



June 1, 2018

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

VIA E-MAIL TO RULE-COMMENTS@SEC.GOV

**Re: Additional Comments on Inline XBRL Filing of Tagged Data
(File Number S7-03-17)**

Dear Mr. Fields:

This letter presents the additional comments of Federated Investors, Inc. and its subsidiaries (“**Federated**”) with respect to the issuance by the Securities and Exchange Commission (the “**Commission**”) of a release (the “**Release**”) proposing new regulations requiring the use of Inline eXtensible Business Reporting Language (“**iXBRL**”) format for the submission of data by public companies and mutual funds (the “**Proposal**”).¹ Federated previously provided the Commission with comments to the Proposal on May 16, 2017. Federated is now expanding upon its comments following a recent discussion with the Commission and Investment Company Institute (“**ICI**”).

I. EXECUTIVE SUMMARY

As stated in our previous comment letter, Federated does not believe either XBRL or the proposed iXBRL filing and posting requirements are, or would be, useful to investors. Federated discussed its position in a recent conversation with the Commission’s staff (the “**Staff**”) and members of the ICI during which the Staff requested Federated to submit information further supporting its previous comments and addressing specific topics raised by the Staff. In response, this letter distinguishes between the usefulness and required timeliness of iXBRL-tagged data for publicly-traded operating companies as compared to registered investment companies, explains in detail the prospective costs and challenges associated with implementing the Proposal’s changes, and proposes an alternative to the iXBRL filing requirements by suggesting the incorporation of certain data into Form N-CEN filings using a single standard of Extensible Markup Language (“**XML**”) technology.

This letter also advances certain other points as they particularly relate to Federated, its funds, and fund shareholders, especially the disparity between the tangible costs (outlined herein) and the lack of tangible benefits to investors of the Proposal. Indeed, reconsideration of the Proposal gives the Commission a unique opportunity to demonstrate its support of President Trump’s Executive Order on Reducing Regulations and Controlling Costs, issued on January 30, 2017, by withdrawing a rule proposal that appears to fail any reasonable cost/benefit analysis.²

¹ SEC, Release No. IC-32518, Inline XBRL Filing of Tagged Data (2017), <https://www.sec.gov/rules/proposed/2017/33-10323.pdf>.

² We recognize that the SEC, as an independent agency, is not bound by the aforementioned Executive Order, but has been encouraged by the Administration to look for opportunities to relieve the regulatory burden when engaged in other required rule-making.

II. IMMEDIATE AVAILABILITY OF “TAGGED” FINANCIAL INFORMATION LESS VALUABLE TO MUTUAL FUND INVESTORS THAN PUBLIC COMPANY SHAREHOLDERS

The filing deadlines required by the Proposal for mutual fund iXBRL-tagged data are similar to deadlines publicly traded companies must meet for reporting financial information. While shareholders of public companies benefit from the immediate availability of financial information for purposes of valuation of the public companies, there is no need, or demand, by fund shareholders or the market generally for immediate iXBRL-tagged data of the information contained in a mutual fund’s risk/return summary, which is based on dated, historical information. Open-end funds’ share values are determined by the market value of its holdings and are priced each business day. Assessments or evaluations of funds by data aggregators are not going to impact a fund’s share price. Illustrating this point regarding lack of shareholder demand, Federated’s own user data indicates that an average of only three users per month have historically accessed XBRL risk/return summary information via its websites (one can further question how many of those users actually made use of the information given that special software is required to view the file contents).

In addition, the sheer volume of filings that large mutual fund complexes must process for their funds on an annual basis is substantial³, making the immediate availability of iXBRL-tagged data difficult to implement operationally. Public companies are not required to make such large amounts of filings on an annual basis⁴. Mutual fund shareholders, unlike shareholders of public companies, will therefore not benefit from the immediate availability of iXBRL-tagged data and will instead potentially bear the costs of implementing the Proposal’s requirements with no corresponding value⁵.

III. ANY COSTS FOR MUTUAL FUNDS OUTWEIGH BENEFITS OF THE PROPOSAL

Federated believes that the costs to mutual funds and/or their sponsors to implement the Proposal greatly outweigh any potential benefits to investors. First and foremost, there are no demonstrable benefits gained from requiring data tagging when investors simply do not use the current tool. Predictions by the Staff that this data tagging approach represents the future leads one to recall the initial release promulgating the rarely used XBRL filings where similar predictions were made.

It is difficult for Federated to estimate specific costs because the rule has not been finalized and vendors have not developed the necessary software; however, there will be up-front costs incurred, ultimately by fund shareholders or sponsors, for these efforts, including costs for: development and testing of software, analysis of tagging requirements for each fund’s summary prospectus, implementation of the new software for each fund, testing of the results, and fixing errors encountered. Mutual fund complexes must also incur initial and ongoing compliance costs to ensure that the new iXBRL filing systems properly process and format the large volume of filing information for each fund within a complex. This will be in the form of time required to validate the tagging for each fund prior to submitting the filing to the Commission. While difficult to calculate the precise costs at the present time, Federated believes that these cost burdens (which include opportunity cost) will inevitably be borne by fund or advisor shareholders without demonstrable corresponding benefits to them. The parties who will benefit the most from the Proposal are data aggregators, such as Morningstar, rather than investors. Perhaps the data aggregators should bear these expenses.

³ We note that Federated submitted **1,291 filings** (not including the **336 XBRL filings**) in the past calendar year for its funds.

⁴ Federated Investors, Inc., as a public company, submits approximately 15 SEC filings per year.

⁵ In cases where fund expenses are contractually capped, the advisor and its shareholders will bear the expenses.

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IV. ELIMINATION OF 15 BUSINESS DAY WINDOW FOR FILING OF RISK/RETURN SUMMARY INFORMATION CAUSES MAJOR CHALLENGES OPERATIONALLY, IMPOSES COSTS ON SHAREHOLDERS

If iXBRL is ultimately adopted, Federated believes that the Commission should retain the 15 business day standard for the filing of risk/return summary information based on our current understanding of the state of iXBRL technology and the operational processes required to support it.

Many mutual fund complexes, including Federated, will incur ongoing quality control time and costs associated with the elimination of the 15 business day allowance for the filing of risk/return summary information. As discussed in our previous comments, Federated regularly files an annual update to a fund's prospectus within 60 days following the fund's fiscal year end. The practice allows Federated to coordinate the mailing of the prospectus with the mailing of the annual report, resulting in significant savings of mailing costs for fund shareholders. Federated then files the risk/return summary information in XBRL within 15 business days of the effective date of the annual update to the prospectus. Within the 15 business day period between the prospectus filing and risk/return summary information filing, the risk/return information is (1) finalized by Federated in the format of an HTML file, (2) sent to a third-party vendor, (3) tagged and reviewed by the vendor for quality control purposes, (4) returned to and reviewed by Federated for quality control purposes, (5) sent back to the vendor if any issues arose in Federated's review, and (6) compiled by Federated and submitted to the Commission.

Given that Federated operates in the timeframe described above for the approximately 336 risk/return summaries produced per year for its mutual funds, the window of time afforded by the current 15 business day standard is integral to Federated's quality control system. Federated currently expends an average of 12 hours per month and a peak of 32 hours per month to review and approve XBRL filings. If the Proposal is implemented, Federated will be required to shift its review and approval time so that it would occur before an annual update of a prospectus is filed with the Commission. Such a shift would require the completion of steps (2) through (6) listed above *within the 60 day period* following a fund's fiscal year end. This abbreviated timeline creates operational challenges for Federated, jeopardizes the quality of Federated's review efforts, introduces a substantial risk of missing the 60 day deadline in place for the filing of prospectuses, and disrupts Federated's timeline for mailing prospectuses concurrently with shareholder reports. The additional mailing costs of sending the prospectuses separately would be approximately **\$1.5 million per year** and borne by shareholders of either the funds or the advisor.

Given that our technology vendor has indicated that, at this time, the iXBRL tagging will be done at the end of the prospectus production process, it is very difficult to see how the large volume of iXBRL filings can be done without the 15 business day period.

In addition, if the Commission instead chooses to eliminate the 15 business day standard, Federated believes that mutual fund complexes should be afforded a grace period⁶ during which time the filings will be protected from the normal liability provisions of federal securities laws to allow enough time for development and testing of workflow processes following the compliance date of the future rule.

⁶ We note that the Commission previously provided a 24 month period during which the interactive data file was subject to the federal securities laws in a modified manner. SEC, Release No. IC-28609, Interactive Data to Improve Financial Reporting (2009), <https://www.sec.gov/rules/final/2009/33-9002.pdf>.

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V. NEWLY ADOPTED FORM N-CEN AND XML FORMAT IS MORE APPROPRIATE AND EFFICIENT FOR CERTAIN TAGGED FUND DATA

As expressed in previous comments, Federated believes the current XBRL filing and posting requirements for mutual fund data should be rescinded and the proposed iXBRL requirements withdrawn. However, if the Commission does seek to require tagged mutual fund data, Federated instead recommends, for purposes of efficiency and consistency, that the Commission require funds to provide XML tagged fund data on Form N-CEN. Such XML tagged data may include 1) the fund's expense ratio, 2) the individual annual total returns for each of the 5 most recent fiscal years, and 3) the average annual total returns for the 1, 5 and 10 year period, each of which are currently included in each fund's annual shareholder report.

Federated believes that providing XML tagged fund data on Form N-CEN is an efficient means for mutual funds to provide the Commission with the data listed above, as untagged fund data is already provided by funds within 60 days after fiscal year end. Such data should therefore be readily available to include in XML tagged format and reliably filed on Form N-CEN within 75 days following a fund's fiscal year end. Reporting the additional XML tagged data on Form N-CEN would create consistency in data tagging language and allow the Commission, shareholders, and data aggregators alike to access important data about a fund in one location on a more immediate basis (75 days v. 120 days for most fund families).

VI. FEDERATED REQUESTS CHANGE IN COMPLIANCE DATE TO ALLOW FOR IMPLEMENTATION

As noted in our previous comment letter, in the event the Commission does not eliminate the current XBRL and proposed iXBRL requirements entirely, we do not feel that one year is a realistic timeframe for implementation of the proposed amendments, and alternatively suggest 18 months as a more achievable compliance date. This is due to the same reasons noted in our prior letter as well as our understanding of the state of software development required to support iXBRL filings for risk/return summaries.

VII. FEDERATED REQUESTS THE COMMISSION QUANTIFY BENEFITS OF THE PROPOSAL

Given the costs described herein associated with implementation of the Proposal, Federated respectfully requests that the Commission closely examine the record for any tangible evidence regarding the Proposal's benefits to ensure the costs that will be incurred are more than offset by actual benefits.

The XBRL rule adopted in 2009 included these justifications: "We are adopting rule amendments requiring mutual funds to provide risk/return summary information in a form that is intended to improve its usefulness to investors," and "[t]he rules are intended not only to make risk/return summary information easier for investors to analyze but also to assist in automating regulatory filings and business information processing. Interactive data has the potential to increase the speed, accuracy, and usability of mutual fund disclosure, and eventually reduce costs."

It seems readily apparent that the original goals have not been realized and we see no evidence that further instituting this technology for risk/return summaries will produce different results. The iXBRL Proposal is simply not the right vehicle.

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Federated hopes that the Commission finds these comments helpful and constructive and is happy to provide additional information relating to our comments or to discuss any questions you may have.

Sincerely,



Peter J. Germain
Chief Legal Officer

cc: William H. Hinman, Director, Division of Corporation Finance
Dalia Blass, Director, Division of Investment Management
SEC Chairman Jay Clayton
SEC Commissioner Kara M. Stein
SEC Commissioner Michael S. Piwowar
SEC Commissioner Robert J. Jackson, Jr.
SEC Commissioner Hester M. Peirce