

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.

The Commission recently adopted rule and form amendments for RILAs.² In a change from the proposal, the Commission also adopted amendments to extend the registration, filing, and disclosure approach for RILAs to annuity contracts that offer

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 and Registered Market Value Adjustment Annuities; Amendments to Form N-4 for Index-Linked Annuities, Registered Market Value Adjustment Annuities, and Variable Annuities; Other Technical Amendments, Investment Company Act Release No. 35273 (July 1, 2024), available at <https://www.sec.gov/rules-regulations/2024/07/rila#33-11294final> (“Adopting Release”).

fixed investment options and apply market-value adjustments (“MVAs”) to amounts withdrawn from a fixed option before the end of the fixed option’s term, where the offering is required to be registered with the Commission because of the MVA (“registered MVA annuities” and, collectively with RILAs, “non-variable annuities” or “non-variable annuity contracts”).

Issuers of variable annuities registered on Form N-4 are currently required to tag certain registration statement disclosure items using Inline XBRL. The proposed amendments to Form N-4 and Rule 405 of Regulation S-T would require similar structured data requirements for non-variable annuity issuers. Although non-variable annuity issuers are not investment companies, the proposed amendments are designed to require the same structured data framework for non-variable annuities as for variable annuities that file on Form N-4. Under the proposed amendments, non-variable annuity 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.

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 non-variable annuities 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. 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.

The proposed amendments would not require duplicative reporting or recordkeeping. Currently, insurance companies that register non-variable annuities 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 non-variable annuities 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 non-variable annuities.⁵ Based on a review of EDGAR filings of existing non-variable annuity issuers, we do not expect that any non-variable annuity issuers will be treated as small entities.

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.

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 non-variable annuities that would be required to tag the proposed Form N-4 disclosure requirements for non-variable annuities. 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 analysis. The proposed tagging requirements would result in information being tagged that would best permit investors and other data users to analyze and compare non-variable annuities. This would allow investors and other market participants more efficiently to perform large-scale analysis

and comparison across non-variable annuities (including the index-linked options that different non-variable annuities 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

Before adopting the final amendments to Form N-4 and Rule 405 of Regulation S-T, the Commission solicited and evaluated public comments on the proposal and its collection of information requirements. Specifically, the public was given the opportunity to comment on the Commission's estimates for the burden of Form N-4 and Rule 405 as proposed and as compared to the existing approved burden inventory in the proposing release for the amendments.⁶ The Commission did not receive any comments regarding its PRA estimates for this aspect of the proposal. In addition, 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).

⁶ 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) ("Proposing Release"), available at <https://www.sec.gov/files/rules/proposed/2023/33-11250.pdf>.

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. 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 1995⁷ 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.

⁷ 44 U.S.C. 3501 et seq.

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 328,139 hours, and a total annual external cost burden of \$16,838,400.⁸ 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 non-variable annuities that file with the Commission on Form N-4.

⁸ This estimate is based on the last time the PRA renewal for the Investment Company Interactive Data information collection was approved on January 23, 2024. *See* ICR Reference No: 202309-3235-020, *available at* https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202309-3235-020.

Table 1: Investment Company Interactive Data – PRA ESTIMATES

	Internal initial burden hours	Internal annual burden hours ¹	Wage rate ²	Internal time costs	Annual external cost burden
FINAL ESTIMATED BURDENS					
Final 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		× 416		× 416	×416
Total final new burden estimates for current N-4 filers		416 hours		\$168,896	\$20,800
Final Form N-4 disclosures for non-variable annuity issuers ⁷	9 hours	4 hours ⁸	\$406 (blended rate for compliance attorney and senior programmer)	\$1,624	\$700 ⁹
Number of non-variable annuity issuers ¹⁰		× 38 ¹¹		× 38	× 38
Total final new burden estimates for non-variable annuity issuers		152 hours		\$61,712	\$26,600
Total final new aggregate annual burden		568 hours ¹²		\$230,608 ¹³	\$47,400 ¹⁴
TOTAL FINAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
	Responses	Internal Hour Estimate		Internal Hour Cost Estimate	External Cost Estimate
Current aggregate annual burden estimates	15,498	327,571 hours		\$28,628,918	\$16,791,000
Final additional annual burdens	+38	+ 568 hours		+ \$230,608	+ \$47,400
Revised final aggregate annual burden estimates	15,536	328,139 hours		\$28,859,526	\$16,838,400

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 a review of Form N-CEN reports through December 31, 2023, we estimate that 416 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: $((9 \text{ initial hours} / 3 = 3 \text{ hours}) + 1 \text{ hour of additional ongoing burden hours}) = 4 \text{ hours}$.

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. This estimate is based on past estimates of costs— including costs of outside legal services and other service providers—relating to issuers that are newly required to submit certain disclosures in Inline XBRL format. 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. This estimate is based on the number of insurance companies issuing non-variable annuities. The proposal reflected an estimate of the number of RILAs, as opposed to the number of insurance companies issuing RILAs. We have updated this approach to better reflect the way that the burden for Investment Company Interactive Data has historically been calculated.

11. In connection with variable and non-variable annuity products, insurance companies only need to tag filings for annuities that are offered to new investors. 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)] at Section II.D ("VASP Adopting Release"). As a result, many non-variable annuity issuers do not—and will not—need to tag their disclosures because their annuities are no longer offered to new investors. Here, because we are not distinguishing between filings associated with annuities offered to new investors and those that are not, we likely are over-estimating the burden.

12. $568 \text{ hours} = 416 \text{ hours} + 152 \text{ hours}$.

13. $\$230,608 \text{ internal time cost} = \$168,896 + \$61,712$.

14. $\$47,400 \text{ annual external cost} = \$20,800 + \$26,600$.

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 above, in our most recent Paperwork Reduction Act submission for Investment Company Interactive Data, Commission staff estimated about \$16,791,000 in external cost burdens per year. Our revised aggregate annual burden cost to respondents is \$16,838,400. 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 \$63,000.

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 \$33 million in fiscal year 2023, 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 327,571 hours to 328,139 hours (an increase of 568 hours). We estimate that external costs would increase from \$16,791,000 to \$16,838,400 (an increase of \$47,400). The changes in annual burden hours and external cost burdens are due to the final

amendments to Form N-4 and Rule 405 that require non-variable annuity issuers to tag specified disclosures filed on Form N-4 using Inline XBRL. That is, the changes result from the estimated increase in the number of issuers filing Form N-4 using Inline XBRL as a result of the final amendments. 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's 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.