

May 16, 2017

Brent J. Fields, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

RE: Inline XBRL Filing of Tagged Data, File No. S7-03-17



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Dear Mr. Fields:

On behalf of XBRL US and its members, I am writing to respond to the SEC proposal on Inline XBRL Filing of Tagged Data, File No. S7-03-17. XBRL US is a nonprofit, standards organization with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical specification for XBRL, a free and open data standard widely used around the world for reporting by public and private companies as well as government agencies. XBRL US members include accounting firms, public companies, software, data and service providers, as well as other nonprofits and standards organizations.

We support the goals of this proposal and agree with the Commission's assessment that a transition to Inline XBRL for operating companies and for mutual funds will result in:

- Reduced time and effort for issuers in preparing XBRL filings
- Simplified and enhanced review process
- Improved data quality
- Increased use of XBRL-formatted data

We agree that these benefits, taken together, can improve the smooth and efficient functioning of the capital markets and reduce the cost of capital. This letter was prepared by a working group of XBRL US members and includes responses specific to the questions posed in the SEC rule proposal.

To help better understand the readiness of the market, we solicited input from XBRL US service and tool providers to better gauge the pros and cons of implementing Inline XBRL. Members of XBRL US provide XBRL creation services for an estimated 80% of U.S. public companies that file in XBRL to the SEC each quarter. In addition, we conducted a separate survey among 90 public company issuers for their input. Of the 90 public companies surveyed, 87 had some level of awareness of the proposal, either general or in-depth awareness. We also conducted informal calls to solicit input from database and tool providers that consume XBRL data to gauge their views on Inline XBRL.

Findings from the 87 issuer responses, the vendor survey, and database and tool providers, are referenced in our responses to the Commission's questions in the attached detailed response.

## Summary of Comments

- The Commission's proposal to transition reporting entities to Inline XBRL will help to improve the quality of reported data and reduce the burden on filers. Consistency of data can be further enhanced by 1) encouraging filers to adopt XBRL US Data Quality Committee rules as another level of guidance, 2) auditor engagement in review of the XBRL portion of the filing, and 3) reduced use of extensions and further consolidation of like terms in the US GAAP Taxonomy.
- The phase-in schedule for operating companies as proposed, with large accelerated filers complying first, is appropriate. The initial filing of any operating company should be the 10-Q to allow issuers to start with a smaller filing which mirrors the approach taken in the initial SEC XBRL rollout.
- Data providers that rely on conventional XBRL data will face minimal, if any, transition cost to using Inline XBRL files. Access to inline XBRL files will give analytical tool providers the ability to add greater interactivity and value in their products.
- Operating companies and vendors that work with them will likely face certain challenges in a transition which the Commission should consider when determining the timing of compliance for the first filers:
  - Change in workflow. Producing a combined filing rather than two separately created filings (XBRL and HTML) may require training and education as well as adjustments to their current process.
  - Vendor readiness and issuer learning curve. Once vendor tools have Inline XBRL capability, registrants will need additional time to test and implement inline XBRL based on the revised workflow of their vendor tools.
  - Possible vendor switch. Some registrants may choose to switch vendors during this transition as vendors adapt their tools, some sooner than others; some vendors may choose not to support Inline XBRL; and registrants may need to investigate the options available.
  - Need to comply with new FASB ASUs (Accounting Standard Updates).
- Mutual funds and their vendors will face different, and likely more challenging issues which the Commission should consider when setting the first compliance date for funds:
  - More significant change in workflow. Mutual funds will have to adapt to a possible change in timing of the XBRL filing, in addition to transitioning from two separate filings to one combined. In addition, because the prospectus is also used for marketing, it may need to be typeset and preparation can be a 3-stage process with different staff on each phase.
  - Larger volume of reporting and larger filings. A single mutual fund often has multiple, simultaneously reported filings which can be longer than those for operating companies.
- Risk/return data from mutual funds today is not as timely as investors would prefer because of the 15-day waiting period allowed by the Commission. Eliminating the waiting period, while posing challenges to mutual funds in terms of workflow change, would make the XBRL data produced much more valuable to data providers and investors.
- Foreign private issuers (FPI), will be required to file in XBRL format with their initial filing for fiscal periods ending on or after December 15, 2017. This raises other issues:

- They will be transitioning to XBRL and to Inline XBRL at the same time.
- The Commission should coordinate HTML and Inline XBRL requirements with the European Securities Markets Authority (ESMA) which will require Inline XBRL for public entities in 2020. Ensuring that the implementation is as similar as possible will ease the burden on filers that must comply with both regulators.
- Inline XBRL should be required for the reporting of any SEC disclosure, including the MD&A, and proxy statement. Any data that is valuable enough to be a required disclosure, and is used by investors, analysts, the media, businesses and regulators, should be reported in computer-readable form. The Inline XBRL specification should be used rather than conventional XBRL, given the advantages as noted above.

We also recommend that the Commission establish consistent standards for regulatory reporting for all entities that fall under its jurisdiction. This will reduce costs and burden industry- and agency-wide, and increase the timeliness and availability of computer-readable, highly functional data to all stakeholders.

## Conclusion

We appreciate the opportunity to provide input to the Commission's proposal on Inline XBRL and agree that the use of financial data standards can help to reduce the burden on reporting entities and provide better information to the capital markets.

Clear, consistent disclosures by public companies and mutual funds are critical to maintaining efficient capital markets and we applaud the Commission's work to adopt technological advancements to improve existing practice. The Commission's evaluation comes at an opportune time given technology advances and the availability of widely-used standards today which can dramatically improve the information available to issuers, investors, analysts and the public. We appreciate the opportunity to provide our feedback and are available to respond to any questions the Commission may have.

We welcome any questions that you may have and would be happy to discuss the comments outlined in this letter. Please contact me at [REDACTED] or [REDACTED].

Sincerely,



Campbell Pryde  
President and CEO, XBRL US

# Attachment – Detailed Comments

## Proposal for operating companies

1. *Should operating companies be required to submit financial statement information using Inline XBRL, as proposed? Why or why not?*

A move to Inline XBRL will be beneficial both for operating companies and for users of structured, XBRL data. XBRL vendors that were solicited for input stated that the greatest benefit of a move to Inline XBRL was reduced risk of errors because the combined HTML and XBRL filing is created once, eliminating the risk of a mismatch in data. Other important benefits cited were the reduction in time spent by companies preparing duplicate filings and an improvement in the ability to perform “completeness” checks on the data. Inline XBRL may also reduce the amount of time needed to review filings because all information is contained in a single document.

Of the public company filers that responded to an online survey, 68% were positive about a transition to Inline XBRL, 14% were neutral and 18% were negative. Benefits cited by filers in open-ended responses include:

- Improves rendering
- Simplifies the process
- Reduces preparation time
- Offers a more efficient process for reviewing the document
- Eliminates duplication of effort
- Could result in better quality and more consistency
- Provides better user viewing
- Could improve data accuracy

Concerns expressed by operating companies included additional time, cost and resources needed to make the transition. Some were also not sure of the benefits of Inline XBRL either to issuers or users of the data.

The CFA Institute, a global association of investment professionals responsible for managing the Chartered Financial Analyst (CFA) designation, also believes that Inline XBRL will be positive for the market. In a March 30, 2017 blog post, the nonprofit association stated that with Inline XBRL “...cost reductions can be achieved by having a single XBRL filing as the mandatory format for reporting... Dual filing is also not helpful to investors. It may lead to errors and inconsistencies between the PDF report and XBRL filing... The iXBRL [Inline XBRL] report is also useful to both filers and users in ensuring that the filing is accurate, consistent, and complete.”<sup>1</sup>

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<sup>1</sup> CFA Institute blog, *Automation of Financial Reporting: Greater Efficiencies, Lower Cost*, March 30, 2017 <https://blogs.cfainstitute.org/marketintegrity/2017/03/30/automation-of-financial-reporting-greater-efficiencies-lower-costs/>

We also held an informal discussion among several large and small providers of financial data and analytical tools who all agreed that the use of Inline XBRL over conventional XBRL will improve the quality of reporting because of the singularity of the report generated.

In summary, Inline XBRL will help to increase the quality of data and encourage greater use of structured data and at the same time, improve efficiency of the creation process by operating companies.

## **Proposal for mutual funds**

*2. Should mutual funds be required to submit risk/return summary information using Inline XBRL, as proposed? Why or why not? In this regard, do mutual funds present different issues and considerations from operating companies? If so, how?*

We agree with the Commission's proposal to require mutual funds to report using Inline XBRL. A move to Inline XBRL for both operating companies and mutual funds provides greater standardization in the marketplace. This enables economies of scale for tool and service vendors; and a consistent data extraction process for data vendors and analysts.

Mutual funds, however, may encounter greater challenges than operating companies in making a transition. A single mutual fund complex may be required to simultaneously submit hundreds of filings for multiple funds. Workflow may be a more significant issue for mutual funds and the Commission may want to consider giving more time before a mandatory transition. These issues are outlined further below in the section on timing.

## **Affect on data quality**

*4. Would requiring the submission of information in Inline XBRL affect the quality and use of XBRL interactive data? If so, in what way?*

*23. Would Inline XBRL requirements affect data quality and the use of XBRL data by investors, other market participants, and other data users? Please explain.*

### **Eliminates duplicate filings and completeness errors**

Inline XBRL eliminates the need to create duplicate filings, which may lead to an improvement in the quality of reported data as this eliminates opportunities for errors from mismatch in data between the XBRL and HTML filings. The single filing can also reduce the possibility of completeness errors because the operating company can easily identify reported facts that have not been tagged in XBRL.

### **Enables error checking through Inline viewer**

The SEC's Inline viewer, as noted earlier, can be used as a tool to help operating companies create better quality filings. Data users such as investors and regulators can drill down into the detailed meaning of reported data and identify changes in how public companies tag their data over time. Feedback from regulators and other stakeholders back to the company about problems found in the filing, will help to improve data quality.

The Inline Viewer can also be downloaded by operating companies to review and check their own filings prior to EDGAR submission. The SEC has made the viewer open source so that vendors can adapt it to work with their offerings and provide issuer tools.

### **Providing additional data in structured format improves the usefulness of the data**

Data contained in the MD&A, proxy, earnings releases, and other financial disclosures, if available in structured format using Inline XBRL, will improve the ability to mine and analyze the reported data on a more efficient and timely basis, thus increasing the value of that data to investors.

### **Additional enhancements to data quality**

While Inline XBRL will help to improve data quality, by itself it will not resolve all issues. The steps below can further enhance the quality and usefulness of the data.

#### ***DQC error checking***

Issuers need greater guidance to help generate consistent, accurately tagged data. We recommend that the Commission encourage all issuers to adopt the use of the Data Quality Rules developed by the XBRL US Data Quality Committee (DQC)<sup>2</sup>. The DQC is an industry-driven initiative funded by the XBRL US Center for Data Quality<sup>3</sup>, an organization comprised of XBRL tool and service providers who have contributed funding and other resources to support the DQC initiative to address the public's concerns about the quality and usability of XBRL financial data filed with the SEC.

The DQC develops guidance and validation rules that can prevent or detect inconsistencies or errors in XBRL data filed with the SEC. Members include representatives from software providers, data aggregators, institutional investors, the accounting profession and academia. The use of DQC rules has been proven to improve data quality – a study conducted in 2016 demonstrated that errors in corporate filings were reduced by 64%<sup>4</sup> by adhering to the DQC rules.

#### ***Encourage reduction in extensions and consolidation of taxonomy concepts***

During our informal discussion with database and analytical tool providers, as well as analysts, concerns were raised over inconsistencies, excessive use of extensions, and multiple elements that are available within the US GAAP Taxonomy to tag similar facts. Inline XBRL and encouraging the use of DQC checking/guidance were cited as tools to improve quality. Encouraging further reductions in extension use by issuers and further work on the US GAAP Taxonomy to improve codification references and consolidate similar concepts were also strongly supported.

#### ***Auditor engagement***

This group also raised the issue of auditor involvement in checking the XBRL in the filing. Auditor review would raise the comfort level of the investment community in XBRL.

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<sup>2</sup> XBRL US Data Quality Committee: <https://xbrl.us/data-quality/committee/>

<sup>3</sup> XBRL Center for Data Quality: <https://xbrl.us/data-quality/center/>

<sup>4</sup> SEC Filers Decreased errors by 64% <https://xbrl.us/news/dqc-20160531/>

In addition, the Commission should be investigating some form of assurance in relation to XBRL filings. The Commission should work with the Public Company Accounting Oversight Board (PCAOB), the auditing profession and filing community to begin assessing appropriate audit standards for XBRL filings.

The transition to Inline XBRL, combined with the use of Data Quality Rules to identify and resolve errors will substantially improve the quality of data reported in XBRL format, thus helping to reach the Commission's goal of increasing the use of computer-readable, more accessible data.

## **Enhancements to the inline viewer**

*3. The Inline XBRL Viewer is now freely available as an open source application. What future enhancements to the Inline Viewer would help to improve data quality or facilitate the implementation of Inline XBRL?*

The Viewer could be enhanced by providing the capability for users to pass element names and fact ids within the URL of the viewer, and allow the rendering engine to scroll down to see the fact related to that element. This would allow users viewing data on a web site to click on a link to identify the original amount reported by the SEC registrant. This provides visibility into data reporting by the company and allows users of the data to quickly verify that the data is correct, when viewing it on an investor web site or other data outlet.

The SEC should also consider adding industry-developed, freely available DQC rules to the previewer so that issuers can test filings, and can review and resolve errors prior to submission. DQC errors identified in submitted filings should also be available to the SEC help desk and the SEC examiners to aid in reviewing filings, but not made publicly available.

## **Effect on capital formation**

*24. What are the likely effects of changes to XBRL data quality due to Inline XBRL on the availability of information about filers and informational efficiency? What are the likely effects of Inline XBRL, if any, on capital formation?*

Structured data, made available through Inline XBRL or traditional XBRL, enables greater efficiency in data extraction, collection and analysis. Structured (XBRL) data is available faster and because it is more easily accessible, often with greater granularity. Small company data is available at the same time as large company data because there is no additional work in extracting data for 6,000 companies versus extracting data for six companies.

Before the advent of structured data, because of the labor involved in parsing and extracting data on public companies, data from large companies that may have a greater following among investors and analysts than small companies, was processed first by third party commercial data providers. Large cap company data was made available to the markets in days; small cap company data was made available to the markets in months.

Any steps towards making structured data easier to produce and of higher quality, which Inline XBRL provides, will ultimately benefit the flow of information throughout the capital markets and the ability of businesses, large and small, to gain access to funds.

## **Maturity of the technology**

*5. Is the Inline XBRL technology sufficiently developed to require its use in Commission filings?*

Inline XBRL is a well-established specification, developed by XBRL International, the global nonprofit standards consortium in 2010, and is widely used in other markets. For example, Inline XBRL is used by close to 3 million companies in the U.K. for reporting to the HMRC<sup>5</sup>. The European Securities and Markets Authority (ESMA) has also adopted Inline XBRL as the digital format which issuers in the European Union (EU) must use to report their company information starting January 1, 2020<sup>6</sup>. The ESMA mandate obliges all IFRS filers to provide Inline XBRL filings to their national regulator or stock exchange.

Inline XBRL is also used in Japan by the Japanese Financial Services Authority and the Tokyo Stock Exchange. In Denmark, the Danish Business Regulator allows (does not require) all companies in Denmark to file using Inline XBRL; the pool of Danish companies choosing Inline XBRL over conventional XBRL is rapidly increasing. In Australia, the securities regulator has allowed companies to file using Inline XBRL for the past two years.

The extensive global use of the Inline XBRL specification ensures that there is a marketplace of tools available for Inline XBRL and that it is a mature, working specification.

## **Vendor readiness**

*6. To what extent can filing agents and software vendors currently provide filers with the Inline XBRL functionality? For those filing agents and vendors that cannot currently provide this functionality, can it be readily developed in the future?*

XBRL US vendor members either already have Inline XBRL capability or have development underway to incorporate this capability into their tools. At the latest, all XBRL US vendor members will be ready to file using inline XBRL by the second quarter of 2019. A start date of Q3 2019 for operating companies submitting a 10-Q would give sufficient time for vendors to be ready plus allow for a period during which filers can test, train and be ready to file. Mutual funds, as noted earlier, will have more significant challenges making the transition.

*7. Are vendors likely to develop and make commercially available software applications or Internet products that would extract and/or analyze XBRL data from submissions in Inline XBRL?*

Today, many data and tool providers as well as analysts opt for XBRL-formatted data because of the greater functionality, timeliness and granularity of the data available. We held informal

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<sup>5</sup> HM Revenue and Customs: <https://www.gov.uk/government/publications/xbrl-tagging-requirement-filing-company-tax-returns-online>

<sup>6</sup> European Securities and Markets Authority: <https://www.esma.europa.eu/press-news/esma-news/esma-proposes-new-digital-format-issuers%E2%80%99-financial-reporting>

discussions with several of these organizations ranging from startup companies such as idaciti and Calcbench to large established organizations such as Thomson Reuters and S&P Global. These organizations, which today use XBRL-formatted US corporate data, indicated that extracting data from Inline XBRL is the same as extracting data from conventional XBRL files. Several indicated that they have already begun to use Inline XBRL given its availability in other non-US markets. Of these, the cost to do so was minimal, requiring zero to little change to their current process.

Some also indicated that access to Inline XBRL files may enable greater interactivity in their analytical tools. For example, an HTML table in an income tax footnote has metadata embedded in the values which allows tool providers to enhance their capabilities. Data users can drill down into an HTML report to see the associated metadata about the value. Conversely, they can take a reported value and identify exactly where it resides within the HTML (paper-based) report. The ability to trace data back to its source is extremely valuable to investment firms which rely on commercial data and tool providers.

## **Impact on different categories of filers**

*8. Should any category of filers that is presently subject to financial statement information XBRL requirements, such as SRCs or EGCs, be exempt from the Inline XBRL requirements? Why or why not? If we were to exempt any such filers from the Inline XBRL requirements, should they be permitted to voluntarily submit their interactive data in the Inline XBRL format? What are the costs to investors, other market participants, and other data users, for instance, due to lower data quality, associated with exempting such filers from the Inline XBRL requirements?*

All public operating companies should be required to file their financials using the same format to enable economies of scale in tools for creation and extraction of data. Requiring XBRL vendors to provide two separate offerings – one for Inline XBRL and one for conventional XBRL – will limit the ability of vendors to streamline product offerings, reduce costs and develop more feature-rich, functional products. The experience with Inline XBRL in the UK bears this out – since it came into use in 2010, many new products have entered the markets, increasing competition, resulting in better product offerings and reduced pricing.

Companies that are not required to adopt Inline XBRL, either through mandatory exemption or because they are given the option to remain with conventional XBRL, will be at a disadvantage in the marketplace. The data produced from their filings may be more prone to errors; and they will have to maintain a more time- and labor-intensive process because of duplicate filings.

The Commission suggests that an optional exemption could be considered for some companies, such that these companies could choose to file using Inline XBRL or conventional XBRL. We believe that it is very unlikely that companies will voluntarily switch to Inline XBRL, simply because there is an initial learning curve in any transition, and many companies may not immediately see how Inline XBRL will improve their own process. Other activities will likely take priority and many companies will be hesitant to take the initial step, thus delaying the benefits for the entire marketplace.

25. How would Inline XBRL affect the efficiency of the XBRL filing process for different categories of filers, relative to the current XBRL requirements?

Long-term, small and large filers alike will benefit from the switch to Inline XBRL because it reduces the workload issues as well as the potential for errors that come with dual filing.

## Phase-in schedule

9. *Should we adopt a phase-in schedule for the implementation of Inline XBRL for operating company financial statement information, as proposed? Why or why not? Would the proposed phase-in schedule for the submission of financial statement information in Inline XBRL allow sufficient time for vendors and filers to develop and efficiently apply the Inline XBRL technology? If not, what schedule would better provide for this? Are there other factors, besides filer size and accounting principles used, that we should consider for purposes of a phase-in schedule for operating companies?*

We agree with the Commission's proposal of a phase-in for implementation, with large accelerated filers required to file first. There will be challenges for some filers in adapting to the transition. A phase-in will help to facilitate a smooth roll-out for both vendors and operating companies. The Commission should also consider requiring that operating companies first filing should be a 10-Q, not a 10-K, to give them an opportunity to gain experience with a smaller, more manageable submission. This mirrors the 2007 ruling for interactive data filing which required companies to file in XBRL with their first 10-Q after the compliance date.

### Survey Response - Tool and Service Providers

Responses among vendors were mixed as to which size of issuer would be more challenged. While small filers generally have fewer staff, large filers have more facts to report and more process steps which could add to transition costs. The general consensus was that there would be little difference between companies of different size.

### Survey Response - Operating Companies

In our survey among operating companies, 71% said there should be a phase-in; 13% said there was no need for a phase-in; and 16% said they were not sure. 56 individuals provided open comments on this question and 34% of those comments mentioned that small companies may need more time than large companies. No comments were received suggesting that large companies should have more relief than small companies.

These results lead us to believe that the phase in as proposed, with large accelerated filers required to comply first, would be most advantageous for the market.

The Commission also asks if there is another metric besides company size that would be a logical means of identifying which companies should comply first. Ideally, complexity of financials would be the most useful; however, we recognize that this would be extremely difficult to identify for each operating company. Market cap is likely the closest proxy to complexity of financials.

## Timing of the first compliance date - operating companies

### Survey Response - Tool and Service Providers

XBRL providers noted the following biggest challenges for operating companies which should be considered by the Commission when determining the start date for a final rule:

**A risk of change in workflow.** Conventional XBRL for public companies is developed using one of several methods: 1) by using a financial management disclosure tool, which transparently creates the XBRL filing for the issuer after the HTML filing has been created; using this process, all actions are conducted within the same software environment, or 2) creating the HTML in one system, then using a separate tool to “tag” or identify the values and associate them with XBRL concepts, or 3) outsourcing the entire process to a filing agent or other service provider.

Organizations that rely on option 2, creating the HTML and XBRL versions in separate environments, may follow a process in which one individual is responsible for creating the XBRL, and a separate individual is responsible for creating the HTML version of the filing. With Inline XBRL, because a single file is created, that workflow process must change, requiring further education and training of staff. The need to get up this learning curve will add to preparation time upfront, although this will decline in subsequent reporting periods and likely result in time *savings* in the preparation process.

**Risk of change in vendor.** Registrants may choose to switch vendors during this transition for a variety of reasons, for example, 1) a vendor may choose to get out of the XBRL business rather than adapt their offering to inline XBRL, or 2) one vendor may adapt to inline XBRL faster than another or have better tools for inline XBRL than another.

### Survey Response - Operating Companies

Operating companies that participated in our survey were asked if one year was the right amount of time before the first phase of filers should be required to comply. 52% said it was the right amount of time, 24% said it was not enough time and 24% said they were not sure.

The most common concerns expressed by issuers who said that one year was not enough, were new FASB ASUs (Accounting Standard Updates) that need to be incorporated into their financials, and XBRL vendor readiness. As noted earlier, **all** XBRL US vendor members will be ready to file using inline XBRL by the second quarter of 2019. Once tools are available, operating companies will need a period of time to test before making their first inline XBRL submission.

The Commission should consider these issues raised by XBRL vendors and by operating companies when determining the timing of a final rule effective date.

## Timing of first compliance date - mutual funds

*11. In the case of post-effective amendment filings ... should we, as proposed, permit mutual funds to submit interactive data information concurrently with the related filing?*

14. *Would the proposed phase-in schedule for the submission of risk/return summary information in Inline XBRL allow sufficient time for vendors and filers to develop and efficiently apply the Inline XBRL technology?...*

15. *Does the proposed phase-in schedule provide sufficient time for compliance for larger mutual fund filers? ...*

17. *Are any other amendments necessary or appropriate to require the submission of financial statement and risk/return summary information in Inline XBRL? If so, what are they?*

30. *Does XBRL preparation for mutual funds differ from the XBRL preparation practices of operating companies? Are most funds using integrated XBRL preparation solutions? Does the use of risk/return summary XBRL data differ from the use of financial statement information XBRL data?*

31. *How would the economic effects of the proposed Inline XBRL requirements for mutual fund risk/return summary information differ from the economic effects of the Inline XBRL requirements for financial statement information?*

Mutual fund companies face issues that are somewhat different from operating companies in preparing their interactive data filing and the Commission should consider these challenges in a final ruling:

**Multiple, simultaneous filings.** Many fund complexes manage more than one registered company and a single registered investment company may have many series with many classes, with corresponding data for each fund which may need submitted at the same time.

**Larger registration statements.** The mutual fund registration statement is typically much larger than the filing of a public company registrant and the risk/return summary portion (which is tagged in XBRL) is a relatively small part of the entire filing.

**Significant risk of workflow change.** Preparing a mutual fund prospectus requires greater attention to page layout than filings for operating companies, as the prospectus also serves as a marketing tool. Preparation often follows a three-step process starting with typesetting, then preparation of the HTML, followed by the XBRL. The typesetting phase requires the use of tools that typically do not have XBRL creation capabilities or may not maintain and export necessary tagging information. The prospectuses are then combined with SAI (Statement of Additional Information) components, typically from other sources. Often, these steps are performed by different individuals and because of the number of working pieces and parties involved, the process is inherently wrought with time delays in just preparing the content of the update prospectus.

**Use of charts.** Performance chart information, such as annual total returns, that are often included in mutual fund prospectus', will require hidden facts to represent data points, and thus will not appear in the conventional SEC inline XBRL viewer.

These issues may make it more challenging for mutual funds over operating companies, to comply with the proposal.

## 15-day grace period - mutual funds

12. *We are proposing to eliminate the 15 business day filing period currently accorded to all mutual fund filings containing risk/return summaries ... Should we instead maintain some filing period after the related filing is made?*

13. *Should we instead require that the Interactive Data Files be filed concurrently with the filing?*

32. *What would the impact of the proposed elimination of the 15 business day period for the submission of risk/return summary information in XBRL be on filers, filing agents, and data users?*

16. *To what extent do investors and other users of risk/return summary information find tagged risk/return summary information useful for analytical purposes? Is tagged risk/return summary information that is narrative, rather than numerical, useful as an analytical tool?*

Mutual funds are accustomed to taking advantage of the 15-day grace period after the effectiveness date. They typically prepare and submit their conventional filing, *then* begin the preparation of the XBRL exhibit. Elimination of the 15-day grace period for filing of mutual fund XBRL data means another major change in workflow for both the mutual fund complexes as well as the third-party vendors (i.e. fund administrators, financial printers, filing agents) supporting them. Often completion of the filing runs up against the hard deadline. Consequently, eliminating the grace period is likely to require increased staffing levels and result in higher costs for both mutual funds and the vendors they rely on to meet their compliance obligations.

Conversely, if the 15-day grace period is not eliminated, the Commission should also consider how using inline XBRL may result in duplicative HTML data between the initial filing in HTML, followed by the Inline XBRL filing which is a combined HTML/XBRL filing.

We also discussed the use of risk/return summary data with Morningstar, an investment research and management firm. The most valuable and time-sensitive information in this section is the fee summary data and performance data. Today, although this data is available in structured (XBRL) format, Morningstar instead relies on the HTML version which requires manual data entry and review because the XBRL data is outdated by the time they receive it. They would strongly support eliminating the 15-day waiting period as it would allow them to disseminate the data much faster.

Morningstar also noted that a transition to Inline XBRL would be advantageous over conventional XBRL because it allows users to more easily check data back to the source because of the linkage between the HTML and XBRL.

Given these views from the issuer/vendor side and the data consumer side, we believe that the Commission may want to consider giving mutual funds more time to make the transition than operating companies. However, we believe that requiring the computer-readable version at the same as the human-readable version and moving the marketplace towards a single standards specification, Inline XBRL, will be beneficial to all stakeholders over the long-term. A single standard will enable economies of scale for XBRL creation, extraction and analysis vendors, as noted earlier.

20. *In what ways might the Commission enhance the access to Inline XBRL data submitted by filers?*

During the phase-in period, when some companies produce conventional XBRL filings and some companies produce Inline XBRL filings, it would be helpful for data providers, companies that wish to review peer data and others, to be able to easily identify the format used. A search parameter could be added in the EDGAR system to identify Inline XBRL submissions.

### **Use consistent standards for all SEC-reporting entities**

The Commission could enhance access to computer-readable data by ensuring that all entities reporting to the SEC including operating companies, mutual fund companies, credit rating agencies, companies that are crowdfunded, investment management firms and others report using the same consistent data standards. The benefits of such an approach include:

- Significant savings in data collection and processing costs for business, government and the American taxpayer
- Reduced burden (cost) on US businesses
- Consistent, comparable, timely information for investors, businesses and policymakers`

### **Special situations for FPIs**

FPIs will be required to file in XBRL format with the initial filing for fiscal periods ending on or after December 15, 2017. The timing of the XBRL requirement combined with the Inline XBRL requirement may cause additional challenges for FPIs in making this transition.

Secondly, as noted earlier, the European Securities and Markets Authority (ESMA) has also adopted Inline XBRL as the digital format which issuers in the European Union (EU) must use to report their company information starting in 2020. The Commission should coordinate requirements for implementation of HTML and Inline XBRL with ESMA. Ensuring that these implementations are as similar as possible will ease the burden on FPIs that must comply with both regulators.

### **Other reporting areas for structured data**

22. *Should the Commission consider rulemaking to require other types of information to be submitted in the Inline XBRL format? If so, what other types of information would be suitable for the Inline XBRL format and why? Are there other means of embedding structured data into the human readable format of filings that we should consider?*

Any data that is valuable enough to be a required SEC disclosure, used by investors, analysts, the media, businesses and regulators, should be reported in computer-readable form. And all structured data should use Inline XBRL, given the advantages as noted earlier in this document.

The benefits of structured data format are outlined in a paper<sup>7</sup> published in June 2016 by the CFA Institute, the global association for investment professionals. The paper enumerates the benefits of structured data for investors as follows:

- Improves financial statement accuracy - eliminating errors from keying information incorrectly and avoiding misinterpretation errors,
- Improves productivity - allowing analysts to spend less time on data collection, and enabling deeper analysis,
- Increases opportunity for higher returns - allows for faster and better analysis; and more in-depth analysis of individual companies,
- Allows for better risk management, and,
- Empowers the analyst by allowing easier analysis of disclosures.

Examples of users of structured data and the benefits they derive from XBRL today include the following:

- Global [Data Provider - Reduces Data Processing Time 90%](#)
- [Research Analyst - Saves 72 Hours off Data Collection](#)
- [Student-run Investment Fund - Gains Access to Affordable, Timely Corporate Financials](#)
- [Audit Firm - Produces More Robust Analysis, Reduces Data Collection Time](#)

The advantages of structured data over paper-based data also apply to data found in the MD&A, earnings releases, corporate actions and proxy statements. The tool and data providers we consulted for this letter confirmed that these areas would be highly useful in structured format. These comments were further confirmed in the CFA Institute paper of June 2016 which notes:

“Earnings releases and supplemental reporting packages are the documents that most often move markets. But data from earnings releases remain unstructured, and XBRL versions are voluntary. We believe that requiring companies to tag their earnings releases, as well as requiring them to submit earnings releases to the SEC for dissemination before issuing press releases, will be beneficial for investors ... Some very rich data exist in the management’s discussion and analysis (MD&A) section of filings. Unfortunately, the MD&A section falls outside the scope of the XBRL mandate. Requiring this section and other numeric data to be tagged would open up a trove of valuable data for all investors.”

“Structured reporting is most effective when it is broadly applied to all aspects of reporting—that is, to earnings releases and all regulatory filings, such as Form 8-K, proxy statements, tax reporting, and so forth. ... Consistent use of structured data for all reporting will help make the data consistent within the company over time and comparable between companies”.

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<sup>7</sup> CFA Institute paper *Data and Technology: Transforming the Information Landscape*, June 2016, <http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2016.n7.1>

## Economic impact

*26. What are the likely effects of the proposed Inline XBRL requirements on the cost of compliance with XBRL requirements for different categories of filers, relative to the current XBRL requirements? What would be the initial cost to filers, if any, to switch to using Inline XBRL? Would this cost be likely to affect competition among filers? What would be the ongoing cost, if any, of using Inline XBRL as compared to the ongoing cost of the current XBRL requirements?*

A cost study<sup>8</sup> conducted by the AICPA and XBRL US among small filing companies, found that the median annual cost to file using conventional XBRL was \$8,000 and 69% of those surveyed paid \$10,000 or less.

We believe that disclosure costs will be reduced for filers over time because the interactive data process will now be used to produce a single document; vendors will gain from focusing on a single XBRL creation process; and vendor tools will compete on price and features, with the expansion of the use of Inline XBRL worldwide.

*29. For filing agents and software vendors that do not currently have the Inline XBRL capability, what would be the cost to switch to Inline XBRL and how would it affect the price of XBRL preparation services or software? How would the proposed Inline XBRL requirements affect competition in the market for XBRL preparation services and XBRL preparation and analysis software?*

Many vendors today already have Inline XBRL capabilities or have development underway. With more and more companies, both in the United States and in non-US markets, moving to Inline XBRL, we can expect increased competition among vendors resulting in product improvements, streamlining and competitive pricing.

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<sup>8</sup> AICPA XBRL US Costs Study:  
<https://www.aicpa.org/interestareas/frc/accountingfinancialreporting/xbrl/pages/xbrlcostsstudy.aspx>