

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

A. JUSTIFICATION

1. Necessity for the Information Collection

Certain funds have current requirements to submit to the Commission information included in their registration statements, or information included in or amended by any post-effective amendments to such registration statements, in response to certain form items in structured data language (“Investment Company Interactive Data”).¹ This also includes the requirement for funds to submit interactive data to the Commission for any form of prospectus filed pursuant to 17 CFR 230.497(c) or 17 CFR 230.497(e) under the Securities Act of 1933 (“Securities Act”) [15 U.S.C. 77a *et seq.*] that includes information in response to certain form items. This collection of information relates to regulations and forms adopted under the Securities Act, and the Investment Company Act of 1940 (“Investment Company Act”) [15 U.S.C. 80a-1 *et seq.*] That set forth disclosure requirements for funds and other issuers.

On February 9, 2022, the Commission proposed rules related to cybersecurity risk management for registered investment advisers, as well as registered investment companies and business development companies (together, “funds”), and also proposed amendments to certain rules that govern investment adviser and fund disclosures under

1 The paperwork burdens for the rules under section 8(b) of the Investment Company Act are imposed through the forms and reports that are subject to the requirements in these rules and are reflected in the PRA burdens of those documents.

the Investment Advisers Act of 1940 and the Investment Company Act.² The Commission proposed amendments to Form N-1A,³ Form N-2,⁴ Form N-3,⁵ Form N-4,⁶ Form N-6,⁷ Form N-8B-2,⁸ and Form S-6⁹ under the Investment Company Act and the Securities Act of 1933 to require a description of any significant fund cybersecurity incident that has occurred in its last two fiscal years, using a structured data language. These amendments are designed to enhance investor protection by ensuring cybersecurity incident-related information is available to increase understanding and insight into a fund’s cybersecurity history.

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 eXtensible Business Reporting Language or “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.

2 Cybersecurity Risk Governance and Incident Disclosure, Securities Act Release No. 11028 (Feb. 9, 2022) available at <https://www.sec.gov/rules/proposed/2022/33-11028.pdf> (“Cybersecurity Risk Governance and Incident Disclosure Proposal”).

3 17 CFR 274.11A.

4 17 CFR 274.11a-1.

5 17 CFR 274.11b.

6 17 CFR 274.11c.

7 17 CFR 274.11d.

8 17 CFR 274.12.

9 17 CFR 239.16.

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.¹⁰ The burden on small entities to prepare and then submit Investment Company 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.

10 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.

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

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

8. Consultation Outside the Agency

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. In addition, the Commission has requested public comment on the proposed amendments, including the collection of information requirements resulting from the proposed amendments. Before adopting these amendments, the Commission

will receive and evaluate public comments on the proposed amendments and their associated collection of information requirements.

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 collects basic Personally Identifiable Information (PII) that may include names, job titles and work addresses. 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 February 5, 2020, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

12. Estimate of Hour and Cost Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995¹¹ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules

11 44 U.S.C. 3501 et seq.

and forms. Compliance with the Investment Company Interactive Data requirements is mandatory. Responses to the disclosure requirements will not be kept confidential.

The proposed amendments would include new structured data requirements that would require funds to tag the information that the proposal would require funds to include in their registration statements about significant fund cybersecurity incidents using Inline XBRL.¹² Funds filing registration statements on Form N-1A, Form N-2, Form N-3, Form N-4, and Form N-6 already submit certain information using Inline XBRL. Unit investments trusts (“UITs”) filing initial registration statements on Form N-8B-2 and post-effective amendments on Form S-6 are not currently subject to requirements to submit information in structured form. Because these UITs have not previously been subject to Inline XBRL requirements, we assume that these funds would experience additional burdens related to one-time costs associated with becoming familiarized with Inline XBRL reporting.

In our most recent Paperwork Reduction Act submission for Investment Company Interactive Data, we estimated a total aggregate annual hour burden of 252,684 hours, and a total aggregate annual external cost burden of \$15,449,450.¹³ The table below summarizes our initial and ongoing annual burden estimates associated with the proposed

12 *See* Cybersecurity Risk Governance and Incident Disclosure Proposal; *see also* proposed rule 405(b)(2)-(3) of Regulation of S-T; proposed rule 485(c)(3); proposed rule 497(c) and 497(e); proposed General Instruction C.3.(g)(I) and (ii) of Form N-1A; proposed General Instruction I.2 and 3 of Form N-2; proposed General Instruction C.3(h)(I) and (ii) of Form N-3; proposed General Instruction C.3(h)(I) and (ii) of Form N-4; proposed General Instruction C.3(h)(I) and (ii) of Form N-6; proposed General Instruction 2.(l) of Form N-8B-2; and proposed General Instruction 5 of Form S-6.

13 These burdens have been revised from the Cybersecurity Risk Governance and Incident Disclosure Proposal to reflect updates from Filing Fee Disclosure and Payment Methods Modernization, Release No. 33-10997 (Oct. 13, 2021) [86 FR 70166 (Dec. 9, 2021)], available at <https://www.sec.gov/rules/final/2021/33-10997.pdf>.

amendments to Form N-1A, Form N-2, Form N-3, Form N-4, Form N-6, Form N-8B-2,
and Form S-6, as well as Regulation S-T.

Table 1: Burden Estimates for Initial and Ongoing Investment Company Interactive Data

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
PROPOSED INTERACTIVE DATA ESTIMATES					
Cybersecurity incident information for current XBRL filers ³	1 hour	1 hour ⁴	\$356 (blended rate for compliance attorney and senior programmer)	\$356	\$50 ⁵
Number of funds		× 14,702 funds ⁶		× 14,702 funds	× 14,702 funds
Cybersecurity incident information for new XBRL filers ⁷	9 hours	4 hours ⁸	\$356 (blended rate for compliance attorney and senior programmer)	\$1,424	\$900 ⁹
Number of filings		× 1,048 filings ¹⁰		× 1,048 filings	× 1,048 filings
Total new aggregate annual burden		18,894 hours ¹¹		\$6,726,264 ¹²	\$1,678,300 ¹³
TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
Current aggregate annual burden estimates		+ 252,684 hours			+ \$15,449,450
Revised aggregate annual burden estimates		271,578 hours			\$17,127,750

Notes:

- Includes initial burden estimates annualized over a 3-year period.
- The Commission's estimates of the relevant wage rates are based on the SIFMA Wage Report. The estimated figures are modified by firm size, employee benefits, overhead, and adjusted to account for the effects of inflation.
- This estimate represents the average burden for a filer on Form N-1A, Form N-2, Form N-3, Form N-4, and Form N-6 that is currently subject to interactive data requirements.
- Includes initial burden estimates annualized over a three-year period, plus 0.67 ongoing annual burden hours. The estimate of 1 hour is based on the following calculation: $((1 \text{ initial hour} / 3) + 0.67 \text{ additional ongoing burden hours}) = 1 \text{ hour}$.
- We estimate an incremental external cost for filers on Form N-1A, Form N-2, Form N-3, Form N-4, and Form N-6 as they already submit certain information using Inline XBRL.
- Based on filing data as of December 30, 2020, we estimate 13,248 funds filing on Form N-1A; 786 funds, including BDCs, filing on Form N-2; 14 funds filing on Form N-3; 418 funds filing on Form N-4; and 236 funds on Form N-6, totaling 14,702 funds.
- This estimate represents the average burden for a filer on Form N-8B-2 and Form S-6 that is not currently subject to interactive data requirements.
- Includes initial burden estimates annualized over a three-year period, plus 1 ongoing annual burden hour. The estimate of 4 hours is based on the following calculation: $((9 \text{ initial hours} / 3) + 1 \text{ additional ongoing burden hour}) = 4 \text{ hours}$.
- We estimate an external cost for filers on Form N-8B-2 and Form S-6 of \$900 to reflect one-time compliance and initial set-up costs. Because these filers have not been previously been subject to Inline XBRL requirements, we estimate 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.
- The number of UITs that report being registered under the Investment Company Act on Form N-8B-2 is 47; however, we believe using the number of filings instead of registrants would form a more accurate estimate of annual burdens. This estimate is therefore based on the average number of filings made on Form N-8B-2 and Form S-6 from 2018 to 2020.
- $18,894 \text{ hours} = (14,702 \text{ funds} \times 1 \text{ hour}) + (1,048 \text{ filings} \times 4 \text{ hours})$.

12. \$6,726,264 internal time cost = (14,702 funds x \$356) + (1,048 filings x \$1,424).

13. \$1,678,300 annual external cost = (14,702 funds x \$50) + (1,048 filings x \$900).

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 summarized in Table 1 above, in our most recent Paperwork Reduction Act submission for Investment Company Interactive Data, Commission staff estimated about \$15,449,450 in external cost burden per year. We estimate that the annual cost of outside services associated with these proposed amendments to Investment Company Interactive Data is \$1,678,300.¹⁴

14. Cost to the 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 \$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 estimated hourly burden and external cost associated with Investment Company Interactive Data has increased as follows:

¹⁴ This estimate is based on the following calculation: \$1,678,300 annual external cost = (14,702 funds x \$50) + (1,048 filings x \$900).

Table 2: Comparison of Current and Revised Burden Hours and External Cost for Investment Company Interactive Data

	Annual Time Burden (hours)			External Cost Burden (dollars)		
	Currently Approved	Revised Estimate	Change	Currently Approved	Revised Estimate	Change
<i>Investment Company Interactive Data</i>	252,684	271,578	18,894	\$15,449,450	\$17,127,750	\$1,678,300

The changes in annual burden hours and external cost burden are due to our proposed amendments requiring a description of any significant fund cybersecurity incident that has occurred in the fund’s last two fiscal years.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date for OMB approval.

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.