



1211 Avenue of the Americas
19th Floor
New York, NY 10036
Phone: (202) 448-1985
Fax: (866) 516-6923

November 26, 2018

Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Comments on SEC Conference, "The Road Ahead: Municipal Securities Disclosure in an Evolving Market "

Dear Chairman Clayton, SEC Commissioners, and the Office of Municipal Securities:

We support the Commission's efforts to discuss and consider opportunities for regulatory and industry improvement in state and local disclosures, at the December 6, Securities and Exchange Commission's (SEC) Conference "The Road Ahead: Municipal Securities Disclosure in an Evolving Market". We strongly believe that financial data standards can play a significant role in improving municipal disclosures to benefit both issuers and users. This letter provides our input to the discussion.

XBRL US is a national, nonprofit consortium for the financial reporting standard - a member-driven organization, representing accounting firms, software companies, other nonprofits, data intermediaries, and service providers. The mission of XBRL US is to encourage the use of financial information in a standardized format, to improve reporting between business, government and the public.

The topic of the December 6 conference is timely, as XBRL US has recently initiated a working group, dedicated to using data standards to address the needs of investors, regulators and other data consumers, in analyzing public sector data. The working group and observers to the working group, comprised of municipal issuers, software providers, academia, investors and other users of state and local financial data, was convened to address the problems with municipal disclosures that can be most efficiently addressed through data standards.

Challenges in state & local government reporting

Today, tens of thousands of municipalities prepare financial data in unstructured, inconsistent reports, resulting in time delays, the inability to easily aggregate data, and difficulties comparing local government financials. The lack of automation means inefficient, manual processing, which increases costs to investors and the municipalities themselves.

Bringing financial data standards into municipal reporting would resolve these issues, improve municipalities ability to obtain funds, and empower investors to more easily assess the credit risk of municipal bonds.

Ten years ago, the SEC began transitioning corporate financial disclosures to XBRL format. Because XBRL disclosures are machine-readable, they facilitate the creation of high-quality financial data sets at a low cost.

This disclosure improvement has yet to be implemented for municipal financial disclosures accompanied by Comprehensive Annual Financial Reports (CAFRs), although the idea of applying XBRL to CAFRs was raised almost ten years ago. In the SEC rule¹ on Amendments to Municipal Securities Disclosures, which became effective on July 9, 2009, the SEC received comment letters urging the use of XBRL for municipal securities disclosures. To address these comments, the SEC stated in its final rule:

“In the Proposing Release, we noted that the availability of audited financial statements and other financial and statistical data in an electronic format by issuers and obligated persons could encourage the establishment of the necessary taxonomies and permit states and local governments and other obligated persons to make use of XBRL in the future, should they wish to do so. The final amendments to the Rule do not designate the electronic format or formats that EMMA will accept; instead, they provide that the MSRB will prescribe the format, which will be subject to the Section 19(b) rule filing process. Nevertheless, we note that this provision allows flexibility for future implementation of improved methods for the electronic presentation of information. “

The MSRB states in its March 23, 2009 Notice² concerning the establishment of its electronic dissemination system EMMA:

“The MSRB may in the future designate additional computerized formats as acceptable electronic formats for submission or preparation of documents under Revised Rule G-32 by means of a filing with the Commission. The MSRB supports the SEC’s Interactive Data and XBRL Initiatives for registered offerings and would consider designating XBRL as a designated electronic format for purposes of submissions to the EMMA primary market disclosure service at such time in the future as appropriate taxonomies for the municipal marketplace have been developed and as issuers begin the process of producing primary market disclosure documents using XBRL.”

The XBRL standard and a marketplace of tools to create, extract and analyze XBRL data, has matured over the past ten years; and financial data standards are even more widely used today in regulatory and industry-driven programs. Recent trends, as noted below, make this an opportune time for data standards in municipal reporting.

¹ SEC Final Rule Amendment to Municipal Securities Disclosures: <https://www.sec.gov/rules/final/2008/34-59062.pdf>

² MSRB FILES TO ESTABLISH AN ELECTRONIC OFFICIAL STATEMENT DISSEMINATION STANDARD AND TO LAUNCH THE PERMANENT PRIMARY MARKET DISCLOSURE SERVICE OF THE MSRB’S ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM (“EMMA”): <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2009/2009-07.aspx>

Recent Florida legislation mandates standards for municipal reporting.

Florida Gov. Rick Scott, in March 2018, signed [HB 1073](#), legislation that establishes the Florida Open Financial Statement System, and enables the state CFO to build XBRL taxonomies for state, county, municipal, and special district financial filings; and to create a software tool that enables financial statement filers to easily create XBRL documents to be used with the standards developed.

Increasing use of data standards.

Standardized financial data is becoming more widespread. In the U.S., XBRL is required for financial statements by banks reporting to the FDIC (since 2005) and by public companies, mutual funds and credit rating agencies reporting to the SEC (since 2009). In 2017, the Department of Energy funded a project, building standards for solar industry participants to reduce the soft costs of financing.

The Federal government is expanding the use of open data as mandated by the DATA Act, and by proposed legislation such as the Financial Transparency Act ([H.R. 1530](#)) and the Grant Reporting Efficiency and Agreements Transparency Act (GREAT Act [H.R. 4887](#)). The GREAT Act is likely to have a significant impact on reporting requirements for state and local government recipients of federal grants because of a provision that will require standards for the Single Audit Report.

More and more, industry and the U.S. government recognize the critical nature of data standards as a strategic tool to reduce costs and improve efficiency.

Technology advances make adopting standards easier, and improve the benefits they bring.

On June 28, 2018, SEC Commissioners voted to adopt Inline XBRL for operating company and mutual fund disclosures. Inline XBRL eases issuer compliance and the review of financial data, because it permits the filing of a single disclosure that is both human readable and machine readable. The SEC Inline XBRL Viewer is an open source tool that has already been leveraged in commercial software tools to allow analysts, preparers and others to more easily work with financial data. The availability of the open source viewer provides an opportunity for MSRB to provide similar functionality on EMMA³ with limited development.

Financial data standards are also advancing to keep pace with broader technology changes. XBRL International⁴, the nonprofit standards body responsible for the XBRL technical specification, recently evolved the standard to work with JSON and CSV, in addition to XML. This expands the number of software applications that can be used with XBRL. And separately, open source APIs have been developed by XBRL US to standardize the means to create, process, and extract XBRL content.

³ Electronic Municipal Market Access system: <http://www.msrb.org/About-MSRB/Programs/EMMA.aspx>

⁴ XBRL International: <https://xbrl.org>

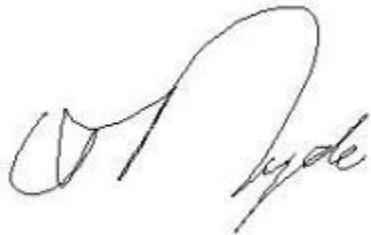
Standards to Enhance Municipal Disclosure

The XBRL US working group, mentioned earlier in this letter, is developing a demonstration collection of financial terms (taxonomy) which will be publicly available in the coming months. Members of our working group have also identified several municipal issuers interested in creating Inline XBRL documents on a pilot basis.

To facilitate the pilot, we urge the Commission to ask MSRB to permit Inline XBRL CAFR filings. This change would require minimal cost and does not impose mandates on issuers or other market participants. This pilot would allow us to gather information to determine if bringing data standards into the municipal marketplace will result in the greater efficiencies, transparency and functionality that we expect. The potential for benefits across the supply chain, and in particular, for the investment community, is significant.

I would be happy to meet with the Commission by conference call or in-person to provide additional information supporting and explaining our position. Please contact me with any questions. I can be reached at [REDACTED] or by phone at [REDACTED].

Regards,

A handwritten signature in black ink, appearing to read 'Campbell Pryde', is positioned above the typed name and title.

Campbell Pryde
President and CEO, XBRL US