

**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.

**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 (Electronic Data Gathering, Analysis and Retrieval or "EDGAR") is designed to automate 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 Internet Web site (<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)**

None.

**8. Consultation Outside the Agency**

Form N-4 has previously been amended through rulemaking actions pursuant to the Administrative Procedure Act (5 U.S.C. 500 et seq.). Comments are generally received from registrants, trade associations, the legal and accounting professions, and other interested parties. In addition, 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 informal

exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens that may confront the industry. The Commission requested public comment on the Form N-4 collection of information 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**

Not Applicable.

**10. Confidentiality**

Not Applicable.

**11. Sensitive Questions**

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include names, job titles, and work addresses. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. 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. Burden of Information Collection**

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. Providing the information required by Form N-4 is mandatory. Responses will not be kept confidential.

The estimate of the annual number of registration statements filed on Form N-4 is based on the average annual number of filings received by the Commission over the past three years (January 1, 2015 through December 31, 2017). The hour burden estimates for preparing and filing registration statements on Form N-4 is based on past consultations with filers and the Commission's experience with its contents. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the registration statement is performed internally or by outside counsel.

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. The Commission estimates that the burden hours that would be imposed by Form N-4 are as follows:

Calculation of Hour Burden for Initial Form N-4 Filings

• Number of initial Form N-4 filings annually	35
• Average number of portfolios per filing	1
• Number of portfolios in initial Form N-4 filings annually	35
• Current hour burden per portfolio for initial Form N-4 filing	278.5
• Total annual hour burden for initial Form N-4 filings (35 x 278.5)	9,747.5

Calculation of Hour Burden for Post-Effective Amendments

- Number of post-effective amendments filed annually 1,326
- Average number of portfolios per filing 1
- Number of portfolios in post-effective amendments to Form N-4 filings annually 1,326
- Current hour burden per portfolio for post-effective amendments 197.25
- Total annual hour burden for post-effective amendments (1,326 x 197.25) 261,553.5

Total Annual Hour Burden

- Annual hours for initial Form N-4 filings + annual hours for post effective amendments (9,747.5 hours + 261,553.5 hours) 271,301

Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with Form N-4 is approximately \$91,292,786.50.<sup>1</sup>

**Table 1: Summary of Revised Annual Responses, Burden Hours, and Burden Hour Costs for Each Information Collection**

<u>Information Collection</u>	<u>No. of Responses</u>	<u>Burden Hours</u>	<u>Burden Hour Costs</u>
Initial Form N-4 Filings	35	9,747.5	\$870,030
Post-Effective Amendments	1,326	261,553.5	\$31,241,886
<b>Total</b>	<b>1,361</b>	<b>271,301</b>	<b>\$32,111,916</b>

**13. Cost to Respondents**

Cost burden is the cost of goods and services purchased to prepare and update

<sup>1</sup> The cost to the industry is calculated by multiplying the total annual hour burden (271,301 hours) by the estimated hourly wage rate of \$336.50. The estimated wage figure is based on published rates for Compliance Attorneys (\$353) and Senior Programmers (\$320). The \$353/hour figure for a Compliance Attorney and \$320/hour figure for a Senior Programmer are from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission 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 Senior Programmers would divide time equally, resulting in a weighted wage rate of \$336.50 (((\$353 x .50) + (\$320 x .50)).

filings on Form N-4, such as for the services of independent auditors and outside counsel.

The cost burden does not include the cost of the hour burden discussed in Item 12.

Estimates are based on the Commission's experience with the filing of registration forms.

The current estimated annual cost burden for preparing an initial Form N-4 filing is \$24,858 per portfolio and the estimated annual current cost burden for preparing a post-effective amendment filing on Form N-4 is \$23,561 per portfolio.<sup>2</sup> The Commission estimates that, on an annual basis, 35 portfolios will be referenced in initial Form N-4 filings and 1,326 portfolios will be referenced in post-effective amendment filings on Form N-4. Thus, the estimated total annual cost burden allocated to Form N-4 would be \$32,111,916, as follows:

Cost Burden of Preparing and Filing Initial Form N-4

• Cost burden per portfolio for preparing and filing initial Form N-4	\$24,858
• Number of portfolios in initial Form N-4 filings annually	35
• Cost burden of preparing and filing initial Form N-4 (35 x \$24,858)	\$870,030

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<sup>2</sup> The previous cost burden for preparing an initial Form N-4 filing was \$23,013 per portfolio and the previous cost burden for preparing a post-effective amendment to a previously effective registration statement was \$21,813 per portfolio. To account for the effects of inflation since 2015, an inflation rate was applied which was calculated using the Consumer Price Index. (See CPI Inflation Calculator of the Bureau of Labor Statistics found at: [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm).)

Cost Burden of Preparing and Filing Post-Effective Amendments

• Cost burden per portfolio for preparing and filing post-effective amendments	\$23,561
• Number of portfolios in post-effective amendments to Form N-4 filings annually	1,326
• Cost burden of preparing and filing post-effective amendments (1,326 x \$23,561)	\$31,241,886

Total Annual Cost Burden for Form N-4

• Initial Form N-4 + post-effective amendments (\$870,030 + \$31,241,886)	\$32,111,916
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**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 \$22.2 million in fiscal year 2017, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

**15. Changes in Burden**

Currently, the approved total annual hour burden for preparing and filing registration statements on Form N-4 is 343,117 hours and the total annual cost burden allocated to Form N-4 is \$36,308,889. These burdens were based on the previous estimate of 1,653 total annual responses (210 initial responses + 1,443 post-effective amendments). The new estimate of the total annual hour burden is 271,301 hours and the new estimate of the total annual cost burden is \$32,111,916. These new burdens are based on the new estimated total annual number of responses of 1,361 total annual responses (35 initial responses + 1,326 post-effective amendments). The decrease to the total annual hour burden of 71,816 hours and the decrease to the total annual cost burden

of \$4,196,973 are due to a decrease in estimated responses representing initial filings, as well as a decrease in the estimated number of responses representing post-effective amendments.

**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**

The Commission is not seeking approval to not display the expiration date for OMB approval.

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

The collection of information will not employ statistical methods.