

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**INLINE XBRL FILING OF TAGGED DATA PROPOSED AMENDMENTS**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Open-end management investment companies (“mutual funds” or “funds”) are currently required to submit to the Commission information included in their registration statements, or information included in or amended by post-effective amendments thereto, in response to Items 2, 3, and 4 (“risk/return summary information”) of Form N-1A (OMB Control No. 3235-0307)<sup>1</sup> in interactive data format and to post it on their websites, if any, in interactive data form. In addition, funds are required to submit an interactive data file to the Commission for any form of prospectus filed pursuant to rule 497(c) or (e)<sup>2</sup> under the Securities Act of 1933 (“Securities Act”)<sup>3</sup> that includes risk/return summary information that varies from the registration statement and to post the interactive data file on their websites, if any. The aforementioned risk/return summary information is also required to be submitted to the Commission as part of the registration statement, post-effective amendment, or form of prospectus filing itself.

In Release No. 33-10323,<sup>4</sup> the Commission proposed amendments to require use of the “Inline XBRL” format for the submission of mutual fund risk/return summary information using the machine-readable (*i.e.*, interactive) eXtensible Business Reporting Language (XBRL) format

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<sup>1</sup> 17 CFR 239.15A and 274.11A.

<sup>2</sup> 17 CFR 230.497.

<sup>3</sup> 15 U.S.C. 77a *et seq.*

<sup>4</sup> *Inline XBRL Filing of Tagged Data*, Release No. 33-10323 (March 1, 2017) [82 FR 14282 (March 17, 2017)].

in interactive data files.<sup>5</sup> These proposed amendments would require filers, on a phased in basis, to embed part of the interactive data file within an HTML document using Inline XBRL and include the rest in an exhibit to that document. The proposed amendments would also eliminate the requirement for filers to post Interactive Data Files on their websites and change the timing of submission of risk/return summary information in XBRL.

The proposed amendments contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995 (“PRA”). The title of the collection of information impacted by the proposed amendments relating to mutual funds is “Mutual Fund Interactive Data” (OMB Control No. 3235-0642).<sup>6</sup> This collection of information relates to regulations and forms adopted under the Securities Act, the Securities Exchange Act of 1934,<sup>7</sup> and the Investment Company Act of 1940 (“Investment Company Act”)<sup>8</sup> that set forth disclosure requirements for funds and other issuers. Form N-1A is used by funds to register under the Investment Company Act and to offer their securities under the Securities Act. The information required by this collection of information corresponds to the risk/return summary information required by Form N-1A and is required to appear in exhibits to registration statements on Form N-1A and rule 497 submissions, and on fund websites. Although the mutual fund interactive data filing requirements are included in Form N-1A, the Commission has separately reflected the burden for these requirements in the burden estimate for the Mutual Fund Interactive Data collection of information and not in the burden for Form N-1A.

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<sup>5</sup> The Commission also proposed, in the same release, amendments to require use of the Inline XBRL format for the submission of operating company financial statement information in interactive data files. *See id.*

<sup>6</sup> The title of the collection of information impacted by the amendments relating to operating companies, addressed in a separate PRA submission, is “Interactive Data” (OMB Control No. 3235-0645).

<sup>7</sup> 15 U.S.C. 78a *et seq.*

Inline XBRL requirements for mutual funds would be phased in based on net asset size. Larger entities (*i.e.*, mutual funds that together with other investment companies in the same “group of related investment companies”<sup>9</sup> have net assets of \$1 billion or more as of the end of the most recent fiscal year) would have a compliance date of one year after the proposed effective date to comply with the new reporting requirements. Smaller entities (*i.e.*, mutual funds that together with other investment companies in the same “group of related investment companies” have net assets of less than \$1 billion as of the end of the most recent fiscal year) would have an additional year to comply with the new reporting requirements. Mutual funds would be permitted to file using Inline XBRL prior to the compliance date for each category of filers; otherwise, prior to their applicable compliance date, funds that do not file using Inline XBRL would continue to be required to submit their interactive data file as an exhibit to their filing, as they do currently and under the current timing requirements.

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<sup>8</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>9</sup> For these purposes, we expect that the threshold would be based on the definition of a “group of related investment companies,” as such term is defined in Rule 0-10 under the Investment Company Act. Rule 0-10 defines the term as applied to management investment companies as two or more management companies (including series thereof) that: (i) hold themselves out to investors as related companies for purposes of investment and investor services; and (ii) either: (A) have a common investment adviser or have investment advisers that are affiliated persons of each other; or (B) have a common administrator. 17 CFR 270.0-10(a)(1). We believe that this broad definition would encompass most types of fund complexes and therefore is an appropriate definition for compliance date purposes.

## **2. PUPOSE AND USE OF THE INFORMATION COLLECTION**

The purpose of the Mutual Fund Interactive Data information collection is to make risk/return summary information easier for investors to analyze and to assist in automating regulatory filings and business information processing. The purpose of the Commission's proposal to require the use of Inline XBRL format for the submission of mutual fund risk/return summary information is 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.

## **3. CONSIDERATION GIVEN TO INFORMATION TECHNOLOGY**

Responses under the interactive data file requirements are submitted to the Commission electronically on its Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system and posted on the filer's website, if any, in XBRL format. The public may access submissions on EDGAR through the Commission's Internet website (<http://www.sec.gov>).

## **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 Mutual Fund Interactive Data requirements generally are not duplicated elsewhere. Mutual fund risk/return summary information already is, and will continue to be, required to be submitted to the Commission as part of a registration statement, post-effective amendment, or form of prospectus filing itself under existing requirements. When the information is in such a format, however, it cannot be utilized as effectively as when in an interactive data format that a variety of software applications can recognize and process. The interactive data format facilitates

making mutual fund risk/return summary information easier for investors to analyze and assisting issuers in automating regulatory filings and business information processing.

## **5. EFFECTS ON SMALL ENTITIES**

The proposed amendments to require the use of the Inline XBRL format would affect all filers, including small entities, currently subject to the requirement to submit Interactive Data Files in exhibit-only format. The Commission performed an Initial Regulatory Flexibility Act Analysis and estimated that there are approximately 78 mutual funds that are small entities subject to these requirements.

The proposed amendments include different compliance schedules based on filer size. Funds that are small entities would not be subject to the proposed requirements until year two of the phase-in. This different compliance timetable would enable these filers to defer the burden of any additional cost, learn from filers that comply earlier and take advantage of any increases in the quality or decreases in the price of Inline XBRL preparation services or software that arise from expertise or competition that develops prior to their phase-in. In addition, small entities, as all other filers, would continue to have a 30-day grace period to make their initial interactive data file submission. The elimination of the website posting requirement for all filers would consolidate and simplify the compliance and reporting requirements for all filers with respect to their interactive data files.

The Commission did not propose other alternatives regarding small entities because it believes that long-term uniformity in interactive data submissions facilitates automated analysis across filers and that the use of Inline XBRL may reduce the time and effort required to prepare XBRL filings, simplify the review process for filers, improve the quality of structured data and,

by improving data quality, increase the use of XBRL data by investors, other market participants, and other data users.

## **6. CONSEQUENCES OF NOT CONDUCTING COLLECTION**

If the specified financial 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, or form of prospectus filing 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 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.

## **7. INCONSISTENCIES WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

None.

## **8. CONSULTATIONS OUTSIDE THE AGENCY**

The Commission issued a release soliciting comment on the new "collection of information" requirements and associated paperwork burdens.<sup>10</sup> Comments on the Commission's releases are generally received from filers, investors and other market participants. In addition, the Commission and staff participate in an ongoing dialogue with representatives of

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<sup>10</sup> See note 4 above.

various market participants through public conferences, meetings and informal exchanges. The Commission considers all comments received. A copy of the proposing release is attached.

**9. PAYMENT OR GIFT**

Not applicable.

**10. CONFIDENTIALITY**

Not applicable.

**11. SENSITIVE QUESTIONS**

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection does not collect personally identifiable information (PII). The agency has determined that a system of records notice (SORN) and privacy impact assessment (PIA) are not required in connection with the collection of information.

**12. BURDEN OF INFORMATION COLLECTION**

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

The Commission proposed amendments to require the use of the Inline XBRL format for the currently required exhibit-only submission of mutual fund risk/return summary information in interactive data files. These proposed amendments would affect the Mutual Fund Interactive Data collection of information requirements by requiring mutual funds, on a phased in basis, to embed part of the interactive data file within an HTML document using Inline XBRL and include the rest in an exhibit to that document. The Commission also proposed amendments to eliminate mutual fund risk/return summary information interactive data file website posting requirements.

The currently approved burden for the Mutual Fund Interactive Data information collection is an aggregate estimate of 172,323 hours of in-house personnel time. We estimate that the proposed Inline XBRL requirement for mutual fund risk/return summary information would result in an initial increase in internal burden by two hours to switch to Inline XBRL. This increase in burden would be borne only for the initial response that uses Inline XBRL. We further estimate that there would be a reduction in review time that would result in a decrease in internal burden of approximately 0.5 hours per response, beginning with the initial response and continuing on an ongoing basis.<sup>11</sup> Considering the phase-in of the requirement would occur over a two-year period and examining the impact on the aggregate average yearly burden of different filer categories,<sup>12</sup> we estimate that the aggregate average yearly internal burden of risk/return summary information XBRL requirements would increase, based on an estimate of 11,106 mutual funds,<sup>13</sup> by 1,538 hours of in-house personnel time.<sup>14</sup>

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<sup>11</sup> Thus, for the initial response using Inline XBRL, we estimate that mutual funds would experience a net increase in hour burden of 1.5 hours (2.0 hours – 0.5 hours = 1.5 hours).

<sup>12</sup> Based on staff analysis of data obtained from Morningstar Direct, as of June 2016, we estimate that a \$1 billion asset threshold for groups of related investment companies would provide an extended compliance period to approximately 2/3, or approximately 67%, of all mutual funds affected by the proposed Inline XBRL requirement.

<sup>13</sup> This estimate is based on data obtained from the Investment Company Institute (“ICI”) and reports filed by registrants on Form N-SAR. *See* ICI, 2016 INVESTMENT COMPANY FACT BOOK (56th ed., 2016), at 22, available at [http://www.ici.org/pdf/2016\\_factbook.pdf](http://www.ici.org/pdf/2016_factbook.pdf) (retrieved Aug. 30, 2016). This count of 11,106 “mutual funds” includes 9,520 traditional open-end mutual funds (including funds of funds and money market funds) and 1,586 exchange-traded funds (“ETFs”) registered as open-end investment companies. Unit investment trusts (“UITs”) (including ETFs registered as UITs) and closed-end funds are not subject to the proposed amendments and are therefore excluded from this count.

<sup>14</sup> *See* notes 11 and 12 above. The calculation below considers the aggregate average yearly change in burden incurred by each of the two categories of funds during the first three years of the proposed Inline XBRL requirements. Funds that are phased in during year two are assumed to incur no change in burden in year one.

Funds phased in during year one: 33% x 11,106 funds = 3,665 funds. Aggregate average yearly change in internal burden for funds phased in during year one: 3,665 funds x {[1.5 + (0.36 + 1.36 + 1.36) x (-0.5)] / 3} hours per fund = -49 hours.

In addition, the elimination of the website posting requirement is expected to reduce the paperwork burden. We previously estimated that mutual funds incur an average of approximately one burden hour per response to post interactive data to their websites, in addition to the burden of tagging and submitting interactive data to the Commission. Based on our estimate of 15,104 responses, we estimate that the elimination of the web posting requirement would decrease the aggregate average yearly burden on mutual funds by 15,104 hours of in-house personnel time.<sup>15</sup>

Combining an increase in in-house personnel time caused primarily by an increase in the estimated number of funds, the increase of 1,538 hours of in-house personnel time noted above (caused by the burden of switching to Inline XBRL) and the decrease of 15,104 hours of in-house personnel time noted above (caused by the elimination of the website posting requirement) yields a net decrease of 4,641 hours. We therefore estimate that in the first three years of the Inline XBRL requirements, based on the estimate of 11,106 funds, the use of Inline XBRL and the elimination of the website posting requirement would change the aggregate average yearly burden of XBRL requirements for mutual funds to 167,682 hours of in-house personnel time.<sup>16</sup>

### **13. COST TO RESPONDENTS**

In addition, we previously estimated an external aggregate cost burden of \$9,355,713 for the cost of goods and services purchased to comply with the current Mutual Fund Interactive Data requirements, such as for software and/or the services of consultants and filing agents. The cost burden does not include the cost of the hour burden described above.

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Funds phased in during year two:  $67\% \times 11,106 \text{ funds} = 7,441 \text{ funds}$ . Aggregate average yearly change in internal burden for funds phased in during year two:  $7,441 \text{ funds} \times \{ [0 + 1.5 + (0.36 + 1.36) \times (-0.5)] / 3 \}$  hours per fund = 1,587 hours.

Aggregate average yearly change in burden:  $-49 + 1,587 = 1,538 \text{ hours}$ .

<sup>15</sup>  $11,106 \text{ funds} \times 1.36 \text{ responses} = 15,104 \text{ responses}$ .  $15,104 \text{ responses} \times (-1) \text{ hour} = -15,104 \text{ hours}$ .

We estimate that the average mutual fund would incur an increase in software costs of \$10 per mutual fund on an ongoing annual basis, beginning in the first year of compliance for its phase-in category with the proposed Inline XBRL requirement. Based on the estimate of 11,106 mutual funds,<sup>17</sup> we estimate that the switch to the proposed Inline XBRL requirements would result in an increase of \$86,281 in the aggregate average yearly cost of services of outside professionals.<sup>18</sup>

Combining an increase in the cost of services of outside professionals (caused primarily by an increase in the estimated number of funds) and the increase of \$86,281 in the cost of services of outside professionals noted above (caused by the burden of switching to Inline XBRL) yields an overall increase of \$614,908. We therefore estimate that in the first three years of the Inline XBRL requirements, based on the estimate of 11,106 funds, the use of Inline XBRL would change the aggregate average yearly cost of services of outside professionals to \$9,970,621.<sup>19</sup>

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<sup>16</sup> 172,323 hours – 4,641 hours = 167,682 hours.

<sup>17</sup> See note 13 above.

<sup>18</sup> Funds are estimated to incur an additional \$10 per year beginning with the first year of compliance for their phase-in category. The calculation below considers the aggregate average yearly change in external cost incurred by each of the two categories of funds during the first three years of the proposed Inline XBRL requirements. Funds that are phased in during the second year are assumed to incur no change in external cost in the first year after the effectiveness of the proposed Inline XBRL requirements.

Funds phased in during year one: 33% x 11,106 funds = 3,665 funds. Average yearly change in external cost per fund: [ $\$10 + \$10 + \$10$ ] / 3 = \$10 per fund. Aggregate average yearly change in external cost for all funds phased in during year one: 3,665 funds x \$10 per fund = \$36,650.

Funds phased in during year two: 67% x 11,106 funds = 7,441 funds. Average yearly change in external cost per fund: [ $\$0 + \$10 + \$10$ ] / 3 = \$6.67 per fund. Aggregate average yearly change in external cost for all funds phased in during year two: 7,441 funds x \$6.67 per fund = \$49,631.

Aggregate average yearly change in external cost: \$36,650 + \$49,631 = \$86,281.

<sup>19</sup> \$9,355,713 + \$614,908 = \$9,970,621.

**14. COSTS TO FEDERAL GOVERNMENT**

We estimate that the cost of preparing the amendments is approximately \$100,000.

**15. CHANGE IN BURDEN**

Currently, the approved annual hour burden for complying with the Mutual Fund Interactive Data requirements is 172,323 hours. The proposed new estimate for complying with the Mutual Fund Interactive Data requirements after accounting for the Inline Tagging of XBRL Data proposal is 167,682 hours, representing a decrease of 4,641 hours. The decrease in hourly burden is due to an increase in the number of funds in the proposal, the Commission's increased estimate in the proposal of the number of funds that would provide risk/return summary information as interactive data in additional filings submitted pursuant to rule 485(b) or rule 497 annually, and the proposal's estimate that the proposed Inline XBRL requirements (including the elimination of website posting requirements) for mutual fund risk/return summary would result in an overall decrease in burden hours per filing.

Currently, the approved total cost burden for software and/or consulting services is approximately \$9,355,713. The proposed new total cost burden is \$9,970,621, representing an increase of \$614,908. This increase is due to an increase in the number of funds in the proposal and an increase in estimated software costs in the proposal.

**16. INFORMATION COLLECTION PLANNED FOR STATISTICAL PURPOSES**

Not applicable.

**17. APPROVAL TO OMIT OMB EXPIRATION DATE**

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

**18. EXCEPTIONS TO CERTIFICATION STATEMENT FOR PAPERWORK  
REDUCTION ACT SUBMISSIONS**

Not applicable.

**B. STATISTICAL METHODS**

Not applicable.