

SUPPORTING STATEMENT
Investment Company Interactive Data

A. JUSTIFICATION

1. Necessity for the Information Collection

Open-end management investment companies (“open-end funds” or “funds”), such as mutual funds and exchange-traded 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 and to post it on their websites, if any, in interactive data form. In addition, funds are required to submit an Interactive Data File² to the Commission for any form of prospectus filed pursuant to rule 497(c) or (e)³ under the Securities Act of 1933 (“Securities Act”)⁴ 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 specified 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.

The current title for the collection of information for submitting certain information that is included in fund registration statements (or post-effective amendments thereto, or forms of

¹ 17 CFR 239.15A and 274.11A.

² Regulation S-T defines the term “Interactive Data File” to mean the machine-readable computer code that presents information in XBRL electronic format pursuant to rule 405 of Regulation S-T and as specified by the EDGAR Filer Manual. 17 CFR 232.11; 17 CFR 232.405. The EDGAR Filer Manual sets forth the technical formatting requirements for the presentation and submission of electronic filings through the EDGAR system.

³ 17 CFR 230.497.

⁴ 15 U.S.C. 77a et seq.

prospectus filed as discussed above) in interactive data format is “Mutual Fund Interactive Data” (OMB Control No. 3235-0642). The Commission is re-titling this collection of information as “Investment Company Interactive Data.” This collection of information relates to regulations and forms adopted under the Securities Act, the Securities Exchange Act of 1934,⁵ and the Investment Company Act of 1940 (“Investment Company Act”)⁶ 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.⁷ Although the 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 Registered Investment Company Interactive Data, and not in the burden for Form N-1A.

⁵ 15 U.S.C. 78a *et seq.*

⁶ 15 U.S.C. 80a-1 *et seq.*

⁷ In 2009, the Commission adopted rules requiring operating companies and open-end funds 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)].

In June 2018, the Commission amended its rules to require operating companies, and open-end funds 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 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 March 11, 2020, the Commission issued a release adopting rule and form amendments designed to update and enhance disclosures to investors in variable annuity and variable life insurance contract (“variable contracts”). The amendments permit a person to satisfy its prospectus delivery obligations under the Securities Act for a variable contract by sending or giving a summary prospectus to investors, with access to more detailed information available online and electronically or in paper format on request. In addition, the amendments update the registration forms for variable contracts, including Form N-3, N-4, and N-6, update and enhance the disclosures to investors in these contracts, and implement the new summary prospectus framework.⁸ The Commission also adopted amendments to certain rules and forms that would require variable contract issuers to use the Inline eXtensible Business Reporting Language (“Inline XBRL”) format for the submission of certain required disclosures in the variable contract prospectus. Specifically, the Commission adopted amendments to the General Instructions of Forms N-3, N-4, and N-6,⁹ rules 485 and 497 under the Securities Act, and rules under Regulation S-T, to require the use of Inline XBRL format for submitting these required disclosures to the Commission in registration statements and post-effective amendments regarding contracts being sold to new investors, as well as in forms of prospectuses for such contracts that include information that varies from the registration statement. Although contracts

⁸ Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts, Investment Company Act Release No. 33814 (Mar. 11, 2020) (“Adopting Release”), available at <https://www.sec.gov/rules/final/2020/33-10765.pdf>.

⁹ Specifically, registrants are required to submit the following information in Inline XBRL format in registration statements or post effective amendments, as well as in forms of prospectuses filed pursuant to rule 497(c) or 497(e) under the Securities Act that include information that varies from the registration statement: (1) Form N-3 registrants: information provided in response to proposed Items 2, 4, 5, 11, 18, and 19 of Form N-3; (2) Form N-4 registrants: information provided in response to proposed Items 2, 4, 5, 10, and 17 of Form N-4; and (3) Form N-6 registrants: information provided in response to proposed Items 2, 4, 5, 10, 11, and 18 of Form N-6.

not being sold to new investors are excluded from the Inline XBRL requirement, for purposes of the estimates discussed below, we are assuming on a conservative basis that all contracts are subject to the requirement.

2. Purpose and Use of the Information Collection

The purpose of the “Investment Company Interactive Data” requirements is to make certain prospectus disclosure information easier for investors to analyze, and to assist in automating regulatory filings and business information processing. The purpose of the amendments requiring variable contract issuers to tag certain disclosures in Inline XBRL format is to improve this 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.

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. 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 “Investment Company Interactive Data” requirements generally are not duplicated elsewhere.

Like fund risk/ summary prospectus disclosures, the variable contract prospectus disclosures required to be tagged using Inline XBRL format are required to be submitted to the

Commission on EDGAR in HTML format as part of a registration statement, post-effective amendment, or form of prospectus filing. The information in that format, however, cannot be utilized as effectively as when filed in an interactive data format that a variety of software applications can recognize and process. The interactive data format would therefore make it easier for investors to analyze an investment company’s disclosures, and assist issuers in automating regulatory filings and business information processing.

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.¹⁰

Approximately 46 funds registered on Form N-1A are considered small entities.¹¹ The “Investment Company Interactive Data” requirements do not distinguish between small entities and other registrants. The burden on small entities, however, to prepare and submit interactive data may be greater than for larger registrants. This burden may include the cost of software designed to prepare risk/return summary information in interactive data format and hiring a consultant or filing agent to prepare and/or file risk/return summary 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.

¹⁰ 5 U.S.C. 601 et seq.

¹¹ This estimate is based on analysis by the Division of Investment Management staff of publicly available data (as of December 2019).

No small entities currently file registration statements on Forms N-3, N-4, or N-6. Therefore, the interactive data amendments for variable contract issuers registering on these forms would not affect any small entities.

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 quality of data on variable contracts (benefiting investors in variable contracts, 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)

Not applicable.

8. Consultation Outside the Agency

The Commission requested public comment on the Investment Company Interactive Data collection of information requirements associated with its proposal to require variable contract issuers to use Inline XBRL format to tag certain disclosures. Specifically, the public was given the opportunity to comment on the Commission's estimates for the burdens of the use of Inline XBRL as proposed and as compared to the existing approved burden inventory in the proposing

release for the amendments. While comments were received from filers, investors and other market participants, and were considered by the Commission as discussed in the Adopting Release, none of these related to the proposed burden estimates for the use of Inline XBRL.¹² 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. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens that may confront the industry.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, is 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 internal burdens attributable to collecting, preparing, reviewing and retaining records. The following estimates of average burden hours and costs are made solely for purposes of the Paperwork

¹² See Adopting Release, *supra* footnote 8.

Reduction Act of 1995¹³ 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 for all open-end funds that file on Form N-1A, and for all variable contract issuers that register on Forms N-3, N-4, and N-6, as applicable.

Responses to the disclosure requirements will not be kept confidential.

Current Estimates. In its most recent Paperwork Reduction Act submission for Mutual Fund Interactive Data (to be re-titled “Investment Company Interactive Data”), Commission staff estimated the total cost to the fund industry to comply with this collection of information requirement to be 178,803 internal burden hours annually, with an estimated cost of \$52.5 million per year.¹⁴

New Burdens. The amendments generally impose two types of reporting burdens on variable contracts being sold to new investors: (1) the burden of submitting certain information in Inline XBRL to the Commission in registration statements or post-effective amendments filed on Form N-3, Form N-4, and Form N-6; and (2) the burden of submitting certain information in Inline XBRL to the Commission in forms of prospectuses filed pursuant to rule 497(c) or 497(e) under the Securities Act that include information that varies from the registration statement.

We estimate that registrants that file on Forms N-3, N-4, and N-6 will require approximately 18 burden hours of in-house personnel time to tag and submit the required disclosure information in Inline XBRL format for each post-effective amendment¹⁵ in the first

¹³ 44 U.S.C. 3501 *et seq.*

¹⁴ These estimates are referenced in the Commission staff’s most-recent information collection submission, reflecting the Commission’s 2018 adoption of amendments to require the use of Inline XBRL format for the submission of fund risk/return summary information. The PRA was approved on Oct. 31, 2018.

¹⁵ We are not including estimates for Form N-3 initial registration statements, as none have been filed in the past three years.

year, and the same task in subsequent years will require approximately 12 hours for each post-effective amendment.¹⁶ With respect to Form N-3 registrants, we estimate an additional burden of 2 hours per investment option to tag and submit the required disclosure information for each post-effective amendment. Therefore, we estimate the average annual burden over a three-year period for each post-effective amendment filed on Form N-3 will be 20 hours,¹⁷ and for those filed on Forms N-4 and N-6, 14 hours.¹⁸ We further estimate that the burden for each rule 497 filing will be 25% of that, or 3.5 hours per response.¹⁹

We also estimate a weighted burden average of approximately 3 responses per year per registrant to file initial and post-effective registration statements and rule 497 filings, based on weighting the burden for each rule 497 filing as 25% of the burden of a post-effective amendment filing, averaging the burden for each form equally, and estimating (based on a survey by Commission staff of filings made pursuant to rule 497) that 75% of rule 497 filings by registrants on each form will contain data that would be required to be submitting in Inline XBRL format.²⁰

¹⁶ Our estimates are based on our prior experience with Inline XBRL. We are largely following the same approach to estimating hourly burdens for variable contracts as in the context of mutual funds.

¹⁷ $(18 \text{ hours for the first submission} + 12 \text{ hours for the second submission} + 12 \text{ hours for the third submission}) / 3 \text{ years} + (2 \text{ hours per investment option} \times 3 \text{ investment options}) = 20 \text{ hours.}$

¹⁸ $(18 \text{ hours for the first submission} + 12 \text{ hours for the second submission} + 12 \text{ hours for the third submission}) / 3 \text{ years} = 14 \text{ hours.}$

¹⁹ Because rule 497 filings are typically 1-3 pages in length, we estimate the burden will be only 25% of the burden associated with tagging the relevant disclosures in a full registration statement filing.

²⁰ This estimate is derived by weighting the burden for each rule 497 filing as one quarter of the burden of a post-effective amendment filing, averaging the burden for each form equally, and estimating (based on a survey by Commission staff of filings made pursuant to rule 497) that 75% of rule 497 filings by registrants on each form would contain data that would be required to be submitting in Inline XBRL format.

Form N-3 Registrants. Based on a review of Form N-3 filings made with the Commission, Commission staff estimates that six registrants will file three responses per year. Accordingly, we estimate that, in the aggregate, the Inline XBRL requirements will result in 360 burden hours annually for Form N-3 registrants.²¹

Form N-4 Registrants. Based on a review of Form N-4 filings made with the Commission, Commission staff estimates there that 426 registrants will file three responses per year. Accordingly, we estimate that, in the aggregate, the Inline XBRL requirements will result in 17,892 burden hours annually for Form N-4 registrants.²²

Form N-6 Registrants. Based on a review of Form N-6 filings made with the Commission, Commission staff estimates that 244 registrants will file three responses per year. Accordingly, we estimate that, in the aggregate, the Inline XBRL requirements will result in 10,248 burden hours annually for Form N-6 registrants.²³

Aggregate Internal Hours Burden for Form N-3, N-4, and N-6 Registrants. In the aggregate, we estimate that the Inline XBRL requirements will result in 28,500 burden hours for each of the first three years for Form N-3, N-4, and N-6 registrants.²⁴ Converted into dollars,

²¹ 6 Form N-3 registrants x 3 responses per year per registrant x (14 hours per registrant + (2 hours per investment option x 3 investment options per registrant)) = 360 burden hours/year.

²² 426 Form N-4 registrants x 3 responses per year per registrant x 14 hours per registrant = 17,892 burden hours/year.

²³ 244 Form N-6 registrants x 3 responses per year per registrant x 14 hours per registrant = 10,248 hours per year.

²⁴ 360 burden hours for Form N-3 registrants + 17,892 burden hours for Form N-4 registrants + 10,248 burden hours for Form N-6 registrants = 28,500 hours.

this amounts to a collective internal cost burden of approximately \$9,918,000.²⁵

We therefore estimate the aggregate total hour burden for the re-titled “Investment Company Interactive Data” collection of information (inclusive of requirements for issuers who register on Forms N-1A, N-3, N-4, and N-6) would be 206,943 hours²⁶ as a result of the amendments, with an associated cost of \$62,318,000, as follows.

Table 1: Summary of Annual Responses, Burden Hours, and Burden Hour Costs Estimates for the Information Collection Associated with “Investment Company Interactive Data”

| Investment Company Interactive Data | No. of Responses (annual) | Total Burden Hours (annual) | Total Burden Hour Costs (annual) |
|--|----------------------------------|------------------------------------|---|
| <i>Currently Approved</i> | | | |
| Form N-1A | 15,206 | 178,803 | \$52,500,000 |
| <i>New Burdens for Variable Contracts Associated with Amendments</i> | | | |
| Form N-3 | 18 | 360 | \$25,280 |
| Form N-4 | 1,278 | 17,892 | \$6,226,416 |
| Form N-6 | 732 | 10,248 | \$3,566,304 |
| Subtotal: | 2,028 | 28,140 | \$9,818,000 |
| <i>Total Burden As a Result of Amendments</i> | | | |
| Currently Approved | 15,206 | 178,803 | \$52,500,000 |
| New Burden | 2,028 | 28,140 | \$9,818,000 |
| TOTAL: | 17,234 | 206,943 | \$62,318,000 |

²⁵ The internal time cost equivalent is calculated by multiplying the total hour burden by the estimated hourly wage of \$348. 28,500 burden hours x \$348 = \$9,918,000.

The estimated wage figure of \$348 is based on published rates for Compliance Attorneys (\$365) and Senior Programmers (\$331). These hourly figures are from SIFMA’s Management & Professional Earnings in the Securities Industry 2013, modified to account for an 1,800 hour work year; multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, and adjusted for inflation. The estimated wage rate was further based on the estimate that Compliance Attorneys and Senior Programmers would divide time equally, resulting in a weighted wage rate of \$348 $((\$365 + \$331) / 2 = 348)$.

²⁶ 178,803 annual burden hours (current estimated annual hour burden for funds) + 28,140 new burden hours (due to amendments for variable contracts) = 206,943 hours.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to comply with the “Investment Company 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 discussed in Item 12 above. The Commission previously estimated an external aggregate annual cost burden of \$10,000,647 for the cost of services purchased to comply with the current interactive data requirements, based on an estimate of 11,106 funds.

For Form N-4 and Form N-6 registrants, we estimate an external cost burden of \$900 per registrant for the cost of goods and services purchased to comply with the Inline XBRL requirements, which is based on the estimated average external cost burden associated with the Inline XBRL preparation expenses for funds. For Form N-3 registrants, we estimate an additional cost of \$300 per investment option for the cost of goods and services purchased to comply with the proposed Inline XBRL requirements for an estimated external cost burden of \$1,800 per registrant.²⁷

Based on the estimate of 6 Form N-3 registrants, 426 Form N-4 registrants, and 244 Form N-6 registrants, we estimate that, in the aggregate, the total external costs to variable contract issuers associated with the requirements to tag and submit certain information in Inline XBRL format would be approximately \$613,800.²⁸ We therefore estimate the aggregate total external

²⁷ \$900 per registrant + (3 investment options per registrant x \$300 per investment option) = \$1,800 per Form N-3 registrant.

²⁸ (6 Form N-3 registrants + 426 Form N-4 registrants + 244 Form N-6 registrants) x \$900 per registrant = 610,200) + (6 Form N-3 registrants x 3 investment options per registrant x \$300 per investment option) = \$614,700.

cost burden for the re-titled “Registered Investment Company Interactive Data” collection of information would be \$10,614,447 as a result of the proposed amendments.²⁹

Table 2: Summary of Annual Responses and Total External Cost Estimates for the Information Collection Associated with “Registered Investment Company Interactive Data”

| Reg. Inv. Co. Interactive Data | No. of Registrants (annual) | Cost (per filer) | Total Costs (annual) |
|---|------------------------------------|-------------------------|-----------------------------|
| <i>Currently Approved</i> | | | |
| Form N-1A | 11,181 | | \$10,000,647 |
| <i>New Burdens for Variable Contracts Associated with Proposed Rulemaking</i> | | | |
| Form N-3 | 6 | \$1,800 | \$10,800 |
| Form N-4 | 426 | \$900 | \$383,400 |
| Form N-6 | 244 | \$900 | \$219,600 |
| Subtotal: | 676 | | \$613,800 |
| <i>Total Burden As a Result of Proposed Rulemaking</i> | | | |
| Currently Approved | 11,181 | | \$10,000,647 |
| New Burden | 676 | | \$613,800 |
| TOTAL: | 11,857 | | \$10,614,447 |

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$21.2 million in fiscal year 2019, 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 for complying with the newly-retitled “Investment Company Interactive Data” requirements is 178,803 internal burden hours to use Inline XBRL format to tag fund risk/return summary items. The new estimate is 206,943 hours, representing an increase of 28,140 burden hours as a result of the proposal to require variable

²⁹ \$10,000,647 (current estimated external cost burden) + additional \$613,800 = \$10,614,447.

contract issuers to use Inline XBRL to tag certain disclosures. The increase in hourly burdens is due to an increase in the number of registrants that would be required to use Inline XBRL format to tag certain disclosures, and an increase in the number of filings to be tagged.

Currently, the total external cost burden for software and/or consulting services is \$10,000,647. The new estimate is \$10,614,447, representing an increase of \$613,800 due to the increase in the number of registrants that would incur the cost of goods and services purchased to comply with the Inline XBRL requirements.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

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

18. Exceptions to Certification Statement

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.