

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**FORM N-6**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form N-6 (17 C.F.R. 239.17c and 274.11d) is the form used by insurance company separate accounts organized as unit investment trusts that offer variable life insurance policies 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 statement be effective before any securities are sold, and Section 8 of the Investment Company Act (15 U.S.C. 80a-8) requires a separate account to register as an investment company. Form N-6 also requires separate accounts organized as unit investment trusts that offer variable life insurance policies to provide investors with a prospectus and a statement of additional information (“SAI”) covering essential information about the separate account when it makes an initial or additional offering of its securities. 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 the sale or at the time of confirmation or delivery of the securities.

**2. Purpose and Use of the Information Collection**

The purpose of Form N-6 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 the 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-6 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-6 are not generally 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 the registration statements and shareholder reports do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file registration statements may be greater than for larger funds. This burden includes the cost of producing, printing, filing, and disseminating the prospectuses and SAIs. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of the registration statements.

In any event, no small entities currently file registration statements on Form N-6.

#### **6. Consequences of Not Conducting Collection**

The Investment Company Act requires that insurance company separate accounts make initial filings and file annual amendments to their registration statements on Form N-6. Less frequent collection of the information collected on Form N-6 would mean that current information might not be available for investors in these life insurance policies.

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

None.

#### **8. Consultation Outside the Agency**

Form N-6 has previously been amended through rulemaking actions pursuant to the Administrative Procedures Act. 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. The Commission requested

public comment on the collection of information requirements in Form N-6 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-6 is

mandatory. Responses will not be kept confidential.

The estimate of the annual number of registration statements filed on Form N-6 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-6 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-6 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 imposed by Form N-6 are as follows:

Calculation of Hour Burden of Initial Form N-6 Filings

• Number of initial Form N-6 filings annually	8
• Average number of portfolios per filing	1
• Number of portfolios referenced in initial Form N-6 filings annually	8
• Current hour burden per portfolio for initial Form N-6 filing	770.25
• Total annual hour burden for initial Form N-6 filings (8 portfolios x 770.25 hrs.)	6,162

Calculation of Hour Burden of Post-Effective Amendments

• Number of post-effective amendments filed annually	380
• Average number of portfolios per filing	1
• Number of portfolios in post-effective amendments to Form N-6 annually	380

- Current hour burden per portfolio for preparing post-effective amendments 67.5
- Total annual hour burden to prepare post-effective amendments (380 portfolios x 67.5 hours) 25,650

Total Annual Hour Burden

- Annual hours for initial Form N-6 filings + annual hours for post effective amendments (6,162 hours + 25,650 hours) 31,812

Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with Form N-6 is approximately \$10,704,738.<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-6 Filings	8	6,162	\$209,352
Post-Effective Amendments	380	25,650	\$3,607,340
<b>Total</b>	<b>388</b>	<b>31,812</b>	<b>\$3,816,692</b>

**13. Cost to Respondents**

Cost burden is the cost of services purchased to prepare and update filings on Form N-6, such as for the services of independent auditors and outside counsel. The cost

<sup>1</sup> The cost to the industry is calculated by multiplying the total annual hour burden (31,812 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)).

burden does not include the hour burden discussed in Item 12. Estimates are based on the Commission's experience with the filing of registration forms.

The Commission estimates that the cost burden for preparing an initial Form N-6 filing is \$26,169 per portfolio and the current cost burden for preparing a post-effective amendment to a previously effective registration statement is \$9,493 per portfolio.<sup>2</sup> The Commission estimates that, on an annual basis, 8 portfolios will be referenced in an initial Form N-6 and 380 portfolios will be referenced in a post-effective amendment of Form N-6. Thus, the total cost burden allocated to Form N-6 would be \$3,816,692, as follows:

Cost Burden of Preparing and Filing Initial Form N-6

• Cost burden per portfolio for preparing and filing initial Form N-6	\$26,169
• Number of portfolios filing initial Form N-6 annually	8
• Cost burden of preparing and filing initial Form N-6 (8 portfolios x \$26,169)	\$209,352

Cost Burden of Preparing and Filing Post-Effective Amendments

• Cost burden per portfolio of preparing and filing post-effective amendments	\$9,493
• Number of post-effective annual updates	380
• Cost burden of preparing and filing post-effective amendments (380 portfolios x \$9,493)	\$3,607,340

Total Cost Burden for Form N-6

- Initial Form N-6 + post-effective amendments

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<sup>2</sup> The previous cost burden for preparing an initial Form N-6 filing was \$24,169 per portfolio and the previous cost burden for preparing a post-effective amendment to a previously effective registration statement was \$8,788 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).)

(\$209,352+ \$3,607,340)

\$3,816,692

**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-6 is 85,269 hours and the total annual cost burden allocated to Form N-6 is \$5,316,892. These burdens were based on the previous estimate of 472 total annual responses (76 initial responses + 396 post-effective amendments). The new estimate of the total annual hour burden is 31,812 hours and the new estimate of the total annual cost burden is \$3,816,692. These new burdens are based on the new estimated total annual number of responses of 388 total annual responses (8 initial responses + 380 post-effective amendments). The decrease to the total annual hour burden of 53,457 hours and the decrease to the total annual cost burden of \$1,500,200 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 an exception to the certification statement.

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

The collection of information will not employ statistical methods.