

**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 June 5, 2018, the Commission issued a release adopting new rule 30e-3 under the Investment Company Act and certain amendments to other rules and forms.<sup>1</sup> New

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<sup>1</sup> See Securities Act Release No. 10506 (June 5, 2018) [83 FR 29158 (June 22, 2018)] (“Adopting Release”); *see also* Investment Company Reporting Modernization, Investment Company Act Release No. 31610 (May 20, 2015) [80 FR 33590 (June 12, 2015)] (proposing rule 30e-3 as part of a reporting modernization rulemaking); *but see* Investment Company Reporting Modernization,

rule 30e-3 will provide certain funds and unit investment trusts with an optional method to satisfy shareholder report transmission requirements by making such reports and certain other materials publicly accessible on a website, as long as they satisfy certain other conditions of the rule regarding (a) availability of the report and other materials; (b) notice to investors of the website availability of the report; and (c) delivery of paper copies of materials upon request. In connection with our adoption of rule 30e-3, the Commission is amending certain rules and forms including Form N-4. Form N-4 is amended to require certain legend requirements on the prospectuses and annual and semi-annual reports if relying on rule 30e-3. Responses to the disclosure requirements are not kept confidential.

## **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 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)**

None.

**8. Consultation Outside the Agency**

The Commission requested public comment on the collection requirements for conditioning reliance on rule 30e-3 with requirements to require legends on prospectuses and semi-annual and annual reports before it submitted this request for revision and approval to the Office of Management and Budget. The Commission did not receive comments regarding these collection requirements with respect to Form N-4. 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 staff with a means of ascertaining and acting upon paperwork burdens confronting the industry.

**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./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 the annual compliance burden to comply with the collection

of information requirement of Form N-4 to be 271,301 burden hours and \$32,111,916 in external costs.<sup>2</sup>

Pursuant to the amendments in connection with the rule 30e-3 adoption, we estimate that these funds will incur 1 burden hour for the first summary prospectus, statutory prospectus, or shareholder report reflecting these requirements and 0.5 hours for each additional summary prospectus, statutory prospectus, or annual and semi-annual report reflecting these requirements. These related disclosure requirements will only apply during the extended transition period. In light of the short period during which these additional requirements will be effective and the modest impact they are likely to have on external service providers such as website hosting services, outside counsel and auditors, and printing and mailing services, we do not expect them to result in additional expenses passed on to funds by their service providers in the form of additional external cost burden. Thus, we do not estimate there will be any external costs to comply with these disclosure requirements.

We estimate that there are 1,361 responses on Form N-4 each year.<sup>3</sup> Of this group, we estimate that 1,225 of the responses will be made by funds that will rely on rule 30e-3.<sup>4</sup> Consequently, we estimate that the total annual hour burden associated with the amendments to Form N-4 and relating to statutory prospectuses is 613 hours.<sup>5</sup>

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<sup>2</sup> These estimates are based on the last time the form's information collection was submitted for PRA renewal in 2018.

<sup>3</sup> 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).

<sup>4</sup>  $1,361 \text{ responses} \times 0.9 = 1,225 \text{ responses}$ .

<sup>5</sup>  $1,225 \text{ responses} \times 1 \text{ hour in the first year} = 1,225 \text{ hours}$ .  $1,225 \text{ responses} \times 0.5 \text{ hours in the second year} = 613 \text{ hours}$ .  $1,225 \text{ responses} \times 0 \text{ hours in the third year} = 0 \text{ hours}$ .  $(1,225 + 613 + 0 \text{ hours}) \div 3 \text{ years} = 613 \text{ hours per year on an amortized basis}$ .

We estimate that with the additional hour burdens associated with the amendments the total annual internal burden to comply would be 271,914 burden hours for Form N-4.<sup>6</sup> Based on the Commission’s estimate of 271,914 hours and an estimated wage rate of about \$284 per hour,<sup>7</sup> the total annual cost to registrants of the hour burden for complying with the amendments to Form N-4 is about \$77 million.<sup>8</sup>

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

<b><u>Information Collection</u></b>	<b><u>No. of Responses</u></b>	<b><u>Burden Hours</u></b>	<b><u>Burden Hour Costs</u></b>
Initial Form N-4 Filings	35	9,763	\$870,030
Post-Effective Amendments	1,326	262,151	\$31,241,886
<b>Total</b>	<b>1,361</b>	<b>271,914</b>	<b>\$32,111,916</b>

#### **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**

<sup>6</sup> This estimate is based on the following calculation: 271,301 + 613 = 271,914 hours.

<sup>7</sup> The Commission’s estimate concerning the wage rate is based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association. The estimated wage figure is based on published rates for intermediate accountants and attorneys, modified to account for an 1,800-hour work year; multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead; and adjusted to account for the effects of inflation, yielding effective hourly rates of \$166 and \$401, respectively. See Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013. We estimate that intermediate accountants and attorneys will divide their time equally, yielding an estimated hourly wage rate of \$284. ( $\$166 \text{ per hour for intermediate accountants} + \$401 \text{ per hour for attorneys} \div 2 = \$284 \text{ per hour}$ .)

<sup>8</sup> 271,914 hours per year  $\times$  \$284 per hour = \$77,223,576 per year.

The total annual hour burden of 271,914 hours represents an increase of 613 hours over the previous burden hour estimate of 271,301 hours. In addition, the annual external cost burden of \$32,111,916 has not changed. The changes in burden hours are due to the staff's estimates of the time costs that would result from our amendments to Form N-4 in connection with the adoption of rule 30e-3.

**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.