



January 27, 2016

**Via Electronic Submission to: rule-comments@sec.gov**

Mr. Keith F. Higgins  
Director – Corporate Finance Division  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: Comments on Disclosure Effectiveness Initiative

Dear Mr. Higgins:

At TagniFi we're proud to be an early adopter of the tagged (XBRL) financial disclosures that have been required by the Commission since 2009. We've built our company around this technology because it allows us to collect and standardize financial data with industry-leading accuracy, timeliness, and affordability. XBRL is our slingshot against the goliaths in the financial data industry, allowing us to deliver investment-grade financial data for less than the cost of a cell phone plan.

To date, we've collected and standardized financial statements from XBRL for more than 5,000 companies representing over 99% of the US market capitalization. The following comments are based on this experience as well as from discussions with our customers and prospects.

### **Near-Term Ideas for Improving Disclosure Effectiveness with Structured Data**

In our opinion there are 3 traits that make a dataset valuable to the investment community: quality, completeness, and comparability.

- **Quality.** In order to make decisions based on data the investor needs to trust the dataset. This requires at least 99.99% accuracy. Unfortunately, the quality of XBRL data in the US has a long way to go on this front. While we applaud the formation of the *Data Quality Committee*, we believe enforcement on XBRL data quality will be required to achieve the quality levels required for adoption by the investment community. Ultimately, it is the filer that must be accountable for the financial statements filed with the Commission and enforcing data quality is the best incentive for good disclosures. In addition, companies are not currently required to file complete financial statements on a non-dimensional basis. This makes it very difficult, if not impossible, to validate the financial statements of filers that use dimensions. It's analogous to giving someone a jigsaw puzzle without a picture of the finished product. As such, we believe requiring complete non-dimensional financial statements will improve XBRL quality and usage.
- **Completeness.** Like half a dollar bill, a partial dataset is of limited value to investors. Since IFRS filers are currently exempted from the XBRL mandate, there remains a large hole in the dataset representing a significant share of the investable market. Furthermore, it will take several years to accumulate history for these companies to make it usable so we urge the Commission to

consider making this a priority. At a minimum, we urge the Commission to consider requiring IFRS filers to tag their primary financial statements since they are the focus of most investors. Our system is capable of handling the IFRS taxonomy so we are ready to begin collecting this data immediately.

- **Comparability.** Being able to make accurate comparisons across the dataset is required to convert data into information in an automated fashion. Without comparability a dataset is reduced in value to little more than a stack of paper reports. XBRL extensions are the nemesis of comparability and there exists an epidemic of extensions in the current dataset. We believe the best approach to addressing this issue is to require the linking of extensions to an existing concept in the taxonomy. Another issue we've found regarding comparability is the lack of consistent statement identifiers with the primary financial statements. In XBRL each statement is identified by a code and there are thousands of different versions of these statement codes being used in the dataset. Requiring that all companies use the same statement codes for their balance sheet, income statement, and cash flow statement would make comparing the financial statements of multiple companies much simpler for the investor.

### **Long-Term Ideas for Improving Disclosure Effectiveness with Structured Data**

We're very bullish on the future of tagged financial data and its potential benefits for the investment community. Tagged financial data is the ultimate leveler of the playing field for financial information, giving small investors access to the same information used by the largest investors. We believe the Commission should consider the following areas as you evaluate expanding tagged financial data into other filings:

- **Earnings releases.** Earnings releases have more impact on asset prices than any other financial disclosure. Unfortunately, data from these earnings releases remain very unstructured with XBRL versions being voluntary. As a result, only institutional investors can justify the cost of a subscription to access this dataset in a timely manner. We believe requiring companies to tag their earnings releases as well as requiring them to submit earnings releases to the Commission for dissemination before issuing press releases will ensure a level playing field for all investors. Requiring filing with the Commission before issuing press releases will prevent unfair "pay to play" schemes for advanced access to market-moving information.<sup>1</sup>
- **Management's discussion and analysis (MD&A).** There exists some very rich data in the MD&A section of filings. For example, in its 10-K filed on October 28<sup>th</sup>, Apple began including their sales by product type (i.e. iPhone, iPad, etc.) from their MD&A in their footnotes. Unfortunately, the MD&A section falls outside the scope of the XBRL mandate so Apple is the exception, not the norm, in tagging this valuable data. Requiring this section and other numeric data to be tagged would open up a trove of valuable data for all investors. For example, tagging the number of employees would be extremely valuable to investors looking to compare productivity.
- **Proxy statements.** Requiring all data in the proxy to be tagged will open this valuable information to everyone in the investment community while making management teams more accountable to shareholders and employees.

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<sup>1</sup> Speed Traders Get an Edge – Paying for Direct Access to News Releases Can Give a Lucrative Time Advantage, *The Wall Street Journal*, February 6, 2014

(<http://www.wsj.com/news/articles/SB10001424052702304450904579367050946606562>)

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- **Share ownership.** We applaud the Commission for making institutional investment manager data on Form 13F available in a structured (XML) data format and believe the next step is to require all ownership-related filings (ex. Form 13D, Form 13G, etc.) to use a similar format.
- **Open source identifiers.** Moving away from proprietary identifiers such as the CUSIP and toward an open source identifier such as the Legal Entity Identifier will make it easier for investors to connect other datasets with structured data from the Commission.

In closing, we would like to thank you and your colleagues at the Commission for all of your hard work toward ensuring that investors large and small have access to the information they need to make informed investment decisions. We look forward to leveraging more tagged financial data to better inform the investment community.

Sincerely,

A handwritten signature in black ink, appearing to read "Chad Sandstedt". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chad Sandstedt, CFA

Co-founder

Tagnifi, LLC

[www.tagnifi.com](http://www.tagnifi.com)