

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Investment Company Interactive Data

A. JUSTIFICATION

1. Necessity for the Information Collection

Certain funds have current requirements to submit to the Commission information included in their registration statements, or information included in or amended by any post-effective amendments to such registration statements, in response to certain form items in structured data language (“Investment Company Interactive Data”). This also includes the requirement for funds to submit interactive data to the Commission for any form of prospectus filed pursuant to 17 CFR 230.497(c) or 17 CFR 230.497(e) under the Securities Act of 1933 (“Securities Act”) [15 U.S.C. 77a et seq.] that includes information in response to certain form items. This collection of information relates to regulations and forms adopted under the Securities Act, and the Investment Company Act of 1940 (“Investment Company Act”) [15 U.S.C. 80a-1 et seq.], that set forth disclosure requirements for funds and other issuers.

On October 26, 2022, the Commission adopted rule and form amendments that require open-end management investment companies (“open-end funds”) to transmit concise and visually engaging annual and semi-annual reports to shareholders that highlight key information that is particularly important for retail investors to assess and monitor their fund investments.¹ The Commission also adopted amendments to Form N-1A, Form N-CSR, and rule 405 of Regulation S-T to require certain new structured data requirements for open-end funds.² Specifically, the final rule and form amendments require open-end funds to tag their shareholder report contents using Inline eXtensible Business Reporting Language or “Inline XBRL.” These requirements will make open-end funds’ shareholder report disclosure more readily available and easily accessible for aggregation, comparison, filtering, and other analysis.

2. Purpose and Use of the Information Collection

The purpose of the Investment Company Interactive Data requirements is to make information easier for investors to analyze, and to assist in automating regulatory filings and business information processing. Certain of the provisions of these requirements contain “collection of information” requirements within the meaning on the Paperwork Reduction Act of 1995 (“Paperwork Reduction Act”).³ Requiring registrants to use Inline XBRL to tag disclosures will improve the data’s usefulness, timeliness, and quality, benefiting investors and other market

¹ See Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements, Investment Company Act Release No. 34731 (Oct. 26, 2022) (“Adopting Release”).

² See Adopting Release at section II.H.

³ 44 U.S.C. 3501 *et seq.*

participants, and to decrease, over time, the cost of preparing the data for submission to the Commission.

3. Consideration Given to Information Technology

The Commission's Electronic Data Gathering, Analysis, and Retrieval system (or "EDGAR") provides for automated filing, processing, and dissemination of full 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. 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 Investment Company Interactive Data requirements generally are not duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.⁴ The burden on small entities 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, however, that imposing different requirements on smaller funds would not be consistent with investor protection and the purposes of the Investment Company Interactive Data requirements.

6. Consequences of Not Conducting Collection

If the specified information were not required in interactive data format, the information would be available through the Commission only as part of a registration statement, post-effective amendment, form of prospectus filing, or periodic report itself. The use of interactive data format assists issuers in automating regulatory filings and business information processing. If interactive data format information were required less frequently, less information would appear in that format and, as a result, the interactive data file requirement would be less likely to facilitate its intended purposes and achieve its expected benefits. Failure to conduct the collection of information that would be required by the proposed amendments could frustrate the Commission's intent to improve the data's quality (benefiting investors, other market participants, and other data users) and to decrease, over time, the cost of preparing the data for submission to the Commission.

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5 U.S.C. 601 *et seq.*

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.

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. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with the Investment Company Interactive Data requirements is mandatory. Responses to the disclosure requirements will not be kept confidential.

The final rule amendments require open-end funds to tag shareholder report contents required by Item 27A of amended Form N-1A in Inline XBRL format. While the requirement to tag the contents of an open-end fund's shareholder report is new, funds subject to this new requirement are otherwise currently required to tag certain disclosures in Inline XBRL format.⁵ The PRA estimates below reflect the fact that the funds affected by the amendments that the

⁵ See Adopting Release, at footnotes 571 and 572 and accompanying text, discussing Inline XBRL requirements for open-end funds.

Adopting Release addresses are familiar with Inline XBRL and will have more limited implementation costs than would be estimated for funds tagging disclosure for the first time.

In our most recent PRA 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. The table below summarizes our estimates associated with the interactive data amendments that the Adopting Release addresses.

**Table 1: Summary of Burden Hour and Burden Cost Estimates
for Investment Company Interactive Data**

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
Shareholder report pursuant to Item 27A of amended Form N-1A for current XBRL filers	18 hours	6 hours ³	\$381 (blended rate for compliance attorney and senior programmer)	\$2,286	\$50 ⁴
Number of funds		x 11,840 open- end funds ⁵		x 11,840 open- end funds	x 11,840 open- end funds
Total new aggregate annual burden		71,040 hours ⁶		\$27,066,240 ⁷	\$592,000 ⁸
Total Estimated Burdens Including Amendments					
Current aggregate annual burden estimates		+252,684 hours			+\$15,449,450
Revised aggregate annual burden estimates		323,724 hours			\$16,041,450

Notes

1. Includes initial burden estimates annualized over a 3-year period.
2. These PRA estimates assume the same types of professionals would be involved in satisfying the final rules' interactive data requirements that we believe otherwise would be involved in complying with similar requirements. 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. The estimated figures are modified by firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. *See* Securities Industry and Financial Markets Association, Report on Management & Professional Earnings in the Securities Industry 2013.
3. Includes initial burden estimates annualized over a three-year period. The estimate is based on 18 initial hours (12 hours for the annual report + 6 hours for the semi-annual report). The estimate of 6 hours is based on the following calculation: ((18 initial hours / 3) = 6 hours).
4. We estimate an incremental external cost for filers on Form N-1A, as they already submit certain information using Inline XBRL.
5. Includes all open-end funds, including ETFs, registered on Form N-1A.
6. 71,040 hours = (11,840 funds x 6 hours). We estimate no ongoing burden, as this is already incorporated into the current burden estimate for funds that are complying with requirements to tag disclosures using Inline XBRL, and this estimation approach is consistent with other similar PRA estimates. *See* Adopting Release at footnote 730.

7. \$27,066,240 internal time cost = (11,840 funds x \$2,286).
8. \$592,000 annual external cost = (11,840 funds x \$50).

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to comply with the Investment Company Interactive Data requirements, such as for software or the services of consultants or filing agents. The cost burden does not include the cost of the hour burden discussed in Item 12 above.

As summarized in Table 1 above, in our most recent Paperwork Reduction Act submission for Investment Company Interactive Data, Commission staff estimated \$15,449,450 in external cost burden per year. We estimate that the annual cost of outside services associated with the interactive data amendments that the Adopting Release addresses will be \$592,000, and therefore the revised external cost burden will be \$16,041,450.

14. Costs to 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 \$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.

15. Change in Burden

The estimated hourly burden and external cost associated with Investment Company Interactive Data has increased as follows:

Table 2: Comparison of Current and Revised Burden Hours and External Cost for Investment Company Interactive Data

	Annual Time Burden (hours)			External Cost Burden (dollars)		
	Currently Approved	Revised Estimate	Change	Currently Approved	Revised Estimate	Change
<i>Investment Company Interactive Data</i>	252,684 hours	323,724 hours	71,040 hours	\$15,449,450	\$16,041,450	\$592,000

The changes in annual burden hours and external cost burden are due to the final interactive data amendments that the Adopting Release addresses.

16. Information Collection Planned for Statistical Purposes

The information collections do not employ statistical methods.

17. Approval to Omit OMB Expiration Date

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

18. Exceptions to Certification for Paperwork Reduction Act Submissions

The Commission is not seeking an exception to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The information collections do not employ statistical methods.