

**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 the sale, or at the time of confirmation or delivery, of the securities.

On February 9, 2022, the Commission proposed rules related to cybersecurity risk management for registered investment advisers, registered investment companies, and business development companies as well as amendments to certain rules that govern investment adviser and fund disclosures under the Investment Advisers Act of 1940 and

the Investment Company Act.<sup>1</sup> The Commission proposed several amendments to Form N-4 to require a description of any significant fund cybersecurity incident that has occurred in its last two fiscal years, using a structured data language.<sup>2</sup> These amendments are designed to enhance investor protection by ensuring cybersecurity incident-related information is available to increase understanding and insight into a fund’s cybersecurity history.

## **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 Data Gathering, Analysis and Retrieval (“EDGAR”) system automates the filing, processing, and dissemination of full disclosure filings. This automation has increased the speed, accuracy, and availability of

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<sup>1</sup> Cybersecurity Risk Governance and Incident Disclosure, Securities Act Release No. 11028 (Feb. 9, 2022) available at <https://www.sec.gov/rules/proposed/2022/33-11028.pdf> (“Cybersecurity Risk Governance and Incident Disclosure Proposal”).

<sup>2</sup> Although the interactive data filing requirements are included in the instructions to Form N-4, we are separately reflecting the hour and cost burdens for these requirements in the burden estimate for Investment Company Interactive Data (OMB control number 3235-0642) and not in this estimate.

information, generating benefits to investors and financial markets. Form N-4 is required to be filed with the Commission electronically on EDGAR.<sup>3</sup> 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,<sup>4</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The proposed disclosure requirements for registration statements on Form N-1A do not distinguish between small entities and other investment companies. The burden on smaller investment companies of preparing and filing registration statements may be proportionately greater than for larger investment companies. This burden includes the cost of producing, printing, filing, and disseminating prospectuses. 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 statement requirements.

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<sup>3</sup> 17 CFR 232.101(a)(1)(i) and (iv).

<sup>4</sup> 5 U.S.C. 601 et seq.

**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 the security.

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

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

**8. Consultation Outside the Agency**

The Commission and the 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. In addition, the Commission has requested public comment on the proposed amendments to Form N-4, including the collection of information requirements resulting from the proposed amendments. Before adopting these amendments, the Commission will receive and evaluate public comments on the proposed amendments and their associated collection of information requirements.

**9. Payment or Gift**

No payment or gift to respondents was provided.

**10. Confidentiality**

No assurance of confidentiality was provided.

## **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 February 5, 2020, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## **12. Estimate of Hour and Cost 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<sup>5</sup> 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, we estimated for Form N-4 a total aggregate annual hour burden of 292,487 hours, and a total annual aggregate annual external cost burden of \$33,348,866.<sup>6</sup> Compliance with the disclosure requirements of Form N-4 is mandatory, and the responses to the disclosure requirements will not be kept confidential. The table below summarizes our PRA initial

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<sup>5</sup> 44 U.S.C. 3501 et seq.

<sup>6</sup> On October 26, 2021, the Office of Management and Budget approved without change a revision of the currently approved information collection estimate for Form N-4.

and ongoing annual burden estimates associated with the proposed amendments to Form N-4.

*Table 1: Burden Estimates for Initial and Ongoing Registration Statements Filed on Form N-4*

	Internal initial burden hours	Internal annual burden hours <sup>1</sup>	Wage rate <sup>2</sup>	Internal time costs	Annual external cost burden
<b>PROPOSED FORM N-4 ESTIMATES</b>					
			\$356		
Cybersecurity incident disclosures <sup>3</sup>	21 hours	15 hours <sup>4</sup>	(blended rate for compliance attorney and senior programmer)	\$5,340	\$992 <sup>5</sup>
Number of funds		× 418 funds		× 418 funds	× 209 <sup>6</sup>
Total new aggregate annual burden		6,270 hours		\$2,232,120	\$207,328
<b>TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS</b>					
Current aggregate annual burden estimates		+ 292,487 hours			+ \$33,348,866
Revised aggregate annual burden estimates		298,757 hours <sup>7</sup>			\$33,556,194

Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. The Commission's estimates of the relevant wage rates are based on the SIFMA Wage Report. The estimated figures are modified by firm size, employee benefits, overhead, and adjusted to account for the effects of inflation.
3. This estimate represents the average burden for a filer. Filers that experience one or several fund cybersecurity incidents are expected to incur higher burdens.
4. Includes initial burden estimates annualized over a three-year period, plus 8 ongoing annual burden hours. The estimate of 15 hours is based on the following calculation:  $((21 \text{ initial hours} / 3) + 8 \text{ additional ongoing burden hours}) = 15 \text{ hours}$ .
5. This estimated burden is based on the estimated wage rate of \$496/hour, for 2 hours, for outside legal services. The Commission's estimates of the relevant wage rates for external time costs, such as outside legal services, take into account staff experience, a variety of sources including general information websites, and adjustments for inflation.
6. We estimate that 50% of funds will use outside legal services for these collections of information. This estimate takes into account that funds may elect to use outside legal services (along with in-house counsel), based on factors such as fund budget and the fund's standard practices for using outside legal services, as well as personnel availability and expertise.
7. The revised aggregate annual burden estimate from the Cybersecurity Risk Governance and Incident Disclosure Proposal was corrected for this estimate.

### **13. Cost to Respondents**

Cost burden is the cost of goods and services purchased to prepare and amend registration statements on Form N-4, such as for the services of independent auditors and

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

As summarized in Table 1 above, in our most recent Paperwork Reduction Act submission for Form N-4, Commission staff estimated about \$33,348,866 in external cost burden per year. We estimate that the annual cost of outside services associated with these proposed amendments to Form N-4 is approximately \$992 per fund and the total annual external cost burden for the Form N-4 proposed amendments is \$207,328.<sup>7</sup>

#### **14. Cost to the Federal Government**

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$25.7 million in fiscal year 2020, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

#### **15. Change in Burden**

The estimated hourly burden and external cost associated with Form N-4 has increased as follows:

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<sup>7</sup> This estimate is based on the following calculation: 209 funds x \$992 per filing = \$207,328.



*Table 2: Comparison of Current and Revised Burden Hours and External Cost for Registration Statements Filed on Form N-4*

	Annual Time Burden (hours)			External Cost Burden (dollars)		
	Currently Approved	Revised Estimate	Change	Currently Approved	Revised Estimate	Change
<b>Form N-4</b>	292,487	298,757	6,270	\$33,348,866	\$33,556,194	\$207,328

The changes in annual burden hours and external cost burden are due to our proposed amendments to Form N-4 requiring a description of any significant fund cybersecurity incident that has occurred in the fund’s last two fiscal years.

**16. Information Collection Planned for Statistical Purposes**

The results of any information collection will not be published.

**17. Approval to Omit OMB Expiration Date**

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

**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.