) + (0.5 x \$86) = \$492.

<sup>13</sup> 165 hours x \$492 per hour = \$81,180.

anticipates that future extensions of this collection of information will reflect the revised methodologies.

**15. Changes in Burden**

Given the amount of time that has passed since the Commission last submitted an ICR request to OMB, there is no change in burden to report currently. The Commission will submit a change in burden figure in subsequent ICR requests related to rule 23c-2.

**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 omit 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.

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

The collection of information will not employ statistical methods.