

**SUPPORTING STATEMENT FOR ADOPTED AMENDMENTS TO MODERNIZE  
FILING FEE DISCLOSURE AND PAYMENT METHODS  
Form N-14**

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995 (“PRA”), 44 U.S.C. §3501, *et seq.*

**A. JUSTIFICATION**

**1. NECESSITY FOR THE INFORMATION COLLECTION**

In Release No. 33-10997,<sup>1</sup> the Commission adopted amendments to modernize filing fee disclosure and payment methods. The amendments will revise most fee-bearing forms, schedules, statements, and related rules to require each filing fee table and accompanying disclosure to include all required information for fee calculation in a structured format<sup>2</sup> using Inline eXtensible Business Reporting Language (“XBRL”).<sup>3</sup> The amendments also will add options for fee payment via Automated Clearing House (“ACH”) and debit and credit cards, and eliminate options for fee payment via paper checks and money orders. Finally, the amendments also will make other fee-related revisions.

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<sup>1</sup> Filing Fee Disclosure and Payment Methods Modernization, Release No. 33-10997 (Oct. 13, 2021) [86 FR 70166 (Dec. 9, 2021)] (“Adopting Release”), available at <https://www.sec.gov/rules/final/2021/33-10997.pdf>. The amendments were proposed in Filing Fee Disclosure and Payment Methods Modernization, Release No. 33-10720 (Oct. 24, 2019) [84 FR 71580 (Dec. 27, 2019)] (“Proposing Release”), available at <https://www.sec.gov/rules/proposed/2019/33-10720.pdf>.

<sup>2</sup> Structured data is data that is tagged to make it machine-readable, facilitating its use by investors and other market participants, such as data aggregators (*i.e.*, entities that, in general, collect, package, and resell data).

<sup>3</sup> Inline XBRL allows filers to embed XBRL data directly into a HyperText Markup Language (“HTML”) document, eliminating the need to tag a copy of the information in a separate XBRL exhibit.

The amendments affect “collection of information” requirements within the meaning of the PRA.<sup>4</sup> The titles of the collections of information impacted by the amendments to investment company forms are:

- Form N-2 (OMB 3235-0026);
- Form N-14 (OMB 3235-0336); and
- Investment Company Interactive Data (for Forms N-2 and N-14) (OMB No. 3235-0642).

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

The forms listed above, which were adopted under the Securities Act of 1933 (“Securities Act”) or the Investment Company Act of 1940 (“Investment Company Act”), set forth the disclosure requirements for these fee-bearing documents.

The purpose of the amendments is to improve filing fee preparation and payment processing by facilitating both enhanced validation through filing fee structuring and lower-cost, easily routable payments through the ACH and debit and credit card payment options.

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

The collection of information requirements of the amendments will be set forth in the respective forms and related rules. The information required by these provisions will continue to be filed electronically with the Commission using the Commission’s Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system.

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<sup>4</sup> This supporting statement relates only to the amendments that will affect investment companies that file on Forms N-2 and N-14, and are required to use Inline XBRL to tag specified disclosures. A separate supporting statement will be submitted for the amendments that will affect operating companies.

#### **4. DUPLICATION**

The amendments will require fee-related information to be presented in both traditional human-readable (*i.e.*, HTML) and structured format. When the information is solely in traditional format, it cannot be used as effectively as when also in a structured format that a variety of software applications can recognize and process, enabling efficient automated access to, and processing of, information relevant to fee calculation.

#### **5. EFFECT ON SMALL ENTITIES**

The amendments will affect some companies that are small entities. The Commission performed a Final Regulatory Flexibility Act Analysis and estimated that there are approximately 2 investment companies that file on forms N-2 and N-14 that may be considered small entities and are potentially subject to the amendments.

Although the amendments will have an impact on a few small entities, the Commission expects that the impact on entities affected by the amendments will not be significant. Some of the amendments, like those that will require the structuring of filing fee disclosures and related information, will increase compliance costs for registrants, but are expected to have a small incremental effect on existing burdens for all issuers, including small entities.

The Commission believes the amendments will clarify, consolidate and simplify compliance and reporting requirements for small entities and other registrants. The amendments will modernize and streamline the filing fee payment process and filing fee disclosures by requiring more complete disclosure of filing fee-related information and requiring the filing fee information to be presented in a structured format. The amendments should make it easier to validate filing fee calculations and payments made by small entities

and other registrants. The Commission is adopting a transition period for the fee-related information structuring requirements under the amendments for all registrants. Small entities will be in the last group phased in under the transition and this transition will occur after they already have experience with the financial statement and cover page Inline XBRL structuring requirements. Accordingly, the Commission does not believe it is necessary to establish different compliance and reporting requirements or timetables for small entities, beyond their transition period treatment, or to exempt small entities from all or part of the amendments.

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

The new filing fee disclosures and structured data requirements for fee-bearing documents are designed to help investors make informed investment and voting decisions. Failure to conduct these collections of information would reduce the information available to investors to make these decisions. The amendments are intended to improve filing fee preparation and payment processing by facilitating both enhanced validation through filing fee structuring and lower-cost, easily routable payments through the ACH and debit and credit card payment options.

## **7. SPECIAL CIRCUMSTANCES**

There are no special circumstances in connection with these amendments.

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

The Commission issued a release soliciting comment on the new “collection of information” requirements and the associated paperwork burdens.<sup>5</sup> The Commission’s

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<sup>5</sup> Proposing Release, *supra* note 1.

solicitation of public comments included estimating and requesting public comments on updated burden estimates for all information collections under the OMB control numbers specified above (i.e., both changes associated with the rulemaking and other burden updates). Comments on Commission releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, roundtables and meetings. All comments received on the proposal are available at <https://www.sec.gov/comments/s7-20-19/s72019.htm>. The Commission considered all comments received prior to publishing the final rules as required by 5 CFR 1320.11(f).

The Commission received one comment letter related to the PRA estimates in the Proposing Release. The commenter provided the results of a survey it conducted of nine XBRL preparation vendors regarding some of the questions raised in the Proposing Release.<sup>6</sup> The vendors estimated that the structuring of fee-related information would result in 30 minutes to two hours of additional preparation time for the first filing containing this information, but indicated that the time would decline with subsequent filings.<sup>7</sup> Five of the nine vendors also responded that a price increase of 5-10% could occur as a result of the requirement to structure filing fee information for registrants that outsource XBRL preparation, and that registrants who structure their own submissions using a disclosure management tool may or may not realize a modest price increase. These burden estimates are consistent with the one-hour burden increase

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<sup>6</sup> Letter from XBRL US (Feb. 25, 2020).

<sup>7</sup> Four of the vendors estimated that the costs would decline significantly after the first filing. Four other vendors estimated that the costs would decline somewhat after the first filing.

per form for structuring data that was included in the Proposing Release, so we made no changes based on these comments.

## **9. PAYMENT OR GIFT**

No payment or gift has been provided to any respondents.

## **10. CONFIDENTIALITY**

All documents submitted to the Commission under these collections of information are available to the public.

## **11. SENSITIVE QUESTIONS**

No information of a sensitive nature, including social security numbers, will be required under the following collections of information in connection with the amendments to Forms N-2 and N-14. The information collections collect basic Personally Identifiable Information (“PII”) that may include a name and job title. However, the agency has determined that the information collections do not constitute a system of records 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 these collections of information. The EDGAR PIA, published on February 5, 2020, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## **12./13. ESTIMATES OF HOUR AND COST BURDENS**

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

The Investment Company Interactive Data collection of information references current requirements for registered investment companies and BDCs that must submit to the Commission in Inline XBRL format certain information that is included in their registration statements, post-effective amendments thereto, prospectuses filed pursuant to Rule 424(b) or Rule 497(c) or (e) under the Securities Act, reports and schedules filed pursuant to the requirements of the Securities Exchange Act of 1934 that are incorporated by reference into a fund's registration statement, and for BDCs, their financial statements, pursuant to specified form and rule requirements.<sup>8</sup>

The final amendments will include new filing fee-related disclosure requirements, along with corresponding structured data requirements, for (non-interval) registered closed-end funds and BDCs as set forth in the General Instructions to Forms N-2 and Form N-14 and Regulation S-T.<sup>9</sup> The estimated compliance burdens associated with fund disclosure requirements are reflected in the collections of information for Forms N-2 and N-14. Consistent with prior practice, the estimated compliance burdens associated with fund Inline XBRL tagging requirements are separately reflected in the collection of information for Investment Company Interactive Data.

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<sup>8</sup> See Interactive Data for Mutual Fund Risk/Return Summary, Release No. IC-28617 (Feb. 11, 2009) [74 FR 7748 (Feb. 19, 2009)] (requiring Form N-1A prospectus risk/return summary information to be submitted in XBRL); Inline XBRL Filing of Tagged Data, Release No. 33-10514 (June 28, 2018) [83 FR 40846 (Aug. 16, 2018)] (requiring Form N-1A prospectus risk/return summary information to be submitted in Inline XBRL, which embeds the tagged information in the document); Variable Annuity and Variable Life Insurance Contracts, Release No. IC-33814 (Mar. 11, 2020) [85 FR 25964 (May 1, 2020)] (requiring specified Form N-3, N-4, and N-6 prospectus items to be submitted in Inline XBRL); and Securities Offering Reform for Closed-End Investment Companies, Release No. IC-33836 (Apr. 8, 2020) [85 FR 33290 (June 1, 2020)] (requiring Form N-2 cover page information and specified Form N-2 prospectus items, as well as financial statement information (for BDCs only), to be submitted in Inline XBRL).

<sup>9</sup> Adopting Release, *supra* note 1. Regulation S-T specifies the requirements that govern the electronic submission of documents. We are adopting new Rule 408 of Regulation S-T, which requires the filing fee exhibits for specified fee-bearing forms, including Forms N-2 and N-14, to be submitted in Inline XBRL.

The Commission estimates that the amendments will affect the collections of information listed above on a per form basis as follows:

**PRA Table 1. Estimated Paperwork Burden Changes Due to the Amendments Per Form, Schedule, or Rule**

Amendments	Affected Forms, Schedules, and Documents	Estimated Burden Change
<b>Disclosure of Fee-Related Information:</b>		
<ul style="list-style-type: none"> <li>• Moving the filing fee-related information to a separate exhibit document, rather than requiring it on the cover, and making conforming changes to Forms N-2 and N-14.</li> <li>• Adding new rows and columns to the filing fee tables for Forms N-2 and N-14.</li> <li>• Adding or revising instructions regarding presentation, calculations and related disclosure in general and, in particular, associated with Rule 415(a)(6), Rule 424(g), Rule 429, Rule 457(a), (b), (f), (h), (o), (p), (r), (s), and (u), and Rule 0-11(a)(2), as applicable, to Forms N-2 and N-14.</li> </ul>	<ul style="list-style-type: none"> <li>• Forms N-2 and N-14</li> </ul>	<ul style="list-style-type: none"> <li>• 0.25 hour net increase in compliance burden</li> </ul>
<b>Structuring of Fee-Related Information:</b>		
<ul style="list-style-type: none"> <li>• Require structuring, in Inline XBRL of all the fee-related information that will be required in the filing fee exhibit of Forms N-2 and N-14. The structured information will include each fee table in the filing fee exhibit, together with a related explanatory section.</li> </ul>	<ul style="list-style-type: none"> <li>• Forms N-2 and N-14</li> </ul>	<ul style="list-style-type: none"> <li>• 1 hour net increase in compliance burden per form (as reflected in the hour and cost burden estimate for Investment Company Interactive Data)</li> </ul>

Below is the Commission’s estimate of the incremental change in internal burden and outside professional cost as a result of the amendments.<sup>10</sup> These estimates represent the average burden for all registrants, both large and small. In deriving these estimates, the Commission recognizes that the burdens will likely vary among individual registrants based on a number of factors, including the nature of their business. The Commission does not believe that the

<sup>10</sup> All of the changes in burden stem from the rulemaking, rather than an update of burden estimates not associated with the rulemaking.



amendments will change the frequency of responses to the existing collections of information; rather, it estimates that the amendments will 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 will take a filer to prepare and review the disclosures required under the 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. The Commission also estimates that the average cost of retaining an outside professional is \$400 per hour.

**PRA Table 2. Standard Estimated Burden Allocation for Specified Forms and Schedules**

<b>Form / Schedule / Other</b>	<b>Internal</b>	<b>Outside Professionals</b>
Forms N-2 and N-14; and Investment Company Interactive Data.	25%	75%

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

**PRA Table 3. Calculation of the Incremental Change in Annual Burden Estimates of Affected Responses Resulting from the Amendments**

Form	Estimated Number of Affected Responses (A)	Estimated Incremental Burden Hours/Form (B)	Total Incremental Burden Hours (C) <sup>11</sup> = (A) x (B)	Estimated Internal Burden Hours (D) = (C) x (Allocation %)	Estimated Outside Professional Hours (E) = (C) x (Allocation %)	Estimated Outside Professional Costs/Affected Responses (F) = (E) x \$400
N-2	275	.25	69	17	52	\$20,625
N-14	54	.25	14	3	10	\$4,050
Interactive Data	329	1.0	329	82	247	\$98,700
Totals	658	1.5	411	103	308	\$123,375

<sup>11</sup> The estimates in Columns (C), (D) and (E) are rounded to a whole number.

The following table summarizes the requested paperwork burden, including the estimated total reporting burdens and costs, under the amendments.

**PRA Table 4. Requested Paperwork Burden under the Amendments**

Form/Collection	Current Burden			Program Change			Requested Change in Burden		
	Current Annual Responses (A)	Current Burden Hours (B)	Current External Cost Burden (C)	Number of Affected Responses or New Responses (D)	Increase in Internal Burden Hours (E) <sup>1</sup>	Increase in External Professional Costs (F) <sup>2</sup>	Annual Responses (G) = (A)	Internal Burden Hours (H) = (B) + (E)	External Cost Burden (I) = (C) + (F)
N-2	298	94,627	\$6,260,392	275	17	\$20,625	298	94,644	\$6,281,017
N-14	253	125,260	\$5,842,000	54	3	\$4,050	253	125,263	\$5,846,050
IC Interactive Data	19,817	252,602	\$15,350,750	54	82	\$98,700	19,817	252,684	\$15,449,450

<sup>1</sup> From Column (D) in PRA Table 3.

<sup>2</sup> From Column (F) in PRA Table 3.

The Commission staff separately estimates that funds will also incur internal costs of \$33,693,264 to comply with Form N-2; \$44,593,628 to comply with Form N-14; and \$89,955,504 to tag their disclosures using Inline XBRL.<sup>12</sup> These estimates are not included in the external cost burdens associated with outside professionals.

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

The annual cost of reviewing and processing disclosure documents, including registration statements, post-effective amendments, proxy statements, annual reports and other filings of investment companies amounted to \$25.7 million in fiscal year 2020, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

#### **15. CHANGE IN BURDEN**

The rule amendments will modernize filing fee disclosure and payment methods. They will revise most 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 using Inline XBRL. The amendments also will add options for fee payment via ACH and debit and credit cards, and eliminate options for fee payment via paper checks and

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<sup>12</sup> The estimated cost associated with the total internal burden for each collection of information is calculated by multiplying burden hours by \$356, which is the blended wage rate for an in-house compliance attorney (\$373) and a senior programmer (\$339), the types of professionals we assume would be involved in complying with the disclosure and tagging requirements ( $(\$373 + \$339) \div 2 = \$356$ ). The estimated wage rates are based on salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013, modified to account for an 1,800 hour work year, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, and adjusted for inflation.

Estimated internal costs are calculated as follows: Form N-2 (94,644 burden hours x \$356) = \$33,693,264; Form N-14 (125,263 burden hours x \$356) = \$44,593,628; and Investment Company Interactive Data (252,684 burden hours x \$356) = \$89,955,504.

money orders. Finally, the amendments also will make other fee-related revisions. The Commission anticipates that the amendments will, in the aggregate, increase the burdens and costs on affected entities due to changes in fee calculation disclosure requirements and the new requirement to structure fee-related information.

As explained above, the rule amendments are expected to increase the compliance burden for each affected form by increasing either or both the internal company hours and external professional costs required to collect, prepare, review, and retain records in connection with the forms.

The Commission estimates for PRA purposes that the amendments to the disclosure-related requirements for Forms N-2 and N-14, and the Inline XBRL tagging-related requirements for the new filing fee exhibit(s) associated with same, will result in an incremental increase of:

- 17 internal burden hours, and a total increase in professional costs of \$20,625 for Form N-2;
- 3 internal burden hours, and a total increase in professional costs of \$4,050 for Form N-14; and
- 82 internal burden hours, and a total increase in professional costs of \$98,700 for Investment Company Interactive Data.

The Commission does not expect that the amendments will change the number of annual responses filed for each form or collection.<sup>13</sup>

Including the new burdens associated with the rulemaking, we estimate that, in the aggregate, investment companies annually will spend approximately:

- 94,644 total burden hours, and \$6,281,017 in total external costs for the services of outside professionals to comply with Form N-2's disclosure requirements;

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<sup>13</sup> The changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under the OMB control numbers specified above (whether or not associated with rulemaking changes), and the Commission requested public comment on all those information collection burden estimates for these OMB control numbers. All of the changes in burden stem from the rulemaking rather than an update of burden estimates not associated with the rulemaking.

- 125,263 total burden hours, and \$5,846,050 in total external costs for the services of outside professionals to comply with Form N-14's disclosure requirements; and
- 252,684 total burden hours, and \$15,449,450 in total external costs for the services of outside professionals to comply with the Inline XBRL tagging requirements for investment companies.

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

The information collections do not employ statistical methods.

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

The Commission requests authorization to omit the expiration date on the electronic version of the forms and schedules. Including the expiration date on the electronic version of the forms and schedules will result in increased costs, because the need to make changes to the forms and schedules may not follow the application's scheduled version release dates. The OMB control number will be displayed.

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

There are no exceptions to certification for Paperwork Reduction Act submissions.

**B. STATISTICAL METHODS**

The information collections do not employ statistical methods.