May 16, 2017

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-9303

Re: Proposed Rule on Inline XBRL Filing of Tagged Data (File Number S7-03-17)

Dear Mr. Fields,

U.S. Bancorp Fund Services, LLC (“USBFS”) appreciates the opportunity to provide comments in response to the Commission’s proposed rule1 (the “Proposed Rule”) to require the use of the Inline XBRL format for the submission of mutual fund’s risk/return summaries (“XBRL filings”). USBFS has a unique insight into the complexities and burdens of mutual fund XBRL filings given its role as one of the mutual fund industry’s largest service providers and EDGAR/XBRL filing agents for mutual funds.

USBFS and its affiliates provide services to more than 300 mutual fund complexes, including more than 1,800 individual mutual funds with combined assets of more than $800 billion, and more than 25 ETF complexes, including nearly 150 individual ETFs with assets of more than $15 billion. Additionally, USBFS annually assists mutual fund clients in submitting more than 2,500 EDGAR filings, including several hundred XBRL risk/return summaries.

In the Proposing Release, the Commission cited as the objectives for the Proposed Rule, a desire to “improve the [XBRL] 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,” as well as eliminating the requirement for mutual funds to post XBRL filings on their website (the “Website Requirement”).2

For the reasons discussed below, USBFS supports the Commission’s objective of eliminating the Website Requirement. However, USBFS believes that (i) the costs associated with implementing the Proposed Rule greatly outweigh any benefits for mutual fund XBRL filings, (ii) there are no data quality benefits for mutual fund XBRL filings to be gained from the Proposed Rule, and (iii) there is minimal, if any, value to investors, other market participants, and other data users from implementing the Proposed Rule for mutual funds, although the same may not be true with respect to operating companies.

USBFS believes that the Commission’s past recognition of the need to apply separate XBRL-related rules for mutual funds and operating companies is appropriate and should be afforded greater weight with respect to the Proposed Rule.

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2 As noted in the Proposing Release, the term “mutual funds” as used herein includes exchange-traded funds (“ETFs”) registered as open-end investment companies.
3 Proposing Release at 14282.
I. Elimination of the Website Requirement

USBFS fully supports the Commission’s proposal to eliminate the requirement that mutual funds post their XBRL filing data on their website. USBFS is not aware of any significant use by investors or analysts of XBRL data posted to mutual fund websites and believes that any firm seeking to aggregate XBRL data would only be able to do so efficiently from a centralized location, such as the Commission’s EDGAR system. While USBFS supports the elimination of the website requirement for mutual funds, it does not believe that the elimination of that requirement will generate any incremental cost savings for mutual funds. Most mutual funds comply with the website requirement by posting an archive (.zip file) of the XBRL filing exhibits on their website. There generally is no cost associated with posting such file to the website, and, to the contrary, mutual funds may incur a cost in making changes to their website to remove links or pages related to XBRL exhibits. However, USBFS believes that the intangible benefits of reducing the XBRL compliance burden will outweigh any costs related to the elimination of the Website Requirement.

II. Cost of Compliance

USBFS believes that the assumptions on which the Commission has relied in determining the costs to mutual funds of implementing the Proposed Rule may have resulted in the Commission significantly underestimating the costs to mutual funds, particularly smaller registrants, of complying with the Proposed Rule. Specifically, USBFS believes that the Commission should consider applying the Proposed Rule solely to operating companies, just as it has adopted certain other rules (e.g., Exhibit Hyperlinks and HTML Format) solely for operating companies.

Mutual funds rely on a wide variety of vendor types for preparing and submitting XBRL filings, including law firms, administrators, in-house advisory firm personnel, and financial printers. While we agree with the Commission that mutual funds that currently utilize the largest financial printers in the industry are likely well positioned to comply with the Proposed Rule, mutual funds using other service providers, including more than 500 of the mutual funds we service, will be forced to incur significant costs and potentially change vendors to comply with the Proposed Rule.

The reason for this significant cost is because of the number of mutual funds that use one vendor to prepare XBRL filing exhibits and a separate vendor to prepare HTML EDGAR filings. In response to the initial XBRL rules the Commission adopted for mutual funds in 2009, many law firms, advisory firms, and administrators modified their business processes to incorporate new software or to engage outside vendors specifically to prepare XBRL exhibits. For many of those vendors and the hundreds or thousands of mutual funds they service, that model relies on being able to prepare and submit the XBRL filings after the substantive filings (i.e., registration statements, amendments, or form of prospectus) have been submitted to the Commission. By requiring Inline XBRL, those vendors will either be forced to implement new software in-house or outsource their operations, either at substantial cost to them and their clients or requiring significantly more time that the Proposed Rule allows to update their operations to comply with the Proposed Rule.

Additionally, USBFS believes that the Commission’s assumptions regarding the number of mutual funds currently using an integrated software solution (as described in the Proposing Release) may be incorrect. In the Proposing Release, the Commission stated that “During 2015 and the first

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half of 2016, at least 80% of mutual fund risk/return summary XBRL submissions were created using integrated solutions,” and noted that such analysis was “[b]ased on indications of the vendor software used to produce the EDGAR filing attachments, when available.” However, such analysis does not take into consideration (i) whether the “integrated” software used for the EDGAR filing was the same software used to prepare the XBRL exhibits or (ii) whether the filing agent using the “integrated” software prepared the XBRL exhibits in-house or relied on a third-party to prepare the exhibits based on the information in the related EDGAR filings. We believe that the Commission may have significantly underestimated the proportion of mutual funds and their vendors that will incur very significant costs and burdens to implement the Proposed Rule. Specifically, USBFS is aware of at least 500 mutual funds that utilize a filing agent that is not readily equipped to implement the proposed rules without significant costs or very significant changes to their business operations. Importantly, for many of these funds, the increased costs incurred by the funds will likely be borne by shareholders, a factor the Commission should consider in weighing the effects of the Proposed Rule.

III. Improvement in Data Quality

In the Proposing Release, the Commission referenced certain “data quality issues” with XBRL filings that the Commission believes may be related to the submission of XBRL information separate from the related filings. However, the Commission cites no evidence suggesting that the Proposed Rule will address those issues, and more significantly, the Commission fully acknowledged that such issues relate almost exclusively to operating companies. As noted in the Proposing Release, the Commission “presently lack[s] sufficient data or other information to assess the quality of risk/return summary XBRL data.”

USBFS is not aware of any XBRL filing data quality issues affecting the mutual funds we service or any other funds in the industry. Consequently, we believe that the Commission should consider applying the Proposed Rule solely to operating companies, for which it has cited evidence of data quality issues.

IV. Value to Investors, Other Market Participants, and Other Data Users

The Commission has recognized in the past in determining to apply separate XBRL-related requirements to mutual funds and operating companies that there are significant differences between investors’ use of mutual fund XBRL filings and operating company XBRL filings. Chief among those differences is that financial statements submitted in XBRL filings by operating companies are used by investors and analysts to judge the value of those companies and consequently the price at which investors are willing to buy or sell shares of those companies. Consequently, the data contained in operating company XBRL filings is material to investors’ decisions, as well as reporting by analysts, investment advisers, and broker-dealers.

5 Proposing Release at 14285.
6 Id. at 14287.
7 Id. (“Compared to financial statements of operating companies, mutual fund risk/return summaries have fewer instances in which numeric data is embedded into text, and data is generally more standardized. As discussed above, risk/return summary filers also rely to a considerable degree on the integrated approach to XBRL preparation. These factors may suggest that there are fewer data quality issues with risk/return summary XBRL data.”).
8 Id. at 14287.
In contrast, mutual funds are priced at net asset value (“NAV”), and the risk/return summary data submitted in mutual fund XBRL filings bears no direct relation to that NAV (or to the market prices of applicable ETFs). USBFS and our clients generally understand that XBRL filing data for mutual funds is useful to the Commission and to certain large data aggregators, but mutual fund XBRL filing data is generally not used at all by investors, investment advisers, or broker-dealers in making investment decisions or recommendations. Specifically, we note that, in the Proposing Release, the Commission cited multiple examples of how XBRL filing data is currently used by “investors, financial analysts, economic research firms, data aggregators, academic researchers, and Commission staff,”9 but nearly every example cited pertains solely to operating companies and not to mutual funds.

USBFS does not believe that the Proposed Rule will provide any additional value to investors or other market participants or data users with respect to mutual funds. We encourage the Commission to further study, and provide evidence to the public of, the extent to which such persons use mutual fund XBRL filings and whether other means of providing structured data for mutual funds would be more efficient and valuable to such persons.

V. Effective Date

As described above in section II, USBFS believes that the Proposed Rule would require significant and costly business changes for a significant number of mutual funds and their filing agents, other than large financial printers, akin to the changes required to comply with the original 2009 rules. Consequently, to the extent the Commission determines to proceed in adopting the Proposed Rule, we encourage the Commission to provide mutual funds and their filing agents a minimum of two years to plan for and implement the changes needed to comply with the Proposed Rule. We note, in particular, that the phase-in period addressed in the Proposing Release10 is unlikely to assist smaller registrants because the costs and burden of compliance will depend largely on the size (i.e., number of XBRL filings and clients) of their filing agent, rather than the size of the mutual fund.

VI. Additional Recommendations

In addition to the above comments, USBFS recommends that the Commission use this opportunity to modify Form N-1A to only require mutual funds to submit XBRL filings, or post them on their website, for forms of their prospectus that have been used to sell shares of the fund. Under the current rules11, mutual funds are required to incur the costs associated with preparing XBRL filings and posting them on their website even when the information contained in such XBRL filings is obsolete at the time they are filed and posted.

For example, if shares of a new series are registered in a post-effective amendment filed pursuant to Rule 485(a) under the Securities Act of 1933, which may become effective automatically within 75 days of filing or may be superseded by a filing pursuant to Rule 485(b), the information in such amendment may be revised or updated in a form of the prospectus filed pursuant to Rule 497(c) prior to the offering of shares of the fund. In such case, the current rules require the mutual fund to submit an XBRL filing for both the amendment and the updated form of

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9 Id. at 14286.
10 Id. at 14290.
11 Form N-1A, General Instruction C.3.(g).
prospectus, despite only the latter ever being used to sell shares. USBFS does not believe that the XBRL filing for the amendment, in the example cited above, holds any value for investors, analysts, the public, or even the Commission, because it does not reflect the information delivered to shareholders.

Consequently, USBFS encourages the Commission to modify Form N-1A and any related rules to only require mutual funds to submit XBRL filings for amendments or definitive forms of their prospectus that are actually used to sell shares. Such filings should be required to be submitted within a set time period after the related substantive filing (i.e., registration statement, amendment, or form of prospectus) is used to sell shares, akin to the requirements of Rule 497(c) (i.e., “within [x] days of the commencement of a public offering after the effective date of a registration statement). While USBFS does not believe it would be appropriate to implement the Inline XBRL requirements as presented in the Proposed Rule, we do believe mutual funds would not be burdened by shortening the time period for XBRL filings from 15 business days to 10 business days.

We appreciate your consideration of the above comments.

Sincerely,

U.S. Bancorp Fund Services, LLC

U.S. Bancorp Fund Services, LLC

cc: The Honorable Jay Clayton, Chairman
The Honorable Michael S. Piwowar, Commissioner
The Honorable Kara M. Stein, Commissioner
Shelley E. Parratt, Acting Director, Division of Corporation Finance
David W. Grim, Director, Division of Investment Management
U.S. Securities and Exchange Commission