

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**INLINE XBRL FILING OF TAGGED DATA ADOPTING 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. IC-33139,<sup>4</sup> the Commission adopted 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. IC-33139 (June 28, 2018) [83 FR 40846].

in interactive data files.<sup>5</sup> These amendments 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 amendments 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 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 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

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<sup>5</sup> The Commission also adopted, 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.*

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

these requirements in the burden estimate for the Mutual Fund Interactive Data collection of information and not in the burden for Form N-1A.

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) have a compliance date of two years after the 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) have an additional year to comply with the new reporting requirements. Mutual funds will 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>9</sup> For these purposes, the threshold is 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 amendments to require Inline XBRL are to improve the data's usefulness, timeliness, and 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 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 a Final Regulatory Flexibility Act Analysis and estimated that there are approximately 54 open-end investment companies, including ETFs, that are small entities subject to these requirements.

The amendments include different compliance schedules based on filer size. Funds that are small entities will not be subject to the requirements until year three 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 adopt 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 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 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 proposing 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 various market participants through public conferences, meetings and informal exchanges. The Commission considered all comments received and addressed them in an adopting release. A copy of the adopting 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 amendments include the burdens attributable to collecting, preparing, reviewing and retaining records.

The Commission has adopted 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 amendments 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 adopted amendments to eliminate mutual fund risk/return summary information interactive data file website posting requirements.

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<sup>10</sup> *Inline XBRL Filing of Tagged Data*, Release No. 33-10323 (Mar. 1, 2017) [82 FR 21487] (“Inline XBRL Proposing Release”).

With respect to fund risk/return summaries, the Commission previously estimated that each fund will submit one Interactive Data File as an exhibit to a registration statement or a post-effective amendment thereto, and that 36% of funds will submit an additional Interactive Data File as an exhibit to a filing pursuant to Rule 485(b) or Rule 497. The Commission also previously estimated that (1) tagging and submitting fund risk/return data in XBRL format requires 11 hours per response, and (2) posting interactive data to the fund website requires one additional hour per response. In the Inline XBRL Proposing Release, the Commission estimated that there would be 15,104 responses per year by 11,106 funds.<sup>11</sup> Based on updated industry figures on the number of funds, we now estimate that there will be 15,206 responses per year by 11,181 funds.<sup>12</sup>

The Inline XBRL Proposing Release also estimated that the Inline XBRL requirement for risk/return summary information would result in an initial increase in internal burden by two hours to switch to Inline XBRL. Commenters did not provide quantitative estimates of the impact of Inline XBRL on the burden of XBRL preparation for risk/return summaries. However, after considering qualitative input from some commenters that indicated the Commission may have underestimated the cost of transition to Inline XBRL for funds, we are revising the estimate of the increase in internal burden for funds from two hours to four hours for the initial response. We continue to estimate that this increase in burden will be borne only for the initial response that uses Inline XBRL. Further, we continue to estimate that there will be a reduction in review time that will result in a decrease in internal burden of approximately 0.5 hours per response,

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<sup>11</sup> See Inline XBRL Proposing Release, at 14302, n. 217

<sup>12</sup> We continue to estimate that there will be 1.36 responses per fund per year. 11,181 funds x 1.36 responses = 15,206 responses.



beginning with the initial response and continuing on an ongoing basis.<sup>13</sup> We are postponing the phase-in for funds by one additional year after the effective date of the amendments. Based on the above estimate of 11,181 funds, and accounting for the modifications to the phase-in of different filer categories, we estimate that the aggregate average yearly internal burden of risk/return summary information XBRL requirements will increase by 11,537 hours of in-house personnel time.<sup>14</sup> The elimination of the website posting requirements is expected to reduce the paperwork burden for funds by one hour per response. We therefore estimate that the elimination of the website posting requirements will decrease the aggregate average yearly burden on funds by 15,206 hours of in-house personnel time or 1.36 hours per fund.<sup>15</sup>

The Commission previously estimated that the existing risk/return summary information XBRL requirements require funds to expend 181,248 hours of in-house personnel time.<sup>16</sup> Based on updated industry figures, the existing XBRL requirements for funds will require 182,472

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<sup>13</sup> Thus, for the initial response using Inline XBRL, we estimate that funds will experience a net increase in hour burden of 3.5 hours (4.0 hours - 0.5 hours = 3.5 hours).

<sup>14</sup> 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 under the amendments. Based on staff analysis of data obtained from Morningstar Direct, as of May 2018, we estimate that a \$1 billion asset threshold for groups of related investment companies will provide an extended compliance period to approximately two-thirds, or approximately 67%, of all mutual funds affected by the Inline XBRL requirements.

Funds that are phased in during year two are assumed to incur no change in burden in year one. Funds that are phased in during year three are assumed to incur no change in burden in years one and two.

Funds phased in during year two: 33% x 11,181 funds = 3,690 funds. Aggregate average yearly change in internal burden for funds phased in during year one: 3,690 funds x  $\{[0 + 3.5 + (0.36 + 1.36) \times (-0.5)] / 3\}$  hours per fund = 3,247 hours.

Funds phased in during year three: 67% x 11,181 funds = 7,491 funds. Aggregate average yearly change in internal burden for funds phased in during year two: 7,491 funds x  $\{[0 + 0 + 3.5 + (0.36) \times (-0.5)] / 3\}$  hours per fund = 8,290 hours.

Aggregate average yearly change in burden: 3,247 + 8,290 = 11,537 hours.

<sup>15</sup> 15,206 responses x (-1) hour per response = -15,206 hours. 1.36 responses per fund x (-1) hour per response = -1.36 hours per fund.

<sup>16</sup> 15,104 responses x (11 + 1) hours per response = 181,248 hours.

hours of in-house personnel time.<sup>17</sup> We estimate that in the first three years under the amendments, the aggregate average yearly burden of XBRL requirements for funds will decrease to 178,803 hours of in-house personnel time,<sup>18</sup> which represents a decrease of 3,669 hours of in-house personnel time,<sup>19</sup> or a decrease of 0.33 hours of in-house personnel time per filer.<sup>20</sup> Based on the estimated wage rate, the total cost to the fund industry of the 178,803 hour burden for the tagging of risk/return summary information is approximately \$52.5 million per year.<sup>21</sup>

### 13. COST TO RESPONDENTS

In addition, the Commission previously estimated an external cost burden of \$890 for the cost of goods and services purchased to comply with the current Interactive Data requirements, such as for software and/or the services of consultants and filing agents. We further previously estimated an external aggregate cost burden of \$9,884,340 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, based on an estimate of 11,106 funds.<sup>22</sup>

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<sup>17</sup> 15,206 responses x (11 + 1) hours per response = 182,472 hours.

<sup>18</sup> 182,472 - 15,206 + 11,537 = 178,803 hours.

<sup>19</sup> -15,206 + 11,537 = -3,669 hours.

<sup>20</sup> -3,669 hours / 11,181 filers = -0.33 hours per filer.

<sup>21</sup> This cost is estimated using an estimated hourly wage rate of \$293.50 (178,803 hours x \$293.50 hourly wage rate = \$52,478,681). The estimated wage figure is based on published rates for compliance attorneys and senior system analysts from the Securities Industry and Financial Markets Association's *Report on Management & Professional Earnings in the Securities Industry 2013*, modified by the Commission to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead. The estimated wage rate was further based on the Commission's previous estimate that compliance attorneys account for one quarter of the hours worked and senior system analysts account for the remaining three quarters, resulting in a weighted wage rate of \$293.50 per hour (((\$352 x 0.25) + (\$274 x 0.75)).

<sup>22</sup> 11,106 funds x \$890 per fund = \$9,884,340.

We also continue to estimate that the average fund will incur an increase in software costs of \$10 per year on an ongoing basis, beginning in the first year of compliance for its phase-in category with the Inline XBRL requirement. Based on the estimate of 11,181 funds, we estimate that the Inline XBRL requirement will result in an increase of \$49,557 in the aggregate average yearly cost of services of outside professionals.<sup>23</sup>

The Commission previously estimated that the existing risk/return summary information XBRL requirements require funds to expend \$9,884,340 in the cost of services of outside professionals per year, based on an estimate of 11,106 funds.<sup>24</sup> Based on updated industry figures, the existing XBRL requirements for funds will require \$9,951,090 in the cost of services of outside professionals.<sup>25</sup> We estimate that in the first three years under the amendments, the aggregate average yearly cost of services of outside professionals will increase to \$10,000,647,<sup>26</sup> which represents an increase of \$49,557 in the cost of services of outside professionals, or an increase of \$4.43 in the cost of services of outside professionals per filer.<sup>27</sup>

#### **14. COSTS TO FEDERAL GOVERNMENT**

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

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<sup>23</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 under the amendments.

Funds phased in during year two: 33% x 11,181 funds = 3,690 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 one: 3,690 funds x \$6.67 per fund = \$24,612.

<sup>24</sup> 11,106 funds x \$890 per fund = \$9,884,340.

<sup>25</sup> The elimination of the website posting requirements is expected to reduce the paperwork burden for funds by one hour per response. We therefore estimate that the elimination of the website posting requirements will decrease the aggregate average yearly burden on funds by 15,206 hours of in-house personnel time or 1.36 hours per fund.

<sup>26</sup> \$9,951,090 + \$49,557 = \$10,000,647.

<sup>27</sup> \$49,557 / 11,181 filers = \$4.43 per filer.

**15. CHANGE IN BURDEN**

Currently, the approved annual hour burden for complying with the Mutual Fund Interactive Data requirements is 172,323 hours. The new estimate for complying with the Mutual Fund Interactive Data requirements after accounting for the Inline Tagging of XBRL Data adoption is 178,803 hours, representing an increase of 6,480 hours. The increase in hourly burden is due to the Commission's increased estimate in 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, along with an estimate that the Inline XBRL requirements (including the elimination of website posting requirements) for mutual fund risk/return summary will result in an overall decrease in burden hours per filing.

Currently, the approved total cost burden for software and/or consulting services for complying with the Mutual Fund Interactive Data requirements is approximately \$9,355,713. The estimated new total cost burden is \$10,000,647, representing an increase of \$644,934. This increase is due to an increase in the estimated number of funds and an increase in the estimated software costs per fund.

**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.