

SUPPORTING STATEMENT
Enhanced Disclosures by Certain Investment Advisers and Investment Companies about
Environmental, Social, and Governance Investment Practices
Investment Company Interactive Data

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995 (“PRA”), 44 U.S.C. §3501, *et seq.*

A. JUSTIFICATION

1. CIRCUMSTANCES MAKING THE COLLECTION OF INFORMATION NECESSARY

In the rulemaking proposal for Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices,¹ the Commission proposed to amend certain rules and forms under both the Investment Company Act of 1940 (15 U.S.C. 80a-1 *et seq.*) (“Investment Company Act”) and the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 *et seq.*) (“Advisers Act”) to require registered investment companies, business development companies (“BDCs”), and investment advisers to provide additional information regarding their environmental, social, and governance (“ESG”) investment practices. The proposed amendments would also require funds to file the proposed ESG-related disclosures in a structured format using Inline eXtensible Business Reporting Language (“Inline XBRL”).²

The amendments affect “collection of information” requirements within the meaning of the PRA.³ The titles of the collections of information impacted by the amendments to investment company forms are:

- Form N-2 under the Investment Company Act of 1940 and Securities Act of 1933 (OMB 3235-0026); and
- Investment Company Interactive Data (for Forms N-1A, N-2, N-8B-2, and N-CSR) (OMB No. 3235-0642).

¹ Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices, Release No. IC-34594 (May 25, 2022 [87 FR 36654 (June 16, 2022)]) (“Proposing Release”), available at <https://www.sec.gov/rules/proposed/2022/33-11068.pdf>.

² Inline XBRL allows filers to embed XBRL data directly into a HyperText Markup Language (“HTML”) document, eliminating the need to tag a copy of the information in a separate XBRL exhibit.

³ This supporting statement relates only to the proposed amendments to Form N-2, as well as the proposed amendments that would require funds to use Inline XBRL to tag proposed ESG-related disclosures, which burdens are captured in the collection for Investment Company Interactive Data. Supporting statements will be separately submitted for the proposed amendments that would affect Forms 10-K, S-6, N-1A, N-8B-2, N-CSR, N-CEN, ADV, and rule 30e-1 under the Investment Company Act.

2. PURPOSE AND USE OF THE INFORMATION COLLECTION

Form N-2 (17 CFR 239.14 and 274.11a-1) is the form used by closed-end management investment companies (“registered closed-end funds”) that are not small business investment companies licensed as such by the United States Small Business Administration to register as investment companies under the Investment Company Act, and to offer their shares under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Form N-2 is also used by business development companies (“BDCs”), which are closed-end management investment companies that do not register under the Investment Company Act, but instead elect to be subject to certain provisions of the Investment Company Act pursuant to 15 U.S.C. 80a-2(a)(48), to register and offer their securities under the Securities Act.

The proposed amendments to Form N-2 would require registered closed-end funds and BDCs to disclose certain ESG-related information in Form N-2 registration statements and fund annual reports. The purpose of the proposed amendments is to facilitate enhanced disclosure of ESG-related information to registered closed-end fund and BDC investors in a consistent and comparable manner that would inform and protect fund investors while facilitating further innovation in this evolving area of the asset management industry.

In addition, the proposed amendments would require certain funds to tag the proposed ESG-related disclosures Inline XBRL.⁴ The purpose of these proposed amendments is to make information easier for investors to analyze, and to assist in automating regulatory filings and business information processing. Requiring registrants to use to tag the proposed ESG-related disclosures in Inline XBRL would improve the data’s usefulness, timeliness, and quality, benefiting investors and other market participants, and decrease, over time, the cost of preparing the data for submission to the Commission.

3. CONSIDERATION GIVEN TO INFORMATION TECHNOLOGY

The collection of information requirements of the proposed amendments would be set forth in the respective forms and related rules. The information required by the proposed amendments would be filed electronically with the Commission using the Commission’s Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system, which provides for automated filing, processing, and dissemination of disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Interactive data required by this collection of information is required to be filed with the Commission electronically on EDGAR.

⁴ Funds that would be affected by the proposed requirement to tag ESG-related disclosures include open-end funds that file on Form N-1A, registered closed-end funds and BDCs that file on Form N-2, Unit Investment Trusts (“UITs”) that file on Forms N-8B-2 and S-6; and registered open-end and closed-end funds and UITs that file annual shareholder reports on Form N-CSR. BDCs would have to tag in Inline XBRL any ESG-related information that appears in their annual reports filed on Form 10-K.

4. DUPLICATION

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or a form, or a change in either. The ESG-related disclosures that would be required by the proposed amendments to Form N-2, and the proposed Investment Company Interactive Data requirements generally are not duplicated elsewhere.

The proposed amendments would require ESG-related information in fund filings to be presented in both traditional human-readable (*i.e.*, HTML) and structured (*i.e.*, Inline XBRL) format. When the information is solely in traditional format, it cannot be used as effectively as when also in a structured format that a variety of software applications can recognize and process, enabling efficient automated access to, and processing of, information relevant to fee calculation.

5. REDUCING THE BURDEN 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. Form N-2 must be filed by closed-end funds regardless of size. The burden on smaller funds to prepare and file registration statements may be greater than for larger funds. Similarly, the burden on small funds to prepare and then submit Investment Company Interactive Data may be proportionally greater than for larger registrants. This burden may include the cost of software designed to prepare information in interactive data format and hiring a consultant or filing agent to prepare and file the information in interactive data format. The Commission believes that imposing different requirements on smaller funds would not be consistent with investor protection and the purposes of the registration statements or the Investment Company Interactive Data requirements.

6. CONSEQUENCES OF NOT CONDUCTING COLLECTION

In the absence of the disclosure requirements in Form N-2, investors in registered closed-end funds and publicly-offered BDCs may not receive information necessary to make informed investment decisions, and consumer confidence in the securities industry could be adversely affected. Form N-2 also satisfies Investment Company Act requirements that certain investment companies must register with the Commission before they conduct business. In the absence of a Form N-2 registration statement, registered closed-end funds would not be able to comply with the registration requirements of the Investment Company Act, and registered closed-end funds and BDCs would not be able to offer their shares under the Securities Act.

A registered closed-end fund or publicly-offered BDC must file a registration statement on Form N-2 when making initial or additional offerings of securities under the Securities Act, or when amending its registration statement. Less-frequent collection would mean that information current to a particular offering would not be available to fund investors and the Commission would not have current information to perform its regulatory functions.

7. SPECIAL CIRCUMSTANCES

There are no special circumstances in connection with the proposed amendments.

8. CONSULTATIONS WITH PERSONS OUTSIDE THE AGENCY

Comments on Commission releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, roundtables and meetings.

On May 25, 2022, the Commission issued the Proposing Release soliciting comment on the “collection of information” requirements and associated paperwork burdens of the proposed amendments.⁵ The Commission’s solicitation of public comments included estimating and requesting public comments on updated burden estimates for all information collections under the OMB control numbers specified above (*i.e.*, both changes associated with the rulemaking and other burden updates).

All comments received on the proposal are available at <https://www.sec.gov/comments/s7-17-22/s71722.htm>. The Commission will consider all comments received prior to publishing the final rules as required by 5 CFR 1320.11(f).

9. PAYMENT OR GIFT

No payment or gift has been provided to any respondents.

10. CONFIDENTIALITY

All documents submitted to the Commission under these collections of information are available to the public.

11. SENSITIVE QUESTIONS

No information of a sensitive nature, including social security numbers, will be required under the following collections of information in connection with the amendments to Form N-2. The information collection for Form N-2 collect basic Personally Identifiable Information (“PII”) that may include name, job titles, and work addresses. However, the agency has determined that the information collection does not constitute a system of records 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 these collections 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>.

⁵ See Proposing Release, *supra* note 1.

12./13. ESTIMATES OF HOUR AND COST BURDENS

The paperwork burden estimates associated with the proposed amendments include the burdens attributable to collecting, preparing, reviewing, and retaining records. 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.

Below is the Commission's estimate of the incremental change in internal burden and outside professional cost as a result of the proposed amendments.⁶ These estimates represent the average burden for all registrants, both large and small. In deriving these estimates, the Commission recognizes that the burdens will likely vary among individual registrants based on a number of factors, including the nature of their business.

FORM N-2

Form N-2 is used by closed-end funds to register under the Investment Company Act and to offer their securities under the Securities Act, and by BDCs to register and offer their securities under the Securities Act.

In our most recent Paperwork Reduction Act submission for Form N-2, we estimated for Form N-2 a total annual internal hour burden of 94,627 hours, and a total annual external cost burden of \$6,260,392.⁷

We are proposing to amend Form N-2 to require new ESG-related disclosures in Form N-2 registration statements and fund annual reports. Compliance with Form N-2's disclosure requirements is mandatory, and the responses to the disclosure requirements will not be kept confidential.

Table 1 below summarizes initial and ongoing annual burden estimates associated with the proposed amendments to Form N-2.

⁶ All of the changes in burden stem from the proposed rulemaking, rather than an update of burden estimates not associated with the rulemaking.

⁷ This estimate is based on the last time the rule's information collection was approved. *See* ICR Reference No 202107-3235-015, available at https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202107-3235-015.

TABLE 1: FORM N-2 PRA ESTIMATES

	Initial hours	Annual hours ¹	Wage rate ²	Internal Time Costs	Annual external cost burden
PROPOSED AMENDMENTS TO FORM N-2					
Integration Fund Disclosure					
Proposed fund prospectus	3 hours	2 hours ³	\$356 (blended rate for compliance attorney and senior programmer) ⁴	\$712	\$617.50 ⁵
Total new annual burden per fund		2 hours		\$712	\$617.50
Number of funds		x 598 funds ⁶		x 598 funds ⁶	x 598 funds ⁶
Total new annual burden		1,196 hours		\$425,776	\$369,265
ESG Focused Fund Disclosure					
Proposed fund prospectus	18 hours	12 hours ⁷	\$356 (blended rate for compliance attorney and senior programmer) ⁴	\$4,272	\$4,872 ⁸
Total new annual burden per fund		12 hours		\$4,272	\$4,872
Number of funds		x 14 funds ⁹		x 14 funds ⁹	x 14 funds ⁹
Total new annual burden		168 hours		\$59,808	\$68,208
Total Estimated Burdens for Proposed Amendments		1,364 hours			\$437,473
TOTAL ESTIMATED BURDENS, INCLUDING AMENDMENTS					
Current burden estimates		+94,627 hours			+\$6,260,392
Revised burden estimates		95,991 hours			6,697,865

Notes to Table 1:

1. Includes initial burden estimates annualized over a 3-year period.
2. These PRA estimates assume that the same types of professionals would be involved in satisfying the proposed reporting requirements that we believe otherwise would be involved in complying with this requirement. The Commission's estimates of the relevant wage rates are based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013, modified and modified by Commission staff for 2022 to account for an 1,800 hour work year, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, and adjusted for inflation ("SIFMA Wage Report").
3. Includes initial burden estimates annualized over a three-year period, plus 1 hour of ongoing annual burden hours. The estimate of 2 hours is based on the following calculation: ((3initial hours / 3) + 1 hour of additional ongoing burden hours) = 2 hours.
4. The \$356 wage rate reflects current estimates of the blended hourly rate for an in-house compliance attorney (\$373) and a senior programmer (\$339). \$356 is based on the following calculation: (\$373+\$339)/ 2 = \$356.
5. \$617.5 includes an estimated \$248 for 0.5 hours of outside legal services and an estimated \$369.50 for 0.5 hours of management consultant services.
6. For PRA purposes, we estimate that 80% of all closed-end funds, including BDCs, filing on Form N-2 as of 2021 will incur the burdens associated with the proposed Integration Fund disclosure. We believe this estimate is appropriate because a majority of such funds may be required to incur some burdens to determine whether the proposed disclosure requirements would apply to their investment strategies. Furthermore, we have observed that an increasing number of investment advisers have pledged to consider ESG factors to some extent across all their investment products. However, the actual number of closed-end funds that meet the definition of an Integration Fund may be lower or higher.
7. Includes initial burden estimates annualized over a three-year period, plus 6 hours of ongoing annual burden hours. The estimate of 12 hours is based on the following calculation: ((18 initial hours / 3) + 6 hours of additional ongoing burden hours) = 12 hours.
8. \$4,872 includes an estimated \$1,956 for 4 hours of outside legal services and an estimated \$2,916 for 4 hours of management consultant services.
9. Calculated as follows: 11 ESG Focused Funds + 3 ESG Impact Funds = 14 affected funds.

INVESTMENT COMPANY INTERACTIVE DATA

The Investment Company Interactive Data collection of information references current requirements for registered investment companies and BDCs that must submit to the Commission in Inline XBRL format certain information that is included in fund registration statements, post-effective amendments thereto, prospectuses filed pursuant to Rule 424(b) or Rule 497(c) or (e) under the Securities Act, reports and schedules filed pursuant to the requirements of the Securities Exchange Act of 1934 that are incorporated by reference into a fund's registration statement, and for BDCs, their financial statements, pursuant to specified form and rule requirements.⁸

We are proposing to amend Forms N-1A, N-2, N-8B-2, S-6, and N-CSR, and rules 11 and 405 of Regulation S-T to require that the proposed ESG-related disclosures that certain funds would be providing in their registration statements and annual reports be submitted to the Commission in Inline XBRL.⁹ While funds filing registration statements on Forms N-1A and N-2 already, or soon will, submit certain information using Inline XBRL, the proposed Inline XBRL tagging requirements would represent wholly new burdens for UITs that file on Forms N-8B-2 and S-6, and for most registered funds that file annual reports on Form N-CSR.¹⁰

In our most recent Paperwork Reduction Act submission for Investment Company Interactive Data, we estimated a total aggregate annual hour burden of 252,684 hours, and a total aggregate annual external cost burden of \$15,449,450.¹¹ Compliance with the interactive data requirements is mandatory, and the responses will not be kept confidential.

Table 2 below summarizes initial and ongoing annual burden estimates associated with the proposed amendments to require new ESG-related disclosures in Forms N-1A, N-2, N-8B-2, S-6, and N-CSR to be tagged in Inline XBRL.

⁸ See Interactive Data for Mutual Fund Risk/Return Summary, Release No. IC-28617 (Feb. 11, 2009) [74 FR 7748 (Feb. 19, 2009)] (requiring Form N-1A prospectus risk/return summary information to be submitted in XBRL); Inline XBRL Filing of Tagged Data, Release No. 33-10514 (June 28, 2018) [83 FR 40846 (Aug. 16, 2018)] (requiring Form N-1A prospectus risk/return summary information to be submitted in Inline XBRL, which embeds the tagged information in the document); Variable Annuity and Variable Life Insurance Contracts, Release No. IC-33814 (Mar. 11, 2020) [85 FR 25964 (May 1, 2020)] (requiring specified Form N-3, N-4, and N-6 prospectus items to be submitted in Inline XBRL); Securities Offering Reform for Closed-End Investment Companies, Release No. IC-33836 (Apr. 8, 2020) [85 FR 33290 (June 1, 2020)] (requiring Form N-2 cover page information and specified Form N-2 prospectus items, as well as financial statement information (for BDCs only), to be submitted in Inline XBRL); and Filing Fee Disclosure and Payment Methods Modernization, Release No. 33-10997 (Oct. 13, 2021) [86 FR 70166 (Dec. 9, 2021)] (requiring BDCs and non-interval registered closed-end funds to tag their filing fee exhibits on Forms N-2 and N-14 in Inline XBRL).

⁹ The Investment Company Interactive Data collection of information does not impose any separate burden aside from that described in our discussion of the burden estimates for this collection of information.

¹⁰ BDCs that file annual reports on Form 10-K would also have to tag any proposed ESG-related disclosure that appears in such documents, but that burden is separately accounted for under the Form 10-K PRA submission.

¹¹ This estimate is based on the last time this information collection was approved. See ICR Reference No. 202202-3235-031, available at https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202202-3235-031.

TABLE 2: INVESTMENT COMPANY INTERACTIVE DATA PRA ESTIMATES

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal Time Costs	Annual external cost burden
PROPOSED INTERACTIVE DATA ESTIMATES					
ESG-related disclosure for current XBRL filers ³	2.4 hours	1 hour ⁴	\$356 (blended rate for compliance attorney and senior programmer)	\$356	\$50 ⁵
Number of funds		× 11,920 funds ⁶		× 11,920 funds	× 11,920 funds
ESG-related disclosure for new XBRL filers ⁷	12 hours	5 hours ⁸	\$356 (blended rate for compliance attorney and senior programmer)	\$1,780	\$1000 ⁹
Number of filings		× 9 filings ¹⁰		× 9 filings	× 9 filings
Total Estimated Burdens for Proposed Amendments		11,965 hours¹¹		\$4,259,540¹²	\$605,000¹³
TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
Current aggregate annual burden estimates		+ 252,684 hours			+ \$15,449,450
Revised aggregate annual burden estimates		264,649 hours			\$16,054,450

Notes to Table 2:

1. Includes initial burden estimates annualized over a 3-year period.

2. These PRA estimates assume that the same types of professionals would be involved in satisfying the proposed reporting requirements that we believe otherwise would be involved in complying with this requirement. The Commission's estimates of the relevant wage rates are based on the SIFMA Wage Report.

3. This estimate represents the average burden for a filer on Form N-1A or Form N-2 that is currently subject to interactive data requirements.

4. Includes initial burden estimates annualized over a three-year period, plus 0.20 hour of ongoing annual burden hours. The estimate of 1 hour is based on the following calculation: ((2.4 initial hour /3) + 0.20 hour of additional ongoing burden hours) = 1 hour.

5. We estimate an incremental external cost for filers on Form N-1A and Form N-2 as they already submit certain information using Inline XBRL.

6. The number of funds represents the aggregate number of filings on Forms N-1A and N-2 as of 2021 that staff estimates would be subject to the ESG-related disclosure data tagging requirements.

7. This estimate represents the average burden for a filer on Form N-8B-2 and Form S-6 that is not currently subject to interactive data requirements.

8. Includes initial burden estimates annualized over a three-year period, plus 1 hour of ongoing annual burden hours. The estimate of 5 hours is based on the following calculation: ((12 initial hours /3) + 1 hour of additional ongoing burden hours) = 5 hours.

9. We estimate an external cost for filers on Form N-8B-2 and Form S-6 of \$1,000 to reflect one-time compliance and initial set-up costs. Because these filers have not been previously been subject to Inline XBRL requirements, we estimate that these funds would experience additional burdens related to one time-costs associated with becoming familiar with Inline XBRL reporting. These costs would include, for example, the acquisition of new software or the services of consultants, or the training of staff.

10. We believe that using the number of filings instead of the number of registrants on Form N-8B-2 and Form S-6 would form a more accurate estimate of annual burdens. This estimate is therefore based on the average number of filings made on Form N-8B-2 and Form S-6 from 2020 to 2021. Based on a staff review of filings, we estimate that there would 9 filings that would be subject to the ESG-related disclosure data tagging requirements.

11. 11,965 hours = (11,920 funds x 1 hour) + (9 filings x 5 hours).

12. \$4,259,540 internal time cost = (11,920 funds x \$356) + (9 filings x \$1,780).

13. \$605,000 annual external cost = (11,920 funds x \$50) + (9 filings x \$1,000).

Table 3 below summarizes the requested paperwork burden, including the estimated total reporting burdens and costs, under the proposed amendments.

Table 3. Requested Paperwork Burden under the Proposed Amendments

Form / Col- lection	Current Burden			Incremental Change ¹			Revised (Requested) Burden		
	Current Annual Responses (A)	Current Burden Hours (B)	Current External Cost Burden (C)	No. of Affected / New Responses (D) ²	Increase in Internal Burden Hours (E)	Increase in External Professional Costs (F)	Annual Responses (G) ³	Total New Internal Burden Hours (H) = (B) + (E)	Total New External Cost Burden (I) = (C) + (F)
N-2	298	94,627	\$6,260,392	238	1,364	\$437,473	298	95,991	\$6,697,865
IC Interactive Data	19,817	252,684	\$15,449,450	11,929	11,965	\$605,000	19,826	264,649	\$16,054,450

Notes to Table 3:

¹ See PRA Tables 1 and 2 (Total Estimated Burdens for Proposed Amendments).

² Calculated as follows: 1) 598 funds x 80% = 238 Form N-2 responses; 2) 11,920 funds/filings + 9 new filings = 11,929 Investment Company Interactive Data responses.

³ Calculated as follows: 1) (A) = (G) or 298 Form N-2 responses; 2) (A) 19,817 + 9 UIT responses = 19,826 annual Investment Company Interactive Data responses.

The Commission staff separately estimates that registered closed-end funds and BDCs will incur an incremental increase in internal time costs of \$59,808 to comply with the proposed amendments to Form N-2; and that registered open- and closed-end funds, UITs, and BDCs will incur an incremental increase in internal time costs of \$4,259,540 to tag the proposed ESG-related disclosures in Inline XBRL.¹² These estimates are not included in the external cost burdens associated with outside professionals.

14. COSTS TO FEDERAL GOVERNMENT

The annual cost of reviewing and processing disclosure documents, including registration statements, post-effective amendments, proxy statements, annual reports and other filings of investment companies amounted to \$30 million in fiscal year 2021, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

¹² See PRA Tables 1 and 2 (Internal Time Costs).

15. CHANGE IN BURDEN

The proposed rule and form amendments would require registered open- and closed-end funds, BDCs, and UITs to disclose additional information regarding their ESG investment practices in their registration statements and annual reports, and to tag such disclosures in Inline XBRL. The Commission anticipates that the proposed ESG-related disclosure and corresponding structured data requirements would increase the internal burden hours and external professional costs required to collect, prepare, review, and retain records relating to same, as reflected above in Table 3.

16. INFORMATION COLLECTION PLANNED FOR STATISTICAL PURPOSES

The information collections do not employ statistical methods.

17. APPROVAL TO OMIT OMB EXPIRATION DATE

The Commission requests authorization to omit the expiration date on the electronic version of the forms that would be amended. Including the expiration date on the electronic version of such forms would result in increased costs because the need to make changes to the forms may not follow the application's scheduled version release dates. The OMB control number would be displayed.

18. EXCEPTIONS TO CERTIFICATION FOR PAPERWORK REDUCTION ACT SUBMISSIONS

There are no exceptions to certification for Paperwork Reduction Act submissions.

B. STATISTICAL METHODS

The information collections do not employ statistical methods.