

SUPPORTING STATEMENT
Voluntary XBRL-Related Documents

A. JUSTIFICATION

1. Necessity for the Information Collection

For the past several years, the Commission has been evaluating the expanded use of interactive data tagging as a tool to improve the timeliness and accessibility of the information contained in filings with the Commission under the federal securities laws. As part of our evaluation of the potential of interactive data tagging technology, the Commission adopted rules in 2005 instituting a program that permits filers, including investment companies, to submit on a voluntary basis specified, financial statement disclosure tagged in eXtensible Business Reporting Language, or XBRL, format as an exhibit to certain filings on the Commission’s Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”).¹ The current voluntary program permits any registrant to participate merely by submitting a tagged exhibit in the required manner. These exhibits are publicly available but are considered furnished rather than filed. The Commission adopted the voluntary program to help evaluate the usefulness of data tagging and XBRL to registrants, investors, the Commission, and the marketplace.² The title for the information collected in these exhibits is “Voluntary XBRL-Related Documents.”

Shortly after instituting the voluntary program in early 2005, the Commission began receiving submissions, and in 2006, the Commission announced an interactive data test group under the voluntary program, in which companies voluntarily agree to furnish financial data in a tagged format for at least one year and provide feedback on their experiences, including the costs

¹ Securities Act Release No. 8529 (Feb. 3, 2005) [70 FR 6556 (Feb. 8, 2005)] (“XBRL Adopting Release”). See also Securities Act Release No. 8496 (Sept. 27, 2004) [69 FR 59094 (Oct. 1, 2004)] (“XBRL Proposing Release”); Securities Act Release No. 8497 (Sept. 27, 2004) [69 FR 59111 (Oct. 1, 2004)] (concept release soliciting comment on data tagging).

² XBRL Adopting Release, supra note Error: Reference source not found, 70 FR at 6556.

and benefits.³ To date, more than 35 companies have made approximately 125 submissions under the voluntary program. Two dozen of these companies, representing more than \$1 trillion of market value, have joined the test group. The Commission staff has taken into account certain feedback received from participants in the voluntary program in generating the present cost and burden estimates.⁴

The proposed amendments would extend the current voluntary program to enable open-end management investment companies (“mutual funds”) to submit tagged information contained in the risk/return summary section of their prospectuses on EDGAR as exhibits to filings on Form N-1A, their registration form.⁵ As a result, we are increasing our estimates of the burden associated with the existing collection of information associated with Voluntary XBRL-Related Documents.

Exploring the tagging of the information in the risk/return summary section of mutual fund prospectuses is an important next step in our interactive data program. Tagging of key

³ The Commission announced that its staff would offer expedited reviews of registration statements or annual reports to companies that volunteered for the test group. SEC Offers Incentives for Companies to File Financial Reports with Interactive Data, Securities and Exchange Commission Press Release, Jan. 11, 2006, available at: <http://www.sec.gov/news/press/2006-7.htm>. For more information about the Commission’s interactive data initiatives, see the Commission Web page “Spotlight On: Interactive Data and XBRL Initiatives” available at: <http://www.sec.gov/spotlight/xbml.htm>.

⁴ See infra note Error: Reference source not found.

⁵ Data tagging uses standard definitions (or data tags) to translate text-based information into data that is interactive, that is, data that can be retrieved, searched, and analyzed through automated means. Tags are standardized through the development of taxonomies, which are essentially data dictionaries that describe individual items of information and mathematical and definitional relationships among the items. In March 2006, the Investment Company Institute (the “ICI”), a national association of the American investment company industry, announced an initiative to create a taxonomy to cover the risk/return summary information in the prospectus. The proposed amendments to the voluntary program would, if adopted, permit mutual funds to tag the information in the risk/return summary section of their prospectuses using the taxonomy developed by the ICI.

mutual fund information could help to streamline the delivery of mutual fund information and provide investors, analysts, and others with improved tools to compare funds based upon, among other things, costs, investment objectives, strategies, and risks. In addition, the risk/return summary information is largely narrative in format, and exploring the viability of tagging this information will provide the Commission with valuable insights as we assess the potential for tagging other primarily narrative information.

2. Purpose of the Information Collection

The purpose of the proposed amendments is to help us evaluate the usefulness to investors, third-party analysts, mutual funds, the Commission, and the marketplace of data tagging and, in particular, of tagging mutual fund information. We believe the proposed expanded voluntary program would enable the Commission to further study the extent to which interactive data tags enhance the comparability of that data, the usefulness of data tags for dissemination, and our staff's ability to review and assess the accuracy and adequacy of that data. The proposed expanded voluntary program would also help the Commission assess the effect of interactive data tags on the quality and transparency of risk/return summary information, as well as the compatibility of data tagging with the Commission's disclosure requirements.

3. Role of Improved Information Technology

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. Responses under the voluntary program are submitted to the Commission electronically on EDGAR. (17 CFR 232.401). The public may access submissions 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. Efforts to Identify 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. Given that this collection of information pertains to a voluntary program, the requirements of the program are unique.

5. Effect on Small Entities

The voluntary program, including the extension to cover risk/return summary information, may have an impact on small entities that choose to participate. The voluntary program does not distinguish between small entities and other participants. Given that the proposed reporting program is voluntary, only entities with sufficient resources would be likely to elect to participate. 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.

6. Consequences of Less Frequent Collection

Not Applicable.

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

Not Applicable.

8. Consultation Outside the Agency

This proposal is subject to a 30-day public comment period. We received comments on the proposal to set up the current voluntary program from registrants, trade associations, the legal and accounting professions, software companies, 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.

9. Payment or Gift to Respondents

Not Applicable.⁶

10. Assurance of Confidentiality

Not Applicable.

11. Sensitive Questions

Not Applicable.

12. Estimate of Hour Burden

The proposed extension of the voluntary program would be open to any mutual fund choosing to participate. We estimate that 10% of the 545 fund complexes that have mutual funds, or 55 fund complexes, would each submit documents containing tagged risk/return summary information for one mutual fund.⁷ This estimate is higher than the number of mutual funds participating in the current voluntary program. However, we believe that additional mutual funds will participate in the proposed expanded voluntary program.⁸

Submission of tagged risk/return summary information would not directly affect the burden of preparing the mutual funds' registration statements or the registrants' official EDGAR

⁶ See, however, the discussion regarding the test group under the voluntary program and expedited reviews, supra note Error: Reference source not found and accompanying text.

⁷ In the case of a mutual fund with multiple series, our estimate treats each series as a separate mutual fund.

⁸ The ICI has stated that it will launch an educational effort to encourage mutual funds to use the risk/return summary taxonomy to tag the information in their EDGAR filings. ICI Details Project to Extend XBRL to Key Investor Information, Investment Company Institute Press Release, June 12, 2006, available at: http://www.ici.org/statements/nr/06_news_xbrl.html#TopOfPage.

filings. In order to provide tagged risk/return summary information, a participating mutual fund would have to tag the risk/return summary section of its prospectus using the risk/return summary taxonomy and potentially develop taxonomy extensions⁹ and would submit exhibits to its filing. Based on our previous estimates and our experience with registrants who have submitted tagged financial information in the current voluntary program, we estimate that the initial creation of tagged documents containing risk/return summary information would require, on average, approximately 110 burden hours per mutual fund,¹⁰ and the creation of such tagged documents in subsequent years would require an average 10 burden hours per mutual fund.¹¹ Because the PRA estimates represent the average burden over a three-year period, we estimate

⁹ Extensions to a standard taxonomy are additional tags defined by a particular user that further refine the tags contained in the standard taxonomy. We expect that mutual funds will be permitted to submit extensions to the standard risk/return summary taxonomy.

¹⁰ In the current voluntary program, we estimated that an initial set of submissions would require an average of 130 burden hours, 75% of which (or 97.5 hours) represents the internal burden hour estimate. See XBRL Adopting Release, *supra* note Error: Reference source not found, at 70 FR 6563; XBRL Proposing Release, *supra* note Error: Reference source not found, 69 FR at 59101. Based upon our experience with filers who have submitted tagged financial information in the current voluntary program, we believe that this burden estimate for submitting an initial set of submissions may have been too high. See, e.g., Indra K. Nooyi, Chief Executive Officer, PepsiCo, Inc., Webcast Archive of October 3 Interactive Data Roundtable, Oct. 3, 2006, available at: <http://www.connectlive.com/events/secinteractivedata100306/> (initial submission in voluntary program required approximately 60 to 80 total labor hours); John Stantial, Director of Financial Reporting, United Technologies Corporation, Transcript of June 12 Interactive Data Roundtable, June 12, 2006, available at: <http://www.sec.gov/spotlight/xbrl/xbrlofficialtranscript0606.pdf> at 160 (initial submission in voluntary program required about 80 hours of effort). We, therefore, estimate that the initial creation of tagged documents containing risk/return summary information would require, on average, approximately 110 burden hours per mutual fund, 75% of which (or 82.5 hours) represents the internal burden hour estimate. These estimates more closely approximate the experience of filers in the current voluntary program.

¹¹ In the current voluntary program, we estimated that each set of submissions, after the initial set, would take 10 burden hours. See XBRL Adopting Release, *supra* note Error: Reference source not found, at 70 FR 6563; XBRL Proposing Release, *supra* note Error: Reference source not found, 69 FR at 59101. We continue to believe that this estimate is appropriate.

the average hour burden for the submission of tagged documents containing risk/return summary information for one mutual fund to be approximately 43 hours.¹²

Based on the estimates of 55 participants submitting tagged documents containing risk/return summary information for one mutual fund per year and incurring 43 hours per submission, we estimate that, in the aggregate, the industry would incur an additional 2,365 burden hours associated with the proposed amendments.¹³ We further estimate that 75% of this burden increase, or approximately 1,774 hours, would be borne internally by the mutual fund complex. We estimate that this internal burden increase converted to dollars would amount to approximately \$384,958.¹⁴

The current approved estimated annual burden associated with Voluntary XBRL-Related Documents is 4,800 hours. Accordingly, we now estimate the total annual hour burden associated with Voluntary XBRL-Related Documents, including the proposed risk/return summary information, to be 6,574 hours.¹⁵

13. Estimate of Total Annual Cost Burden

¹² (110 hours in the first year + 10 hours in the second year + 10 hours in the third year) ÷ 3 years = 43 hours. While the PRA requires an estimate based on a hypothetical three years of participation, a registrant could participate in the expanded voluntary program by submitting tagged risk/return summary information over a shorter period or even just once as the registrant chooses.

¹³ 55 documents per year x 43 hours per submission = 2,365 hours.

¹⁴ This cost increase is estimated by multiplying the increase in annual internal hour burden (1,774) by the estimated hourly wage rate of \$217.00. The estimated wage figure is based on published rates for compliance attorneys and programmer analysts outside New York City, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$271 and \$199, respectively. See Securities Industry Association, Report on Management & Professional Earnings in the Securities Industry 2005 (Sept. 2005) (“SIA Report”). The estimated wage rate was further based on the estimate that compliance attorneys would account for one quarter of the hours worked and senior system analysts would account for the remaining three quarters, resulting in a weighted wage rate of \$217.00 (((\$271 x .25) + (\$199 x .75)).

¹⁵ 4,800 hours for the current voluntary program + 1,774 hours from the proposed amendments = 6,574 hours.

Cost burden is the cost of goods and services purchased associated with Voluntary XBRL-Related Documents, such as for the services of outside counsel and accountants. The cost burden does not include the hour burden discussed in Item 12. Estimates are based on the Commission's experience with the current voluntary program.

We estimate that 25% of the total hour burden, or approximately 591 hours,¹⁶ would be outsourced to external professionals and consultants retained by the mutual fund complex at an average cost of \$266.25 per hour for a total annual increase of approximately \$157,354.¹⁷ In addition, it is our understanding that many participants would also have annual software licensing costs. We estimate that the cost of licensing software would be \$333 per participant per year, for a total annual increase of \$18,315.¹⁸ Altogether the total annual increase in external costs related to the proposed amendment would be \$175,669.¹⁹

¹⁶ See supra note Error: Reference source not found.

¹⁷ 591 hours x \$266.25 per hour = \$157,354. The estimated wage figure is based on published rates for attorneys and senior programmers outside New York City, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, yielding effective hourly rates of \$312 and \$251, respectively. See SIA Report, supra note Error: Reference source not found. The estimated wage rate was further based on the estimate that attorneys would account for one quarter of the hours worked and senior programmers would account for the remaining three quarters, resulting in a weighted wage rate of \$266.25 (((\$312 x .25) + (\$251 x .75)).

¹⁸ \$333 per participant x 55 participants = \$18,315. The estimated annual cost of the software comes from our previous voluntary program estimate PRA. See XBRL Adopting Release, supra note Error: Reference source not found, at 70 FR 6563 and n. 113. That estimate was based on our discussions with software providers and others familiar with XBRL. We estimated that the cost of licensing software would range from \$200 to \$3,000 each year, with the majority of companies licensing less complex software in the \$200 to \$500 range. We set our software cost estimate at \$500, which is the highest cost for the simpler XBRL software license, and we assumed that the first year license fee would be waived (based upon our understanding that software providers indicated that they would provide these products for free in the initial stages of the voluntary program). Because the PRA estimates represent the average burden over a three-year period, we estimated the average burden for software license costs to be \$333 per year. Id.

¹⁹ This annual total consists of \$157,354 in outside professional costs plus \$18,315 in software costs.

The current estimated external cost burden associated with Voluntary XBRL-Related Documents is \$507,000. Thus, the new estimate of the total annual external costs, including the proposed amendment, is \$682,669.²⁰

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing new registration statements, and post-effective amendments of investment companies amounted to approximately \$16.8 million in fiscal year 2006, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

Currently, the approved annual hour burden associated with Voluntary XBRL-Related Documents is 4,800 hours. The new estimate of the total annual hour burden is 6,574 hours. The increase in the total annual hour burden is 1,774 hours. This increase is due to the additional burden resulting from the responses associated with the proposed risk/return summary information rule amendments discussed above.

16. Information Collection Planned for Statistical Purposes

Not Applicable.

17. Approval to not Display Expiration Date

Not Applicable.

18. Exceptions to Certification Statement

Not Applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not Applicable.

²⁰ \$507,000 for the current voluntary program + \$175,669 associated with the proposed amendments = \$682,669.