

**SUPPORTING STATEMENT**  
**Rule 6e-2 and Form N-6EI-1**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Rule 6e-2 (17 CFR 270.6e-2) under the Investment Company Act of 1940 (“Act”) is an exemptive rule which permits separate accounts, formed by life insurance companies, to fund certain variable life insurance products. The rule exempts such separate accounts from the registration requirements, among others, under the Act on condition that they comply with all but certain designated provisions of the Act and meet the other requirements of the rule. The rule sets forth several information collection requirements.

Rule 6e-2 provides a separate account with an exemption from the registration provisions of section 8 of the Act if the account files with the Securities and Exchange Commission (“Commission” or “SEC”) Form N-6EI-1 (17 CFR 274.301) a notification of claim of exemption.

The rule also exempts a separate account from a number of other sections of the Act provided that the separate account makes certain disclosure in its registration statements (in the case of those separate accounts that elect to register), reports to contractholders, or proxy solicitations, as prescribed by the rule, and/or makes certain disclosure to state regulatory authorities. The requirements for registration statements, reports to contractholders, and proxy solicitations are separately approved under the Paperwork Reduction Act.

Subpart (b)(9) of rule 6e-2, which exempts a management separate account from section 17(f) of the Act, requires information collection in addition to that required in connection with registration statements, reports to contractholders, proxy solicitations, or disclosure to state

regulatory authorities. Section 17(f) provides, in pertinent part, that every registered management company shall place and maintain its securities and similar investments in the custody of: (a) a bank or banks having the qualifications prescribed section 26(a)(1) of the Act for trustees of unit investment trusts; or (b) a company which is a member of a national securities exchange as defined in the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.], subject to such rules as the Commission may from time to time prescribe for the protection of investors; or (c) such registered company, but only in accordance with such rules and regulations or orders as the Commission may from time to time prescribe for the protection of investors.

Rule 6e-2 exempts management separate accounts from section 17(f) provided several conditions are met. First, each person, when depositing such securities or similar investments in or withdrawing them from a depository, or when ordering their delivery to and withdrawal from the custody of the life insurer or affiliated insurance company, must sign a notation in respect of such deposit, withdrawal or order which shows: (a) the time and date of the deposit, withdrawal or order; (b) the title and amount of the securities withdrawn, and an identification thereof by certificate number or otherwise; (c) the manner of acquisition of the securities or similar investments deposited or the purpose for which they have been withdrawn, or ordered to be withdrawn; and (d) if withdrawn and delivered to another person, the name of such person. Second, the aforementioned notation must be transmitted promptly to an officer or director of the separate account or the life insurer designated by the board of directors of the separate account. Third, the securities and similar investments deposited with the insurer or affiliate under rule 6e-2 must be verified by complete examination by an independent public accountant retained by the separate account at least three times during each fiscal year. Finally, a certificate by such accountant stating that he or she has made an examination of such securities and

investments and describing the nature and extent of the examination shall be transmitted to the Commission by the accountant promptly after each examination. The accountant's examination certificates are not reviewed by the Commission's staff.

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

Without this rule, separate accounts and sponsoring life insurers would bear the expense of filing individual exemptive applications, in addition to registration statements, in order to obtain the relief needed to sell the contracts. Accordingly, the Commission staff would be required to process such applications. Because the exemptive applications would seek relief from a number of sections of the Act, such applications would be quite lengthy and burdensome on both the life insurers and the staff. In addition, information gathered under rule 6e-2, including information collected on Form N-6EI-1, is aimed at minimizing the possibility that the rule will be abused.

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

The Commission's electronic filing system, the Electronic Data Gathering, Analysis and Retrieval system ("EDGAR"), is designed to automate the filing, processing and dissemination of all disclosure filings. All registrants must file their disclosure documents via EDGAR, which has increased the speed, ease, accuracy and availability of information. At present, none of the information collections required by rule 6e-2 are filed on EDGAR, but they may be considered for electronic filing in the future.

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

The rule does not call for duplicative information. The information requirement conforms to other rules under the Act to which separate accounts are subject, so as to coordinate them with existing information collection and reporting procedures.

**5. Effect on Small Entities**

The insurance companies affected by the rule are not considered “small entities.”

**6. Consequences of Less Frequent Collection**

The assets of a separate account held in custody by the insurer must be continuously monitored and periodically audited to assure their safety. Other information collections are required by the rule only when certain events occur.

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

Not applicable.

**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 rule 6e-2 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in its response to its request.

**9. Payment or Gift to Respondents**

Not applicable.

**10. Assurance of Confidentiality**

Not applicable.

**11. Sensitive Questions**

Not applicable.

**12. Estimate of Hour Burden**

Since 2005, there have been no filings under paragraph (b)(9) of rule 6e-2 by management accounts. Therefore, since 2005, there has been no cost or burden to the industry regarding the information collection requirements of paragraph (b)(9) of rule 6e-2. In addition, there have been no filings of Form N-6EI-1 by separate accounts since 2005. Therefore, there has been no cost or burden to the industry since that time.

The staff of the Division of Investment Management estimates that the completion and submission of the form takes one hour. However, it is expected that most, if not all, separate accounts will not elect the exemption from registration that triggers the form requirement under the rule. Therefore, the form is not expected to present any additional burden. With respect to information required in registration statements, reports to contractholders, proxy solicitations, and submissions to state agencies, issuers would be filing with the Commission and those state agencies as a matter of course to fulfill other requirements. Consequently, rule 6e-2 does not result in any additional cost or burden to the industry. The Commission requests authorization to maintain an inventory of one burden hour for administrative purposes.

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

Not applicable.

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

It is expected that most, if not all, separate accounts will not elect the exemption from registration that triggers the requirement to file Form N-6EI-1 under the rule. Therefore, the form is not expected to present any additional burden. The information collection requirements

of rule 6e-2 relating to custodianship impose no burden on the government because no information is reviewed by the government. With respect to information required in registration statements, reports to contractholders, proxy solicitations, and submissions to state agencies, issuers would be filing with the Commission and those state agencies as a matter of course to fulfill other requirements. Consequently, it is expected that rule 6e-2 and Form N-6EI-1 will not result in any additional cost to the government.

**15. Explanation of Changes in Burden**

Not applicable.

**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. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable