

## **SUPPORTING STATEMENT FOR INTERACTIVE DATA**

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

### **A. JUSTIFICATION**

#### **1 & 2. Necessity for and Purposes of the Information Collection**

We are proposing a collection of information entitled “Interactive Data” with the purpose of making financial information easier for investors to analyze and assisting issuers in automating regulatory filings and business information processing.<sup>1</sup>

For the past several years, the Commission has been evaluating the use of interactive data tagging as a tool to improve the timeliness and accessibility of the information contained in electronic filings with the Commission under the federal securities laws.<sup>2</sup> 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”).<sup>3</sup> In 2007, we extended the program to enable mutual funds voluntarily to submit in XBRL format supplemental information contained

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<sup>1</sup> Securities Act Release No. 8924 (May 30, 2008) (73 FR 32794 (June 10, 2008)) (“Interactive Data Proposing Release”).

<sup>2</sup> 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.

<sup>3</sup> 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)); Securities Act Release No. 8497 (Sept. 27, 2004) [69 FR 59111 (Oct. 1, 2004)] (concept release soliciting comment on data tagging).

in the risk/return summary section of their prospectuses.<sup>4</sup> 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.<sup>5</sup> 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 and benefits.<sup>6</sup> To date, over 75 companies have made submissions under the voluntary program and over 20 of these companies responded to a voluntary questionnaire on their experience.<sup>7</sup>

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<sup>4</sup> Securities Act Release No. 8823 (July 11, 2007) (72 FR 39290 (July 17, 2007)).

<sup>5</sup> XBRL Adopting Release, *supra* note Error: Reference source not found, 70 FR at 6556.

<sup>6</sup> 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>.

<sup>7</sup> We anticipate that the voluntary program would be modified, if the proposed collection of information were adopted, to limit participation to companies that are registered under the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.], business development companies and other entities that report under the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.] and prepare their financial statements in accordance with Article 6 of Regulation S-X [17 CFR 210.1-01 et seq.]. We also anticipate that at a later time these entities only would be permitted to submit financial statement and portfolio holdings information under the voluntary program. See Interactive Data Proposing Release and Securities Act Release No. 8929 (June 10, 2008) (73 FR 35442) (June 23, 2008)) (proposing a separate collection of information that would require mutual funds to provide risk/return summary information in XBRL format).

The proposed collection of information builds on experience with the voluntary program and would require that companies provide specified financial information to the Commission and post it on their corporate Web sites, if any, in XBRL format. The specified financial information already is and would continue to be required to be submitted to the Commission in traditional format under existing requirements. We believe that the proposed rules would enable investors and others to search and analyze the financial information dynamically; facilitate comparison of financial and business performance across issuers, reporting periods and industries; and, possibly, provide a significant opportunity to automate regulatory filings and business information processing with the potential to increase the speed, accuracy, and usability of financial disclosure. We also believe that the proposals may lead to more efficient capital formation and allocation.

### **3. Role of Improved Information Technology**

EDGAR is designed to automate the filing, processing and dissemination of information filed with the Commission. 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 proposed collection of information would be submitted to the Commission electronically on EDGAR and posted on the filer's corporate Web site, if any, in XBRL format. The public may access submissions on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located in the Commission's public reference rooms.

### **4. Efforts to Identify Duplication**

The proposed collection of information would require in interactive data format some of the same financial information that already is and would continue to be required to be submitted to the Commission in traditional format under existing requirements. When the information is in traditional format it cannot be used as effectively as when in an interactive data format that a variety of software applications can recognize and process. Interactive data format facilitates making financial information easier for investors to analyze and assisting issuers in automating regulatory filings and business information processing.

#### **5. Effect on Small Entities**

EDGAR is designed to provide all issuers, including small entities, with greater efficiencies in filing information with the Commission.

Required electronic submission of interactive data on EDGAR would impose some costs on all issuers that submit interactive data, including those that are small entities. Small entities would not, however, be subject to the proposed requirements until the third year of the phase-in and, as all other issuers, would not be required to tag in detail the footnotes and schedules to their financial statements until their second year subject to the requirements and would have a 30-day grace period to make their initial interactive data submission and a 30-day grace period to make their initial interactive data submission when required to tag in detail the footnotes and schedules to financial statements..

## **6. Consequences of Less Frequent Collection**

If the proposed collection were not conducted, the information it would require in interactive data format would be available through the Commission only in the traditional format that cannot be used as effectively as interactive data format to facilitate making financial information easier for investors to analyze and assisting issuers in automating regulatory filings and business information processing. If the proposed collection were conducted less frequently, it would apply to less information and, as a result, would be less likely to facilitate its intended purposes and achieve its expected benefits.

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

Not Applicable.

## **8. Consultation Outside the Agency**

The Interactive Data Proposing Release solicits comments on the proposed collection of information in general and on the expected Paperwork Reduction Act effects in particular. The comment period ends on August 1, 2008 and, to date, we have received only one comment directly related to the proposed collection of information's expected Paperwork Reduction Act effects. The commenter addresses one component of our internal burden hour estimate and estimates that it would incur a somewhat lower burden. We do not find this comment to be reason to adjust our internal burden hour estimate at this time, however, because the commenter addressed only one component of that estimate and may not be representative of the average respondent to which our estimate is directed. We intend to consider this comment further in light of any additional comments we receive on our internal burden hour estimate. We received comments on the proposal to set up the voluntary program from issuers, trade associations, the legal and accounting professions, software companies and other interested parties. We also

received questionnaire responses from some participants in the voluntary program. Finally, the Commission and staff participate in an ongoing dialogue with persons and entities involved in data tagging through public conferences, meetings, and informal exchanges.

**9. Payment or Gift to Respondents**

Not Applicable.

**10. Assurance of Confidentiality**

Not Applicable.

**11. Sensitive Questions**

Not Applicable.

**12. Estimate of Respondent Hour Burden**

We estimate that over the first three years under the proposed collection of information, an average of 4708 respondents per year will each submit an average of 4.6 responses per year at an average internal burden of 54 hours per response<sup>8</sup> for a total average of 21,657 responses per year and a total average annual internal burden of 1,169,478 hours.<sup>9</sup> We estimate that in the fifth year under the proposed collection of information, 11,893 respondents will each submit an average of 4.7 responses at an average internal burden of 67 hours per response for a total of 55,897 responses and a total internal burden of 3,745,099 hours.<sup>10</sup> Our estimates of the number

<sup>8</sup> We include in the number of responses those that present information contained in both initial filings and amended filings. We estimate, however, that the burden incurred in connection with a response that presents information contained in an amended filing would be one half the burden that would be incurred in connection with a response that presents information contained in an initial filing. We believe that a response related to an amended filing typically could be based on a previously prepared response related to the initial filing being amended and, as a result, would require less effort.

<sup>9</sup> This estimate of the total average annual internal burden of 1,169,478 hours exceeds by 4788 hours (.4%) the estimate of the total average internal annual burden of 1,164,690 we provided in the Interactive Data Proposing Release due to rounding in this Supporting Statement in a manner consistent with the rounding required in connection with submitting to Paperwork Reduction Act applications to OMB.

<sup>10</sup> By the fifth year under the proposed requirements, filers to be phased in generally will have been subject to the proposed requirements for at least two years. As a result, filers generally would incur burdens applicable to interactive data filings made after the first filing in which the filer detail tagged

of respondents and responses are based on the number of issuers that have filed in the past the type of information that would be subject to the proposed collection of information requirement and the frequency with which they have filed it. Our estimates of the internal burden hours are based on voluntary filer participant questionnaire results in regard to a respondent's face financial statements and based on qualitative assessments of time in regard to financial statement footnotes and schedules.

### **13. Estimate of Total Annualized Non-Hour Cost Burden**

We estimate that over the first three years under the proposed collection of information the total average annual non-hour cost burden will be \$129 million. We estimate that in the fifth year under the proposed collection of information, the total non-hour cost burden will be \$330.9 million. Our estimate of the non-hour cost burden is based on voluntary filer participant questionnaire results.

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

The annual cost of reviewing and processing registration statements and periodic reports that directly or indirectly contain in traditional format the financial information the proposed collection of information would require in interactive data format amounted to approximately \$82.1 million in fiscal year 2007, 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**

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footnotes and schedules. We provide an estimate of the burden in the fifth year under the proposed requirements because we believe the burden in the fifth year may help indicate what the burden would be under the proposed requirements on an ongoing basis. This estimate of the total internal burden in the fifth year of 3,745,099 hours exceeds by 1416 hours (.04%) the estimate of the total internal burden in the fifth year of 3,743,683 hours we provided in the Interactive Data Proposing Release due to rounding in this Supporting Statement in a manner consistent with the rounding required in connection with submitting Paperwork Reduction Act applications to OMB.

The proposed collection of information would be a new collection of information and, as a result, create a new burden.

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

Not Applicable.

**17. Explanation as to Why Expiration Date Will Not Be Displayed**

Not Applicable.

**18. Exceptions to Certification**

Not Applicable.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not Applicable.