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May 16, 2017

Mr. Brent J. Fields
Secretary
US 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:

The Investment Company Institute¹ appreciates the opportunity to provide its views on the Securities and Exchange Commission's proposal to require the use of Inline eXtensible Business Reporting Language (iXBRL) format for the submission of mutual fund risk/return summaries.² The proposed rules would replace the current requirement for mutual funds to submit risk/return summary information to the Commission in XBRL format and rescind the requirement to post the information on funds' websites.

XBRL tagging has not proven useful when applied to mutual fund risk/return summary information. The Commission's rulemaking only would further institutionalize the use of this outdated technology, creating additional expense with no benefit to investors, third party information providers, or mutual funds. It also ignores the proliferation of far superior technology that third party information providers now are using to analyze mutual fund data. That technology supports timely, effective, and efficient data extraction, dissemination, and consumption by end users.

Accordingly, we (i) urge the Commission not to require mutual funds to submit risk/return summary information in a tagged format using iXBRL, (ii) recommend that the Commission rescind

¹ The Investment Company Institute (ICI) is a leading global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's members manage total assets of US\$19.4 trillion in the United States, serving more than 95 million US shareholders, and US\$1.6 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in London, Hong Kong, and Washington, DC.

² *Proposed Rule: Inline XBRL Filing of Tagged Data*, SEC Rel. Nos. 33-10323, 34-80133, IC-32518 (Mar. 1, 2017), available at <https://www.sec.gov/rules/proposed/2017/33-10323.pdf> ("iXBRL Proposed Rule"). Throughout this letter, we refer to open-end registered investment companies as "funds" or "mutual funds."

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the current XBRL filing requirements for mutual fund risk/return summaries, and (iii) support the Commission rescinding the requirement for mutual funds to post their prospectus risk/return summary information in XBRL format on their websites. If the Commission finds fund expense data to be useful in a structured format, we note that the SEC could consider including this item in recently adopted Form N-CEN. We explain each of these points in more detail below. We also explain that, with respect to mutual funds, this rulemaking would not accomplish the Commission's objectives of improving data quality or enhancing the efficiency of funds' filing and review process.

I. Proposed iXBRL Filing Requirements

The SEC's proposal would require mutual funds to use the iXBRL format to tag risk/return summary information within a filing, instead of filing a separate XBRL exhibit with this information. The SEC cites the need to improve data quality as a primary justification for this proposal. The proposal discusses data quality issues associated with operating company XBRL filings, but acknowledges that "there are fewer data quality issues with [mutual fund] risk/return summary XBRL data."³ The proposal then further explains that the SEC "presently lack[s] sufficient data or other information to assess the quality of risk/return summary XBRL data."⁴

Our members indicate that they have not experienced any issues with data quality. As the proposal notes, 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.⁵ This may explain why data quality is not an issue for mutual fund risk/return summaries.

The SEC also expects the use of iXBRL to reduce the time and effort associated with preparing XBRL filings and to simplify the review process for filers. According to the proposal, the SEC intends the proposed amendments to lower funds' filing costs over time by decreasing XBRL preparation costs. Many of our members use outside vendors to handle their funds' XBRL filings, and they have told us that these vendors do not anticipate a significant increase in the efficiency and effectiveness of the filing preparation process. As a result, members do not anticipate receiving any significant cost savings in connection with a move to iXBRL. Similarly, members who handle these XBRL filings in-house do not anticipate that it will improve the efficiency of their filing processes.

Contrary to the SEC's expectations, both members who use outside vendors and members who handle their funds' XBRL filings in-house expect that the proposed timing of the iXBRL filings would have a negative impact on their workflow. Under the current requirements, funds must submit the

³ See iXBRL Proposed Rule, at p. 20.

⁴ *Id.*

⁵ See *id.*

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XBRL exhibit not later than 15 business days after the effective date of the related filing.⁶ The proposal would require funds to file the iXBRL tagged risk/return summary information concurrently with the prospectus, thereby shortening the filing timeframe considerably.⁷

Our members have built their processes around the current sequential filing progression, and changes to these processes will create costs without any corresponding benefits. For fund complexes that mail the prospectus and shareholder report together, the shorter timeframe for iXBRL review would increase the likelihood of having to mail the prospectus and shareholder report separately, which would increase significantly the mailing costs for fund shareholders. As proposed, the compressed timeframe also would remove the current 15 day margin that allows our members enough time to work through any technical difficulties that occur with the tagging process.

Therefore, we recommend that the Commission not require mutual funds to submit the risk/return summary using iXBRL tagged format.

II. Current XBRL Filing Requirements

We further recommend that the SEC rescind the current XBRL filing requirements since XBRL tagged mutual fund risk/return summary information is not useful to investors, third party information providers, or mutual funds.

The SEC first adopted XBRL tagging requirements for mutual fund risk/return summaries in 2009, requiring funds to provide risk/return summary information from their prospectuses in XBRL format by submitting it to the Commission as an exhibit to their registration statement filings and posting it on their websites.⁸ The SEC outlined several benefits that it expected these XBRL tagging requirements to create—none of which appear to have materialized. In particular, the SEC mentioned three parties who it expected to benefit from the adoption of these new requirements—investors, third party information providers, and the Commission staff. The SEC believed XBRL tagging would improve the risk/return summary’s usefulness to investors.⁹ The SEC also thought XBRL tagging had “the potential to increase the speed, accuracy, and usability of mutual fund disclosure, and eventually reduce costs.”¹⁰

Despite this, it is our understanding that investors generally do not use XBRL tagged risk/return summary information. Instead, they have continued to obtain this risk/return information

⁶ Form N-1A, General Instruction C.3.(g).

⁷ See iXBRL Proposed Rule, at p. 28.

⁸ *Final Rule: Interactive Data for Mutual Fund Risk/Return Summary*, SEC Rel. Nos. 33-9006, 34-59391, 39-2462, IC-28617 (Feb. 11, 2009), available at <https://www.sec.gov/rules/final/2009/33-9006.pdf> (“2009 XBRL Rule”).

⁹ See *id.*, at p. 1.

¹⁰ *Id.*

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in human-readable form from fund prospectuses, on fund websites, or on third party information provider websites.¹¹

We understand that third party information providers generally do not use funds' XBRL tagged risk/return summaries. Rather, our members provide data directly to many of these information providers. In addition, many third party information providers use a number of data management applications that directly "read" information from both structured and unstructured text for a variety of purposes, including extracting data from documents such as a mutual fund prospectus filed in the EDGAR system.¹² Through the use of techniques such as machine learning, artificial intelligence, natural language processing and generation, and semantic technology, these data providers extract information and create machine-readable output that does not depend on any type of identification from the data source, such as tagging in XBRL or XML.

The SEC also anticipated its XBRL tagging requirements would provide "a significant opportunity for mutual funds to automate their regulatory filings and business information processing, with the potential to increase the speed, accuracy, and usability of mutual fund disclosure."¹³ This expected benefit has not materialized. Unlike operating company financial data, which may have multiple uses—including internal and external business reporting, regulatory and tax filings, and investor information—much of a fund's risk/return information is used only in the prospectus and on the fund company's website. Because this information is not repackaged and repurposed like financial data, tagging the data cannot be leveraged for other purposes.¹⁴

The SEC expected its XBRL filing requirements ultimately would create internal efficiencies that would result in cost savings for funds and their shareholders.¹⁵ Rather, for the last decade, these filing requirements have added complexity and cost to the process for filing a fund's prospectus.

¹¹ The proposal's discussion of XBRL data users focuses almost entirely on the use of operating company financial statements, while the SEC lacks information about the extent to which mutual fund investors have used XBRL risk/return summary information after the adoption of the risk/return summary information XBRL requirements. *See iXBRL Proposed Rule*, at pp. 17-22.

¹² Service providers using these types of technology include IBM Watson, Amazon, Google, and—specifically for mutual fund data—Kingland and Recognos Financial.

¹³ 2009 XBRL Rule, at p. 76 ("By enabling mutual funds to further automate their disclosure processes, interactive data may eventually help funds improve the timeliness of, and speed at which they generate information. For example, with standardized interactive data tags, registration statements may require less time for information gathering and review.").

¹⁴ Investors spend considerable resources analyzing operating company financial statements in an effort to value the company's business and assess the attractiveness of its shares for investment. This analysis may reveal companies whose shares are undervalued in the market relative to their earnings, cash flows, or assets. These benefits to investors of analyzing XBRL tagged operating company financial statements, however, are not applicable to mutual fund risk/return summary information.

¹⁵ *Id.* ("We continue to believe, however, that internal efficiencies may be one of several possible benefits of interactive data tagging.").

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Members who use outside vendors to handle funds' XBRL filings pay fees to prepare and file the required XBRL tagged exhibits, and also must spend time reviewing and approving the filings. Similarly, members who handle these filings in-house expend additional time creating, reviewing, and filing these exhibits. As a result, the SEC's XBRL filing requirements have not improved internal efficiencies or provided cost savings for funds.

We recognize that certain mutual fund risk/return summary information in a structured data format may be useful to the Commission for purposes of monitoring the fund industry. In this context, we note the SEC will receive XML-tagged total return data in newly adopted Form N-PORT beginning in June 2018.¹⁶ If fund expense ratios in a structured data format are similarly useful to the Commission, then the SEC could consider including this item in Form N-CEN.¹⁷ Specifically, the Commission could include in Form N-CEN the expense ratio that is a part of the condensed financial information included in a fund's annual shareholder report.¹⁸

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¹⁶ Form N-PORT will require funds to provide monthly total returns for each of the preceding three months. *See Form N-PORT, Item B.5.a.*

¹⁷ The Commission recently adopted Form N-CEN, which would rescind Form N-SAR and require funds to report census-type information publicly in a structured data format. Funds must comply with the Form N-CEN filing requirements by June 1, 2018. *See Final Rule: Investment Company Reporting Modernization*, SEC Rel. No. IC-32314 (Oct. 13, 2016), available at <https://www.sec.gov/rules/final/2016/33-10231.pdf>.

¹⁸ *See Form N-1A, Item 27(b)(2).*

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We appreciate the opportunity to comment on the proposed rules. If you have any questions regarding our comments or would like additional information, please contact me at [REDACTED] or [REDACTED].

Sincerely,

/s/Dorothy M. Donohue

Dorothy M. Donohue
Deputy General Counsel

cc: William H. Hinman, Director, Division of Corporation Finance
David W. Grim, Director, Division of Investment Management
US Securities and Exchange Commission