

SUPPORTING STATEMENT
FOR THE PAPERWORK REDUCTION ACT SUBMISSION FOR A CURRENT
INFORMATION COLLECTION
“Form N-8B-4”

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 8(b) of the Investment Company Act of 1940 (“Act”) provides that every registered investment company must file a registration statement with the Commission that includes certain information about the company and recites the company’s policies on certain significant matters. Face-amount certificate companies satisfy this requirement by filing on Form N-8B-4.¹ Among other items, Form N-8B-4 requires disclosure about the face-amount certificate company’s organization, controlling persons, business, policies, securities, investment adviser, depositary, management personnel, compensation, and financial statements. In addition to filing a registration statement on Form N-8B-4, face-amount certificate companies file a registration statement on Form S-1 to comply with the Securities Act of 1933.

2. Purpose of the Information Collection

Registration statements are required in order to provide the Commission, investors, and the public with certain basic information about investment companies. The information enables the Commission to determine whether a company’s operations and policies comply with the Act and provides information upon which the Commission may base changes in its regulatory

¹ Such investment companies issue certificates obliging the company to pay, at maturity, fixed sums (*e.g.*, the face amounts of the certificates) to purchasers who have made single payments or a series of installment payments. The rates of return on the certificates issued by face-amount certificate companies are almost entirely predetermined although such companies may, and on occasion do, pay supplemental credits in addition to the interest rate called for by the certificate.

program for companies subject to the form. Absent the requirement to file, the Commission would be unable to determine whether the operations of investment company registrants are in compliance with the Act or whether changes are necessary regarding the regulation of such companies.

3. Role of Improved Information Technology

The Commission's electronic filing system ("EDGAR") automates the filing, processing and dissemination of full 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. All face-amount certificate companies must file Form N-8B-4 electronically.

4. Efforts to Identify Duplication

Form S-1, the form used by face-amount certificate companies to register their securities under the Securities Act of 1933, requires a prospectus that includes much of the information requested in Form N-8B-4. To eliminate duplicative information presenting in the registration forms used by face-amount certificate companies, the Commission allows face-amount certificate companies to respond to many of the items called for by the Form N-8B-4 by incorporating by reference certain disclosures contained in face-amount certificate companies' Form S-1 registration statement.²

Other than the information required in Form S-1, the Commission believes that there are no duplicative, overlapping, or conflicting federal rules with Form N-8B-4.

5. Effect on Small Entities

² See rule 8b-23 under the Act and General Instruction 1 to Form N-8B-4.

Form N-8B-4 must be filed by all face-amount certificate companies, regardless of size. It would not be in the best interest of investors to reduce the reporting and recordkeeping requirements for small entities.

6. Consequences of Less Frequent Collection

Section 8(b) of the Act requires each registered investment company to file a registration statement with the Commission that includes certain information about the company and recites the company's policies on certain significant matters. Absent information collection on Form N-8B-4, face-amount certificate companies would fail to satisfy this legal requirement.

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

The information collection is not conducted in any of the manners set out under 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

Prior to its adoption in 1950, Form N-8B-4 was proposed for public comment. The form was adopted after consideration by the Commission of all views and comments received.

The Commission requested public comment on the collection of information requirements of Form N-8B-4 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 to Respondents

No payment or gift to respondents was provided.

10. Assurance of Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

No questions of a sensitive nature are involved.

12. Estimate of Hour Burden

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms. The information provided on Form N-8B-4 is mandatory. The information provided on Form N-8B-4 will not be kept confidential.

Based on the Commission's experience with Form N-8B-4 and with disclosure documents in general, we estimate that the reporting burden of compliance with Form N-8B-4 is approximately 171 hours per respondent.³ We estimate the total number of respondents for Form N-8B-4 is one. Each registrant files Form N-8B-4 for its initial filing and does not file any post-effective amendment to Form N-8B-4.⁴ Therefore, we estimate the total annual hour burden for this form to be 171 hours (171 burden hours per respondent x 1 respondent x 1 response = 171 total annual burden hours). This has not changed from the current approved annual hour burden estimate for this form.

³ This figure comes from the last OMB information collection approval for this form which occurred in 2008. The form and the burden of compliance has not changed since the last approval. Of the four existing face-amount certificate companies, none has filed a Form N-8B-4 in many years making it difficult to estimate any change in burden hours.

⁴ Pursuant to Section 30(b)(1) of the Act, each respondent keeps its registration statement current through the filing of periodic reports as required by Section 13 of the Securities Exchange Act of 1934 and the rules thereunder. Post-effective amendments are filed with the Commission on the face-amount certificate company's Form S-1. Hence, respondents only file Form N-8B-4 for their initial registration statement and not for post-effective amendments.

Of the 171 hours spent annually for compliance with Form N-8B-4, the Commission estimates that:

- Seventy four percent (127 hours) are spent by compliance attorneys at an estimated hourly wage of \$320, for a total of \$40,640 per year; and
- Twenty six percent (44 hours) are spent by clerical staff at an estimated hourly wage of \$50, for a total of \$2,200 per year.⁵

Thus, the estimated aggregate annual cost of the hour burden for filings on Form N-8B-4 is \$42,840 (\$40,640 + \$2,200).

13. Estimate of Total Annual Cost Burden

The preparation and filing of Form N-8B-4 by face-amount certificate companies will not require any investment in capital equipment. The total cost burden is the cost of services purchased to prepare Form N-8B-4 and does not include the cost of the hour burden discussed in Item 12. The current approved total annualized cost burden of preparing and filing Form N-8B-4 is \$7,500.⁶ Adjusting for the effects of inflation since 2002, we now estimate that the total cost burden is approximately \$9,100 per respondent. Based on our estimate of one respondent for Form N-8B-4, we estimate the total annualized cost burden of preparing and filing Form N-8B-4 is \$9,100. This represents an increase of \$1,600.

⁵ The estimated wage figure is based on published rates for compliance attorneys (\$320) and clerical staff (\$50). The \$320/hour figure for a compliance attorney and \$50/hour figure for clerical staff are from Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2010, modified by Commission's staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead. The estimated wage rate was further based on the estimate that compliance attorneys and clerical staff would be allocated 74% and 26% of the time, respectively, resulting in a weighted wage rate of \$250 $((\$320 \times .74) + (\$50 \times .26))$.

⁶ The total annualized cost burden of preparing and filing Form N-8B-4 is based on the Commission's industry statistics and was derived by comparison of Form N-8B-4 with other disclosure documents. While this figure is provided in the last OMB information collection approval for this form which occurred in 2008, it has not changed since prior OMB information collection approval which occurred in 2002. The form or the burden of compliance has not changed since 2005.

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing registration statements, post-effective amendments, proxy statements, shareholder reports and other filings of investment companies amounted to approximately \$21.3 million in fiscal year 2010, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

As noted in sections 12 and 13 above, the current burden hours for Form N-8B-4 remains unchanged at 171 hours since the last time it was approved. The total annualized cost burden, however, increased by \$1,600 to \$9,100 since the last time it was approved. This increase is due to adjusting the previously approved cost burden estimate for the effects of inflation since 2002.

16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

17. Approval to not Display Expiration Date

We request authorization to omit the expiration date on the electronic version of this form for design and IT project scheduling reasons. The OMB control number will be displayed.

18. Exceptions to Certification Statement

The Commission is not seeking an exception to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.