

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
FORM N-4

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-4 (17 CFR 239.17b and 274.11c) is the form used by insurance company separate accounts organized as unit investment trusts that offer variable annuity contracts to register as investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and/or to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the registration statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) provides for the registration of investment companies. Pursuant to Form N-4, separate accounts organized as unit investment trusts that offer variable annuity contracts provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about a separate account. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to or at the time of sale or delivery of securities.

On October 11, 2017, the Commission issued a release proposing amendments to certain of the Commission’s forms that are used by investment companies, including Form N-4.¹ The Commission proposed amendments to Rule 102 of Regulation S-T to

¹ Investment Company Act Release No. 32858 (Oct. 11, 2017) (the “Proposing Release”).

apply hyperlinking and HyperText Markup Language (“HTML”) format requirements to registrants filing Form N-4 to facilitate access to the Form’s exhibits for investors and other users of the information. Under the proposed amendments, affected registrants would be required to include a hyperlink to each exhibit identified in a filing’s exhibit index, unless the exhibit is filed in paper pursuant to a temporary or continuing hardship exemption under Rule 201 or Rule 202 of Regulation S-T, or pursuant to Rule 311 of Regulation S-T. This requirement would apply to registration statements on Form N-4. Consistent with our rules for operating companies, we are not proposing to require registrants to refile electronically any exhibits filed only in paper. Under the proposed amendments, an electronic filer would also be required to correct an inaccurate or nonfunctioning link or hyperlink to an exhibit.²

In connection with the proposed exhibit hyperlinking requirements, the Commission is also proposing amendments to Rule 105 of Regulation S-T to require investment company registrants to make Form N-4 filings that include exhibits in HTML format. Currently, investment company registrants must submit electronic filings to the Commission using the EDGAR system in either American Standard Code for Information Interchange (“ASCII”) format or HTML format. Because the ASCII format does not support hyperlink functionality, the exhibit hyperlinking requirement would be feasible only if registrants are required to file in HTML. Under the proposed requirement, registrants would be required to file Form N-4 in HTML format. While the affected Form N-4 filings would be required to be filed in HTML pursuant to the proposed amendments to Rule 105, registrants would continue to be permitted to file in ASCII any schedules or forms that are not subject to the exhibit filing requirements, such

² See Proposing Release at footnotes 315-18.

as proxy statements, or other documents included with a filing, such as an exhibit. The proposed amendments are intended to facilitate access to these exhibits for investors and other users of the information.

2. Purpose and Use of the Information Collection

The purpose of Form N-4 is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable filers to provide investors with information necessary to evaluate an investment in a security. This information collection differs significantly from many other federal information collections, which are primarily for the use and benefit of the collecting agency. The information required to be filed with the Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

3. Consideration Given to 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 filings to the Commission electronically. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Form N-4 is required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(i) and (iv)) The public may access filings on EDGAR through the Commission's website (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes a rule or a change in a rule. The requirements of Form N-4 generally are not duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act (5 U.S.C. 601 et seq.), to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for registration statements on Form N-4 do not distinguish between small entities and other registrants. The burden on smaller registrants, however, to prepare and file registration statements may be greater than for larger registrants. This burden includes the cost of producing, printing, filing, and disseminating prospectuses and SAIs. The Commission believes, however, that imposing different requirements on smaller entities would not be consistent with investor protection and the purposes of registration statements. In any event, no small entities currently file registration statements on Form N-4.

6. Consequences of Not Conducting Collection

The purpose of Form N-4 is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable filers to provide investors with information necessary to evaluate an investment in a security. Less frequent filing would be inconsistent with the filing and disclosure requirements of the Securities Act and the Investment Company Act. In addition, if the form were to be filed less

frequently, investors may not be provided with the information necessary to evaluate an investment in a security.

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

Not Applicable.

8. Consultation Outside the Agency

The Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and information 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 proposed amendments before it submitted this request for revision and approval to the OMB. Before adopting the proposed amendments to Form N-4, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements.

9. Payment or Gift

Not Applicable.

10. Confidentiality

Not Applicable.

11. Sensitive Questions

Form N-4 collects Personally Identifiable Information (PII). Records include information on officers, directors, principal shareholders, and certain other persons having a relationship with or transaction with a registrant. The records describe the individual's relationship to a registrant and other relevant material business information

about the individual. The records do not include Social Security Numbers. 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 1/29/2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy..>

12./13. Estimate of Hour and Cost Burden of Information Collection

Form N-4 generally imposes two types of reporting burdens on investment companies: (1) the burden of preparing and filing the initial registration statement; and (2) the burden of preparing and filing post-effective amendments to a previously effective registration statement. Providing the information required by Form N-4 is mandatory. Responses will not be kept confidential. 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 comprehensive or even representative survey or study of the cost of Commission rules and forms.

In our most recent Paperwork Reduction Act submission for Form N-4, Commission staff estimated that the annual compliance burden to comply with the collection of information requirement of Form N-4 was 343,116.75 burden hours, with an estimated internal cost of \$109,282,685, and estimated external cost burden of \$36,308,889.³

The proposed amendments to Form N-4 are expected to increase the burdens and costs for registrants to prepare and file registration statements and reports on the affected

³ These estimates are based on the last time the form's information collection was submitted for PRA renewal in 2015.

forms, but we believe the burdens associated with hyperlinking exhibits would be small.⁴ We assume that the average burden hours of requiring exhibit hyperlinks would vary based on the number of exhibits that are included with a filing. For purposes of the PRA, based on an estimated average and median number of exhibits filed with Form N-4 and the staff's experience, we estimate that the average burden for a registrant to hyperlink to exhibits would be one hour per response for each of the affected forms. As discussed in the Proposing Release, we are not making any adjustments to the paperwork burden of affected forms due to the proposed amendments to simplify and modernize the rules and forms governing incorporation by reference.⁵

The table below shows the total annual compliance burden, in hours and in costs, of the collections of information on Form N-4 resulting from the proposed amendments.⁶ The burden estimates were calculated by multiplying the estimated number of responses by the estimated average amount of time it would take an issuer to prepare and review the exhibit hyperlinks. The portion of the burden carried by outside professionals is reflected as a cost, while the portion of the burden carried by the issuer internally is reflected in hours. For purposes of the PRA, we estimate that 25% of the burden of preparation is carried by the registrant internally and that 75% of the burden of preparation is carried by outside professionals retained by the company at an average cost of \$400 per hour.⁷

⁴ See Proposing Release at Section IV.B.2.c.

⁵ See Proposing Release at Section IV.B.3.b.

⁶ For convenience, the estimated hour and cost burdens in the table have been rounded to the nearest whole number.

⁷ We recognize that the costs of retaining outside professionals may vary depending on the nature of the professional services, but for purposes of this PRA analysis, we estimate that such costs would be an average of \$400 per hour. These estimates are based on our estimates for the parallel requirement for operating companies.

Form	Proposed number of affected responses (A)	Incremental burden hours/form (B)	Total incremental burden hours (C) = (A) × (B)	25% internal burden (D) = (C) × 0.25	75% outside professional (E) = (C) × 0.75	Professional costs (F) = E × \$400
Form N-4	1,653	1	1,653	413	1,240	\$495,999

The figures above reflect our estimated increase of approximately 0.25 internal burden hours per fund. Given an estimated time cost of \$329 per response (based on updated data concerning funds and fund personnel salaries),⁸ we estimate that in the aggregate, registrants will annually incur an additional internal burden of 413 hours⁹ and additional internal time cost of \$142,485¹⁰ to comply with the proposed amendments to Form N-4. We estimate that that with the additional hour burdens and time costs associated with the proposed amendments, the total annual internal burden to comply would be 343,529 burden hours¹¹ and time costs of \$109,418,562¹² for Form N-3.

14. Cost to the Federal Government

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$22.9 million in fiscal year

⁸ This estimate is based on the following calculation: Blended rate for a compliance attorney (\$345) and a senior programmer (\$313) = \$329. The Commission estimates the wage rate associated with these burden hours based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013 (adjusted to account for the effects of inflation).

⁹ This estimate is based on the following calculation: 0.25 internal burden hours x 1,653 responses = 413.25 hours (for convenience, rounded to 413 hours).

¹⁰ This estimate is based on the following calculation: 413 hours x \$329 (blended rate for a compliance attorney (\$345) and a senior programmer (\$313)) = \$135,877.

¹¹ This estimate is based on the following calculation: 343,116.75 (prior hour estimate) + 413 (additional hours) = 343,529.25 hours (rounded to 343,529).

¹² This estimate is based on the following calculation: \$109,282,685 (prior internal cost estimate) + \$135,877 (additional costs) = \$109,418,562.

2016, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Changes in Burden

The total annual hour burden of 343,529 hours represents an approximate increase of 413 hours over the previous burden hour estimate of 343,116.75 hours. In addition, the annual external cost burden of \$36,804,889 represents an increase of \$496,000 over the previous annual external cost burden of \$36,308,889. The changes in internal hour and external cost burdens are due to the staff's estimates of the time and cost burdens that would result from our proposed amendments to Form N-3 regarding hyperlinking.

16. Information Collection Planned for Statistical Purposes

Not Applicable.

17. Approval to Omit OMB Expiration Date

Not Applicable.

18. Exceptions to Certification Statement for Paperwork Reduction Act

Submission

Not Applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not Applicable.