

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

A. JUSTIFICATION

1. Necessity for the Information Collection

Open-end management investment companies (“funds”) are 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)¹ in interactive data format. The specified risk/return summary information is also required to be submitted to the Commission in traditional format. 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)² under the Securities Act of 1933 (“Securities Act”)³ that includes risk/return summary information that varies from the registration statement.

The current title for the collection of information for submitting risk/return summary information in interactive data format is “Mutual Fund Interactive Data” (OMB Control No. 3235–0642), which the Commission proposes to re-title as “Investment Company Interactive Data.” This collection of information relates to regulations and forms adopted under the Securities Act, the Securities Exchange Act of 1934,⁴ and the Investment Company Act of 1940 (“Investment Company Act”)⁵ 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.⁶ Although the current

¹ 17 CFR 239.15A and 274.11A.

² 17 CFR 230.497.

³ 15 U.S.C. 77a *et seq.*

⁴ 15 U.S.C. 78a *et seq.*

⁵ 15 U.S.C. 80a-1 *et seq.*

⁶ In 2009, the Commission adopted rules requiring operating companies, mutual funds, and ETFs to submit certain disclosures in the XBRL format. *See* Interactive Data for Mutual Fund Risk/Return Summary, Investment Company Act Release No. 28617 (Feb. 11, 2009) [74 FR 7748 (Feb. 19, 2009)].

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 re-titled Investment Company Interactive Data, and not in the burden for Form N-1A.

On October 24, 2019, the Commission issued a release proposing amendments that would modernize filing fee disclosure and payment methods.⁷ The Commission proposed to amend most of its fee-bearing forms, schedules, statements, and related rules to require each fee table and accompanying disclosure to include all required information for fee calculation in a structured format. These proposed amendments would include fee-related structured data requirements for closed-end management investment companies, including SBICs, and BDCs. Although the proposed interactive data filing requirements would be included in the proposed Form N-2 (OMB Control No. 3235-0026), Form N-5 (OMB Control No. 3235-0169), and Form N-14 (OMB Control No. 3235-0336) instructions, as well as amendments Regulation S-T (OMB Control No. 3235-0424),⁸ the Commission would separately reflect the hour and cost burdens for these requirements in the burden estimate for

In June 2018, the Commission amended its rules to require operating companies, mutual funds, and ETFs to submit the required information in Inline XBRL. *See* Inline XBRL Filing of Tagged Data, Investment Company Act Release No. 33139 (June 28, 2018) [83 FR 40846 (Aug. 16, 2018)] (“Inline XBRL Adopting Release”). The adopted amendments require open-end funds to use 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 in interactive data files. 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.

On October 30, 2018, the Commission issued a release proposing rule and form amendments designed to enhance variable annuity and variable life insurance contract (“variable contracts”) disclosures by, among other things, requiring variable contract registrants to submit certain information in the Inline XBRL format. Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts, Investment Company Act Release No. 33286 (Oct. 30, 2016) [83 FR 61730 (Nov. 30, 2018)].

On March 20, 2019, the Commission issued a release proposing rules that would modify the registration, communications, and offering processes for business development companies and other closed-end investment companies under the Securities Act of 1933, including new structured data reporting requirements. Securities Offering Reform for Closed-End Investment Companies, Investment Company Act Release No. 33427 (Mar. 20, 2019) [84 FR 14448 (Apr. 10, 2019)].

⁷ Filing Fee Disclosure and Payment Methods Modernization, Investment Company Act Release No. 33676 (Oct. 24, 2019) [84 FR 71580 (12/27/2019)].

⁸ 17 CFR 232.10 *et seq.*

Investment Company Interactive Data, and not in the estimates for each of Form N-2, Form N-5, and Form N-14.

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. Requiring registrants to use Inline XBRL to tag disclosures will improve the data's usefulness, timeliness, and quality, benefiting investors and other market participants, and to decrease, over time, the cost of preparing the data for submission to the Commission. Further, the proposed amendments would make the fee payment validation process for Forms N-2, N-5, and N-14 faster and more efficient.

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. 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 form, or a change in either. 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.⁹ The burden on small entities to prepare and then submit 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.

⁹ 5 U.S.C. 601 *et seq.*

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.

Regarding the proposed amendments, the current methods by which filers and the Commission staff process and validate EDGAR filing fee information within the filing are highly manual and labor-intensive. Filing-fee related information is generally not machine-readable and the underlying components used for the calculation are not always required to be reported. The complexity of some transactions or instances in which a filer is engaged in a number of transactions can make filing fee calculation difficult. Fee calculations can become complex when issuers attempt to claim fee offsets without accurately keeping track of previous takedowns or changes in the price or amount of securities, or attempt to "carry forward" unsold securities from one registration statement to another. Correcting errors or reconciling inconsistencies in fee calculations would increase burdens on both the filer and the Commission staff.

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

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

Before adopting the proposed amendments affecting Investment Company Interactive Data, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements. Moreover, 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 to Respondents

No payment or gift to respondents was provided.

10. Assurance of 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 includes basic Personally Identifiable Information (PII) that may include name, job title, and work address. 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 January 29, 2016 is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.]

12. Estimate of Hour Burden

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995¹⁰ (“PRA”) 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 following table summarizes the estimated burden change of the proposed amendments on the paperwork burdens associated with the affected forms.

Table 1 - Estimated Paperwork Burden Changes Due to the Proposed Amendments

Proposed Amendments	Affected Forms	Estimated Burden Change
Disclosure of Fee-Related Information:		
Require structuring, in an Inline XBRL format, of all of the information in each fee table of the affected forms.	Forms N-2, N-5, and N-14	1 hour net increase in compliance burden per form

¹⁰ 44 U.S.C. 3501 *et seq.*

We also estimate that 25% and 75% of the incremental change will be allocated to the internal burden and outside professional cost, respectively, as a result of the proposed amendments. These estimates represent the average burden for all registrants, both large and small. In deriving our estimates, we recognize that the burdens will likely vary among individual registrants based on a number of factors, including the nature of their business. We do not believe that the proposed amendments would change the frequency of responses to the existing collections of information; rather, we estimate that the proposed amendments would change only the burden per response.

The burden estimates were calculated by multiplying the estimated number of responses by the estimated average amount of time it would take a registrant to prepare and review the disclosures required under the proposed amendments. For purposes of the PRA, the burden is allocated between internal burden hours and outside professional costs. The table below sets forth the percentage estimates the Commission typically uses for the burden allocation for each form. We also estimate that the average cost of retaining an outside professional is \$400 per hour.¹¹

We are proposing to amend Form N-2, Form N-5, and Form N-14, as well as Regulation S-T, to require closed-end management investment companies, including SBICs, and BDCs to provide fee-related structured data using Inline XBRL. Because these registrants have not previously been subject to Inline XBRL requirements, we estimate that these registrants would experience an additional burden of 10 hours related to one-time costs associated with becoming familiarized with Inline XBRL reporting. These costs would include, for example, the acquisition of new software or the services of consultants, and the training of staff. The table below illustrates the estimated one-time burden of structuring the affected forms, in hours and in costs, as a result of the proposed amendments. This additional one-time burden represents a 3.33 hour annual burden amortized over a three-year period for each of these three forms.

The table below illustrates the calculation of the one-time burden estimates for the affected forms resulting from the proposed amendments.

¹¹ We recognize that the costs of retaining outside professionals may vary depending on the nature of the professional services, but for purposes of this PRA analysis, we estimate that such costs would be an average of \$400 per hour. This estimate is based on consultations with several registrants, law firms, and other entities that regularly assist registrants in preparing and filing documents with the Commission.

Table 2 - Calculation of the One-Time Burden Estimates for Affected Investment Company Act Forms Resulting from the Proposed Amendments¹²

Form	Estimated Number of Affected Responses (A) ¹³	Estimated one-time burden hours/form (B)	Total one-time burden hours (C) = (A) x (B)	Estimated Internal One-Time Burden Hours (D) = (C) x (25%)	Estimated Outside One-Time Professional Hours (E) = (C) x (75%)	Estimated Outside One-Time Professional Costs/Affected Responses (F) = (E) x \$400
N-2	166	10	1,660	415	1,245	\$498,000
N-5	1	10	10	3	8	\$3,200
N-14	253	10	2,530	633	1,898	\$759,200

The tables below illustrates the estimated incremental change to the total annual compliance burden of the affected forms, in hours and in costs, as a result of the proposed amendments.

Table 3 - Calculation of the Incremental Change in Annual Burden Estimates of Affected Responses Resulting from the Proposed Amendments

Form	Estimated Number of Affected Responses (A)	Estimated Incremental burden hours/form (B)	Total incremental burden hours (C) = (A) x (B)	Estimated Internal Burden Hours (D) = (C) x (25%)	Estimated Outside Professional Hours (E) = (C) x (75%)	Estimated Outside Professional Costs/Affected Responses (F) = (E) x \$400
N-2	166	4.33 (1 + 3.33)	719	180	539	\$215,600
N-5	1	4.33 (1 + 3.33)	4	1	3	\$1,200
N-14	253	4.33 (1 + 3.33)	1,095	274	821	\$328,500

¹² For convenience, the estimated hour and cost burdens in the table have been rounded to the nearest whole number. Although structured data would be required in the proposed Form N-2, Form N-5, and Form N-14 instructions, we are separately reflecting the hour and cost burdens for these requirements in the burden estimate for Mutual Fund Interactive Data. The estimates for each of Form N-2, Form N-5, and Form N-14 are reflected in PRA Table 3 The aggregated estimate for these forms is reflected in Mutual Fund Interactive data in PRA Table 4.

¹³ The number of estimated affected responses is based on the number of responses in the Commission's current OMB PRA filing inventory. The OMB PRA filing inventory represents a three-year average. We do not expect that the proposed amendments will change the number of responses in the current OMB PRA filing inventory.

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Table 4 - Requested Paperwork Burden Under the Proposed Amendments

Form/ Collection	Current Burden			Program Change			Requested Change in Burden		
	Current Annual Responses (A)	Current Burden Hours (B)	Current Cost Burden (C)	Number of Affected Responses (D)	Increase in Company Hours (E) ¹⁴	Increase in Professional Costs (F) ¹⁵	Annual Responses (G) = (A) + (D)	Burden Hours (H) = (B) + (E)	Cost Burden (I) = (C) + (F)
Investment Company Interactive Data (Forms N-2, N-5, and N-14)	15,206	178,803	\$10,000,647	420 (166 + 1 + 253)	455 (180 + 1 + 274)	\$545,300 (215,600 + 1,200 + 328,500)	15,626	179,258	\$10,545,947

Accordingly, as summarized in Table 4 above, we estimate that the proposed amendments would result in an aggregate yearly burden of about 179,258 hours of in-house personnel time.

13. Cost to Respondents

Cost burden is the cost of goods and professional 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. Accordingly, as summarized in Table 4 above, we estimate that the proposed amendments would result in an aggregate yearly burden of about \$10,545,947 in the cost of services of outside professionals.

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 \$22.2 million in fiscal year 2018, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

¹⁴ From Column (D) in PRA Table 2.

¹⁵ From Column (F) in PRA Table 2.

15. Changes in Burden

As summarized in Table 4 above, the estimated hourly burden associated with the Investment Company Interactive Data collection of information would increase from 178,803 hours to 179,258 hours (an increase of 455 hours). In addition, the cost burden associated with the Investment Company Interactive Data collection of information would increase from \$10,000,647 to \$10,545,947 (an increase of \$545,300). The changes in burden hours and external cost burdens are new to the proposed requirements.

16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

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

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.