

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 interactive data format.¹ 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 Commission also has adopted requirements for most registered investment companies to file monthly reporting of portfolio securities on a quarterly basis,⁴ as well as annual reporting of certain “census” information,⁵ in a structured data format.⁶ Most recently the Commission adopted rules requiring the use of Inline XBRL for the

¹ Interactive Data for Mutual Fund Risk/Return Summary, Investment Company Act Release No. 28617 (Feb. 11, 2009) [74 FR 7748 (Feb. 19, 2009)].

² 17 CFR 230.497.

³ 15 U.S.C. 77a *et seq.*

⁴ Reporting Modernization Release, *supra* footnote **Error! Bookmark not defined.** (requiring portfolio information on Form N-PORT); N-PORT Modification Release, *supra* footnote **Error! Bookmark not defined.** (modifying the filing requirements for Form N-PORT); Money Market Fund Reform, Investment Company Act Release No. 29132 (Feb. 23, 2010) [75 FR 10060 (Mar. 4, 2010)] (requiring portfolio information on Form N-MFP).

⁵ Reporting Modernization Release, *supra* footnote **Error! Bookmark not defined.**, at 81870 (requiring “census” information on Form N-CEN).

⁶ We require reports on these forms to be filed in an XML format that is not Inline XBRL.

submission of certain statutory prospectus disclosures for variable annuity and variable life insurance contracts.⁷

The current title for the collection of information for submitting risk/return summary information in interactive data format is “Investment Company Interactive Data” (OMB Control No. 3235-0642) (this collection was formerly titled “Mutual Company Interactive Data”). This collection of information relates to regulations and forms adopted under the Securities Act, the Securities Exchange Act of 1934,⁸ and the Investment Company Act of 1940 (“Investment Company Act”)⁹ 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

⁷ See Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts, Investment Company Act Release No. 33814 (Mar. 11, 2020) [85 FR 25964 (May 1, 2020)].

⁸ 15 U.S.C. 78a *et seq.*

⁹ 15 U.S.C. 80a-1 *et seq.*

submissions.¹⁰ Although the current 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 April 8, 2020, the Commission adopted rules modifying the registration, communications, and offering processes for business development companies and other closed-end investment companies under the Securities Act of 1933.¹¹ In particular, the Commission amended Form N-2 (OMB Control No. 3235–0026), as well as Regulation S-T (OMB Control No. 3235-0424),¹² to require certain new structured data reporting requirements for registered closed-end investment companies (“registered CEFs”) and business development companies (“BDCs”) (together with registered CEFs, “affected funds”). Specifically, the amendments will:

- Require BDCs to submit financial statement information using Inline XBRL format;

¹⁰ 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)].

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)]. 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.

¹¹ Securities Offering Reform for Closed-End Investment Companies, Investment Company Act Release No. 33836 (April 8, 2020) [85 FR 33290 (June 1, 2020)] (“Adopting Release”).

¹² 17 CFR 232.10 *et seq.*

- Require all affected funds to include structured cover page information in their registration statements on Form N-2 using Inline XBRL; and
- Require all affected funds to tag certain Form N-2 disclosure items using Inline XBRL.

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.

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. 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.

Like mutual fund risk/return and variable contract prospectus disclosures, BDC financial statement information and information required by Form N-2 that would be required to be tagged using Inline XBRL would be submitted to the Commission on EDGAR in HTML format as part of a registration statement, post-effective amendment, form of prospectus filing, or periodic report. 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, making it easier for investors to analyze an investment company's disclosures, and assisting 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.¹³ 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.

¹³ 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 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)

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

8. Consultations Outside the Agency

Before adopting the amendments affecting Investment Company Interactive Data, the Commission requested public comment on the proposed amendments and the related collection of information requirements. Comments were received from filers, investors and other market participants, and were considered by the Commission as discussed in the Adopting Release. 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

No payment or gift to respondents was provided.

10. 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. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995¹⁴ and are not derived from a comprehensive or 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.

¹⁴ 44 U.S.C. 3501 *et seq.*

The amendments generally will impose three types of reporting burdens on closed-end investment companies: (1) the burden requiring BDCs to submit financial statement information using Inline XBRL format; (2) the burden of requiring all affected funds to include structured cover page information in their registration statements on Form N-2 using Inline XBRL; and (3) the burden of requiring all affected funds to tag certain Form N-2 disclosure items using Inline XBRL.

Table 1 below shows the internal burden hours and costs that we estimate will result from these new amendments.

Table 1 — Internal Burden Estimates

	Normal Annual Burden	Initial Burden						Internal Burden	Wage Rate	Cost of Internal Burden	
		Year 1		Year 2		Year 3					
FINANCIAL STATEMENT TAGGING											
Ongoing internal burden	27 hours							27 hours	×	\$365 (compliance attorney)	\$9,855
	27 hours							27 hours	×	\$331 (senior programmer)	\$8,937
Initial internal burden	27 hours	× 0.5	13.5 hours	× 0.25	3.375 hours	× 0.25	0.844 hours	5.906 hours	×	\$365 (compliance attorney)	\$2,155.69
	27 hours	× 0.5	13.5 hours	× 0.25	3.375 hours	× 0.25	0.844 hours	5.906 hours	×	\$331 (senior programmer)	\$1,954.89
Total burden per response								65.81 hours			\$22,902.58
Annual responses per BDC								× 4.5			× 4.5
Number of BDCs								× 105			× 105
Total annual burden								31,095 hours			\$10,821,469.05
PROSPECTUS TAGGING											
Ongoing internal burden	5.25 hours							5.25 hours	×	\$365 (compliance attorney)	\$1,916.25
	5.25 hours							5.25 hours	×	\$331 (senior programmer)	\$1,737.75
Initial internal burden	5.25 hours	× 0.5	2.63 hours	× 0.25	0.66 hours	× 0.25	0.17 hours	1.15 hours	×	\$365 (compliance attorney)	\$419.75
	5.25 hours	× 0.5	2.63 hours	× 0.25	0.66 hours	× 0.25	0.17 hours	1.15 hours	×	\$331 (senior programmer)	\$380.65
Total burden per response								12.8 hours			\$4,454.40
Annual responses per fund								× 1.36			× 1.36
Number of funds								× 791			× 791
Total annual burden								13,773 hours			\$4,791,865.34

(continued)

	Normal Annual Burden	Initial Burden			Internal Burden	Wage Rate	Cost of Internal Burden
		Year 1	Year 2	Year 3			
COVER PAGE TAGGING							
Ongoing internal burden	0.5 hours				0.5 hours	× \$365 (compliance attorney)	\$182.50
	0.5 hours				0.5 hours	× \$331 (senior programmer)	\$165.50
Total burden per fund					1 hour		\$348
Number of funds					× 791		×791
Total annual burden					791 hours		\$275,268
TOTALS							
Current approved burden					206,943 hours		\$62,318,000
Financial statement burden					31,095 hours		\$10,821,469.05
Prospectus burden					13,773 hours		\$4,791,865.34
Cover page tagging					791 hours		\$275,268
Total annual burden					252,602 hours		\$78,206,602.39

As shown in Table 1, above, in its most recent Paperwork Reduction Act submission for Investment Company Interactive Data, Commission staff estimated the total cost to the fund industry to comply with this collection of information requirement to be 206,943 internal burden hours annually, with an estimated cost of \$62,318,000 per year.

We estimate that the amendments to require the submission of financial statement information in XBRL format would result in an aggregate yearly burden of about 31,095 hours of in-house personnel time. We estimate that for all affected funds the amendments to require the submission of specified Form N-2 disclosure items in Inline XBRL would result in an aggregate yearly burden of about 13,773 hours of in-house personnel time. We estimate that the amendment to require the tagging of Form N-2 cover page items would result in an aggregate yearly burden of about 791 hours of in-house personnel time. Together with the currently approved hour burden of 206,943 hours, the revised burden associated with the Investment Company Interactive Data information collection would be 252,602 hours at a cost of about \$78.2 million.¹⁵

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 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. As shown in Table 2, below, we believe that the requirement for affected

¹⁵ The estimated wage figures included in Table 1 are based on published rates for compliance attorneys and senior programmers. 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.

funds to include structured cover page information in the registration statements on Form N-2 using Inline XBRL will not result in any additional costs for goods or services.

Table 2 — External Burden Estimates

	Normal Annual Burden	Initial Burden						Burden
		Year 1		Year 2		Year 3		
FINANCIAL STATEMENT TAGGING								
Ongoing external burden	\$6,175							\$6,175
Initial external burden	\$6,175	× 0.5	\$3,087.50	× 0.25	\$771.88	× 0.25	\$192.97	\$1,350.78
Total burden per response								\$7,525.78
Annual responses per BDC								× 4.5
Number of BDCs								× 105
Total annual burden								\$3,555,931
PROSPECTUS TAGGING								
Ongoing internal burden	\$900							\$900
Initial internal burden	\$900	× 0.5	\$450	× 0.25	\$112.50	× 0.25	\$28.13	\$196.87
Total burden per response								\$1,097
Annual responses per fund								× 1.36
Number of funds								× 791
Total annual burden								\$1,180,372
TOTALS								
Current approved burden								\$10,614,447
Financial statement burden								\$3,555,931
Prospectus burden								\$1,180,372
Total annual burden								\$15,350,750

As summarized in Table 2 above, in its most recent Paperwork Reduction Act submission for Investment Company Interactive Data, Commission staff estimated the total burden to the mutual fund and ETF industry to company with this collection of information requirement to be about \$10.6 million.

As summarized in Table 2 above, the Commission estimated that BDCs would on average file 4.5 responses each year related to the financial statement requirement, with each response normally requiring \$6,175 for outside services to prepare.¹⁶ The Commission also estimated that affected funds would on average file 1.36 responses each year related to the Form N-2 tagging requirements, with each response normally requiring \$900 to purchase software or acquire services of consultants or filing agents.¹⁷ However, we increased our estimate of the annualized external cost burden to submit financial statement information in Inline XBRL to \$7,525.78 per response and increased our estimate of the annualized external cost

¹⁶ The Commission previously estimated that operating companies submitting financial information in Inline XBRL format file, on average, 4.5 responses per year that contain interactive data, and that each response required \$6,175 for outside services to prepare. The amendments would subject BDCs to the same Inline XBRL requirements. Therefore, we estimate that BDCs would on average file the same number of filings containing financial statement information in Inline XBRL and would experience similar costs as do operating companies.

¹⁷ The amendments to require affected funds to tag certain Form N-2 prospectus disclosure items using Inline XBRL largely parallel similar information required by Form N-1A risk/return summary information that must be tagged in Inline XBRL. We have previously estimated that mutual funds and ETFs file 1.36 responses per year containing mutual fund risk/return data in Inline XBRL format, and that the risk/return XBRL requirements require funds to expend \$900 to purchase software or acquire services of consultants or filing agents. Consequently, we estimated that the cost burden of the amendments to tag certain Form N-2 disclosure items would be similar to the cost burden of risk/return summary XBRL requirements.

burden to tag certain Form N-2 information using Inline XBRL format to \$1,096.87 per response to reflect one-time compliance costs.¹⁸

Accordingly, as summarized in Table 2 above, we estimate that the amendments to require the submission of financial statement information in XBRL format will result in an aggregate yearly burden of about \$3.6 million in the cost of services of outside professionals. We estimate that for all affected funds the amendments to require the submission of specified Form N-2 disclosure items in Inline XBRL will result in an aggregate yearly burden of about \$1,180,372 in the cost of services of outside professionals. Together with the currently approved external cost burden of \$10,614,447, the revised burden associated with the Investment Company Interactive Data information collection would be about \$15.35 million.

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 \$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.

¹⁸ Because BDCs and registered CEFs have not previously been subject to Inline XBRL requirements, we estimated that these funds would experience additional burdens related to one-time-costs associated with becoming familiar with Inline XBRL reporting. These costs would include, for example, the acquisition of new software or the services of consultants, or the training of staff. We estimated that these one-time costs would decline in the second and third years of compliance with the amendments, as the funds become more efficient at preparing submissions using Inline XBRL and the process becomes more routine. We estimated that, as illustrated in Table 2, the one-time burdens would be 50% of the normal year burdens in the first year, and would subsequently decline by 75% in the second and third years from the immediately-preceding year.

15. Changes in Burden

TABLE 1: CHANGE IN BURDEN ESTIMATES

	Annual Number of Responses			Annual Time Burden (hours)			Cost Burden (dollars)		
	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change	Previously Approved	Revised Estimate	Change
Investment Company Interactive Data	17,234	19,817	2,583	206,943	252,602	45,659	\$10,614,447	\$15,350,750	\$4,736,303

As summarized in Table 3 above, the estimated hourly burden associated with the Investment Company Interactive Data collection of information would increase from 206,943 hours to 252,602 hours (an increase of 45,659 hours). In addition, the cost burden associated with the Investment Company Interactive Data collection of information would increase from about \$10.6 million to about \$15.35 million (an increase of about \$4.75 million).

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.