

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 September 29, 2023, the Securities and Exchange Commission (the “Commission”) proposed rule and form amendments that would, among other things, require insurance companies to register registered index-linked annuities (“RILAs”) on Form N-4, the form currently applicable to most variable annuities, instead of on Forms S-1 and S-3, as currently required. Issuers of variable annuities registered on Form N-4 are currently required to tag certain registration statement disclosure items using Inline XBRL.² The proposed amendments to Form N-4 and Rule 405 of Regulation S-T would require similar structured data requirements for RILA issuers. Although RILA issuers are not investment companies, the proposed amendments are designed to require the same structured data framework for RILAs as for variable annuities that file on Form N-4. Under the proposed amendments, RILA issuers would be required to tag specified information in registration statements filed on Form N-4 or post-effective amendments thereto, 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 using Inline XBRL.

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.

² See *Registration for Index-Linked Annuities; Amendments to Form N-4 for Index-Linked and Variable Annuities*, Investment Company Act Release No. 35028 (Sept. 29, 2023) [88 FR 71088 (Oct. 13, 2023)], available at <https://www.sec.gov/files/rules/proposed/2023/33-11250.pdf>.

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.

Likewise, the purpose of the proposed amendments to Form N-4 and Rule 405 of Regulation S-T is to make information regarding RILAs that is disclosed on Form N-4 easier for investors to analyze, to help automate regulatory filings and business information processing, and to improve consistency across all types of investment products offered on Form N-4 with respect to the accessibility of information to the market.

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.

The proposed amendments would not require duplicative reporting or recordkeeping. Currently, insurance companies that register RILAs on Forms S-1 and S-3 and that file GAAP financial statements must tag them using Inline XBRL. Instead of registering on Forms S-1 and S-3 and complying with those associated structured data requirements, insurance companies would be required to register RILAs on Form N-4 and comply with the structured data requirements associated with that form.

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.³ 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.⁴

Likewise, the proposed amendments to Form N-4 and Rule 405 of Regulation S-T would not distinguish between small entities and other RILAs.⁵ Based on a review of EDGAR filings of existing RILA issuers, we do not expect that any RILA issuers will be treated as 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, 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.

The same considerations that apply to funds would also apply to RILAs that would be required to tag the proposed Form N-4 disclosure requirements for RILAs. Requiring RILAs to use Inline XBRL to tag the specified disclosures in Form N-4 would benefit investors, other market participants, and the Commission by making the disclosures more readily available and easily accessible for aggregation, comparison, filtering, and other

³ 5 U.S.C. 601 et seq.

⁴ Generally, for purposes of the Investment Company Act and the Regulatory Flexibility Act, an investment company is a small entity if, together with other investment companies in the same group of related investment companies, it has net assets of \$50 million or less as of the end of its most recent fiscal year. *See* 17 CFR 270.0-10(a).

⁵ Generally, for purposes of the Securities Act and the Regulatory Flexibility Act, an issuer, other than an investment company, will be considered a small entity if it has net assets of \$5 million or less as of the end of its most recent fiscal year, and the issuer's offering does not exceed \$5 million. *See* 17 CFR 230.157.

analysis. The proposed tagging requirements would result in information being tagged that would best permit investors and other data users to analyze and compare RILAs. This would allow investors and other market participants more efficiently to perform large-scale analysis and comparison across RILAs (including the index-linked options that different RILAs offer) and time periods.

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 issued a proposing release requesting public comment on the new “collection of information” requirements for the proposed amendments to Form N-4 and Rule 405 of Regulation S-T before it submitted this request for revision and approval to the Office of Management and the associated paperwork burdens. Comments on Commission releases are generally received from registrants, investors, and other market participants. 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. The Commission’s solicitation of public comments included estimating and requesting public comments on the burden estimates for all information collections under this OMB control number (*i.e.*, both changes associated with the rulemaking and other burden updates). All comments on the proposal are available at <https://www.sec.gov/comments/s7-16-23/s71623.htm>. The Commission will consider all comments received prior to publishing the final rules as required by 5 CFR 1320.11(f).

9. Payment or Gift

Not applicable.

10. Confidentiality

Not applicable.

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

March 22, 2023, 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 1995⁶ 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.

In our most recent Paperwork Reduction Act submission for the Investment Company Interactive Data collection of information, we estimated a total annual hour burden of 323,724 hours, and a total annual external cost burden of \$16,041,450.⁷ Compliance with the interactive data requirements is mandatory, and the responses will not be confidential.

The table below summarizes our PRA estimates for the burdens associated with the proposed tagging requirements that would apply to RILAs that file with the Commission on Form N-4.

Table 1: Investment Company Interactive Data

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
PROPOSED BURDENS					
Proposed disclosures for current N-4 filers ³	1 hour	1 hour ⁴	\$406 (blended rate for compliance attorney and senior programmer)	\$406	\$50 ⁵
Number of current N-4 filers ⁶		× 400		× 400	×400
Total new burden estimates for current N-4 filers		400 hours		\$162,400	\$20,000
Proposed Form N-4 disclosures for RILAs ⁷	9 hours	4 hours ⁸	\$406 (blended rate for compliance attorney and senior programmer)	\$1,624	\$700 ⁹
Number of RILAs ¹⁰		× 90		× 90	× 90
Total new burden estimates for RILAs		360 hours		\$146,160	\$63,000

⁶ 44 U.S.C. 3501 et seq.

⁷ This estimate is based on the last time the PRA renewal for the Investment Company Interactive Data information collection was approved in 2023. See ICR Reference No. 202212-3235-007, available at https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202212-3235-007.

Total new aggregate annual burden		760 hours ¹¹	\$308,560 ¹²	\$83,000 ¹³
TOTAL PROPOSED ESTIMATED BURDENS INCLUDING AMENDMENTS				
	Responses	Internal Hour Estimate	Internal Hour Cost Estimate	External Cost Estimate
Current aggregate annual burden estimates	14,702	323,724 hours	\$27,066,240	\$16,041,450
Proposed additional annual burdens	+90	+ 760 hours	+ \$308,560	+ \$83,000
Revised aggregate annual burden estimates	14,792	324,484 hours	\$27,374,800	\$16,124,450

Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. The PRA estimates assume that the types of professionals that will be involved in complying with the new interactive data requirements. The Commission's estimates of the relevant wage rates are based on the SIFMA Wage Report. The \$406 wage rate reflects current estimates of the blended hourly rate for an in-house compliance attorney (\$425) and a senior programmer (\$386). \$406 is based on the following calculation: $(\$425 + \$386)/2 = \$406$. This estimate represents the average burden for a filer on Form N-4 that is currently subject to interactive data requirements.
3. Estimated incremental burden for a variable annuity Form N-4 filer that is subject to the form's current interactive data requirements.
4. Includes initial burden estimates annualized over a three-year period, plus 0.67 hour of ongoing annual burden hours. The estimate of 1 hour is based on the following calculation: $((1 \text{ initial hour} / 3) + 0.67 \text{ hour of additional ongoing burden hours}) = 1 \text{ hour}$.
5. Estimated incremental external cost for Form N-4 variable annuity registrants that already submit certain information using Inline XBRL.
6. Based on Form N-CEN filing data for 2022, we estimate that 400 variable annuity registrants file on Form N-4.
7. Estimated average burden for a RILA that files on Form N-4 that is currently subject to interactive data requirements on other Commission forms.
8. Includes initial burden estimates annualized over a three-year period, plus 1 hour of ongoing annual burdens. The estimate of 4 hours is based on the following calculation: $((9 \text{ initial hours} / 3) + 1 \text{ hour of additional ongoing burden hours}) = 4 \text{ hours}$.
9. We estimate an incremental external cost for RILAs that would be newly filing on Form N-4 of \$700 to reflect one-time compliance and initial set-up costs. Because RILAs are currently subject to Inline XBRL tagging requirements on other forms, we do not estimate any burdens related to one-time costs associated with becoming familiar with structured data requirements (e.g., the acquisition of new software or the services of consultants).
10. Estimated number of RILAs that currently file on Forms S-1 and S-3.
11. $760 \text{ hours} = (400 \text{ variable annuity registrants} \times 1 \text{ hour} = 400) + (90 \text{ RILAs} \times 4 \text{ hours} = 360)$.
12. $\$308,560 \text{ internal time cost} = (400 \text{ variable annuity registrants} \times \$406 = \$162,400) + (90 \text{ RILAs} \times \$1,624 = \$146,160)$.
13. $\$83,000 \text{ annual external cost} = (400 \text{ variable annuity registrants} \times \$50 = \$20,000) + (90 \text{ RILAs} \times \$700 = \$83,000)$.

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 \$16,041,450 in external cost burdens per year. We estimate that the annual cost of outside services associated with the proposed amendments to the structured data requirements in Form N-4 and Rule 405 of Regulation S-T is \$83,000.

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 \$29 million in fiscal year 2022, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Change in Burden

As reflected in Table 1 above, the annual burden hours for the collection of information for Investment Company Interactive Data is estimated to increase from 323,724 hours to 324,484 hours (an increase of 760 hours). We estimate that external costs would increase from \$16,041,450 to \$16,124,450 (an increase of \$83,000). The changes in annual burden hours and external cost burdens are due to the proposed amendments to Form N-4 and Rule 405 of Regulation that would require RILA issuers to tag specified disclosures filed on Form N-4 using Inline XBRL. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission requested public comment on all information collection burden estimates for this OMB control number.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.