

**SUPPORTING STATEMENT**  
**Rule 11a-2**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Section 11 of the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“1940 Act”) makes it unlawful for certain types of registered investment companies to make an offer to their shareholders to exchange their securities for the securities of another investment company on a basis other than net asset value unless the terms of the exchange offer are approved by the Commission or are in accordance with rules adopted by the Commission.

The Commission exercised its rulemaking authority under Section 11 by adopting Rule 11a-2 (17 CFR 270.11a-2) as an exemptive rule. Rule 11a-2 codified the conditions under which the Commission previously had approved exchange offers of certain registered insurance company separate accounts. Consequently, Rule 11a-2 significantly reduced the number of routine applications that separate accounts file under Section 11.

The one reporting requirement imposed under Rule 11a-2 is disclosure in the offering account’s registration statements under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“1933 Act”) of any administrative fee or sales load imposed in connection with an exchange offer. The minor burden imposed by this requirement is substantially outweighed by the elimination of a substantial number of applications.

**2. Purpose of the Information Collection**

Without this rule, the separate accounts sponsoring life insurers would bear the expense of filing individual exemptive applications in order to obtain the relief needed to make an exchange of securities. Accordingly, the Commission staff would be required to

process such applications, which would be quite lengthy and burdensome for both the life insurers and the SEC's staff. In addition, the information required by the rule is used by investors to weigh the costs of making an exchange of securities against the potential for benefits. Without disclosure of the costs of an exchange transaction, investors would be unable to evaluate the costs.

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

The Commission's electronic filing system, EDGAR, is designed to automate the filing, processing, and dissemination of all disclosure filings. The system permits publicly-held companies to transmit their filings to the Commission electronically. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. As of November 6, 1995, phase-in of all registered investment companies for mandatory utilization of EDGAR was complete.

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

The information is not duplicated elsewhere, and similar information is not available from other sources.

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

Rule 11a-2 does not have a significant economic impact on small entities. The Commission staff takes the position that because separate accounts are part of the sponsoring insurance company, there are no insurance company separate accounts that are "small entities" for purposes of Rule 0-10 under the 1940 Act (17 CFR 270.0-10).

**6. Consequences of Less Frequent Collection**

Disclosure of fees charged in connection with an exchange offer is required in the prospectus contained in the offering account's registration statement under the 1933 Act. Because Section 10 of the 1933 Act requires that the information in a prospectus be as of a date no more than sixteen months prior to its use, a registrant making an offer under the 1933 Act, including an exchange offer, must update its prospectus approximately annually. Less frequent collection would inhibit dissemination of the timely information that enables investors to make informed investment decisions.

**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 11a-2 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.

**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 Commission includes the estimated burden of complying with the information collection required by Rule 11a-2 in the total number of burden hours estimated for completing the relevant registration statements and reports the burden of Rule 11a-2 in the separate PRA submissions for those registration statements (see the separate PRA submissions for Form N-3 (17 CFR 274.11b), Form N-4 (17 CFR 274.11c) and Form N-6 (17 CFR 274.11d). The Commission is requesting a burden of one hour for Rule 11a-2 for administrative purposes.

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

It is estimated that there is no cost of the paperwork burdens of Rule 11a-2 beyond the cost of the hour burden identified in Item 12 of this Supporting Statement.

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

Rule 11a-2 reduced the Commission's staff's operational cost attributable to the reviewing and processing of exemptive applications. Because separate accounts rely on the rule without the need for prior Commission approval, cost to the government is minimal. Moreover, operational costs are far less than those incurred in processing individual applications.

**15. Explanation of Changes in Burden**

There are currently 736 registrants governed by Rule 11a-1. Since the Commission includes the estimated burden of complying with the information collection required by Rule 11a-2 in the total number of burden hours estimated for completing the relevant registration statements and the burden of Rule 11a-2 is reported in the separate PRA submissions for those registration statements (see the separate PRA submissions for Form N-3 (17 CFR 274.11b), Form N-4 (17 CFR 274.11c) and Form N-6 (17 CFR 274.11d), we have reduced the burden of Rule 11a-2 to one hour in order to avoid double counting.

**16. Information Collections 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.