



February 25, 2020

Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

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Dear Ms. Countryman:

RE: Filing Fee Disclosure and Payment Methods Modernization, File Number S7-20-19

We support the efforts of the Securities and Exchange Commission to modernize the filing fee disclosure and payment methods for SEC filers; and we appreciate the opportunity to provide input to the Commission's proposal. We agree that the proposed changes will improve the efficiencies of the fee validation process for SEC staff, and will increase the confidence of registrants in the accuracy of their calculated filing fee.

XBRL US is a nonprofit standards organization, with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical specification for XBRL (a free and open data standard widely used around the world for reporting by public and private companies, as well as government agencies). XBRL US members include accounting firms, public companies, software, data and service providers, as well as other nonprofits and standards organizations.

The Commission's proposal will benefit SEC staff, XBRL vendors, and registrants; and will also require changes in process that the Commission should consider as it finalizes the rule. SEC registrants that already file in XBRL format, for example public companies, may need to engage other departments, such as legal or compliance, in the XBRL process. Registrants that do not currently file their EDGAR submissions in XBRL format, may have more significant challenges in adopting XBRL for the first time.

This letter was prepared by a working group of XBRL US members and includes responses from a survey of nine XBRL preparation vendors on the impact of the proposal. Below are responses to the questions posed in the proposal, along with some additional recommendations.

## Proposal Questions and Responses

### Structured format for fee-related information

*Proposal question 11. Should filers be required to structure all filing fee-related information, as proposed? Should we instead require structuring of only a subset of filing fee information? If so, what subset should that be?*

*Proposal question 12. Would structuring all filing fee-related information affect the ease and accuracy of the filing fee process as we intend?*

All fee-related information should be provided in structured format to enable ease of validation. The availability of fee-related information can be expected to improve efficiencies in preparation, processing and analysis for various constituencies, as noted below.

#### For the Commission

The requirement for fee-based filings to be prepared in structured (XBRL) format would eliminate the need for the Commission to manually review fee calculations, thus reducing workload. Because the proposal would require all fee data to be reported in the cover page only, it would reduce the number of places where the Commission needs to find the information, and would allow automated review of fees which can improve the validity and timeliness of analysis. If implemented, the rule would likely improve the accuracy of the fee data reported, because it only needs to be entered by issuers once.

#### For XBRL vendors

If implemented, the rule proposal could improve the efficiency of fee calculation and document preparation. The rule would eliminate the need to enter fee-related data in multiple places in the filing, reducing the possibility of errors from duplicate entry; and reducing the time spent keying in data.

The availability of structured (machine-readable) fee data could have other benefits for vendors and issuers. For example, today when most fee-based filings are submitted, the EDGAR system checks the fee amount in the submission header and issues an alert if the fee amount is incorrect so that the filer can correct it prior to final submission. But certain filings (such as Form 424B and ASR filings), if submitted with an offset, cannot be validated by the EDGAR system. Fee offsets occur when a portion of the fee is paid through a different, previous filing. A registrant may have previously overpaid or filed an amendment causing the fee amount to change to a lower amount, which can result in a fee offset.

WKSIs (Well Known Seasoned Issuers) have more flexibility with fees than other SEC registrants, including four days to pay fees. Currently, the EDGAR system does not correctly validate test filings for WKSI registrants when their filing contains offset fee data. This can cause the test filing to be accepted, while the file is later suspended when the error is detected by EDGAR. This leaves the filer with only one option - to refile. This can impact both issuers and vendors. The availability of the fee data in machine-readable format could allow the Commission to provide alerts with test and live filings, and limit the possibility of a suspension.

As noted in the example above, the implementation of a new rule can often result in unforeseen situations. We encourage the Commission to consider all possible situations, issue clear, consistent guidance that addresses all possible scenarios, and provide sufficient implementation time to ensure a smooth rollout. Conducting a pilot program, as the Commission suggested in the proposal, would be very helpful in identifying all the possible events that may occur with a rule rollout.

Vendors will also need to adapt to new taxonomy elements, as well as a change in process.

### For Issuers

#### *Companies that use XBRL today*

Issuers will experience many of the same benefits noted above for vendors, for example, the elimination of the need for duplicate data entry (in the fee table and the associated submission header). The proposal could also reduce the number of suspended filings due to incorrectly calculated fees. Today, issuers include the calculation of the fee in a table on the cover page. The issuer can choose from several methods to perform the calculation, depending on which rule they select. The method chosen should be indicated on the filing cover page. The SEC runs a validation check, and if there is a calculation error, the SEC may suspend the filing.

In the proposed rule, issuers will need to indicate what calculation method they've chosen by selecting from a "reliance on rule" checkbox (for Securities Act Rule 415(a)(6), Rule 429, or Rule 457(b), (o), or (p); or Exchange Act Rule 0-11(a)(2)). We recommend that the Commission provide a mechanism whereby the issuer can run a validation against the fee calculation based on the method of calculation chosen, and the data they've tagged in XBRL. If there is a miscalculation, the issuer could be alerted so that they can correct the error before SEC submission, resulting in a warning to the issuer, but not a suspension.

The rule proposal noted that approximately 1.4% (700) of fee-based filings submitted during fiscal 2018 contained errors requiring manual correction by SEC staff. Availability of the fee data in structured format could result in a reduction in suspensions of filings for miscalculations. The SEC proposal to add the "reliance on rule" checkbox will further enhance the automation afforded by the proposal as the calculation method for the reported fee can be incorporated into the validation rules. This will be beneficial for issuers and the Commission alike.

In our survey of XBRL vendors, most agreed that requiring XBRL for fee calculations could automate the process; and if the validation process is able to produce a warning to the filer sooner than the current process, could reduce errors and the possibility of suspended filings.

Seven out of nine also agreed (1 disagreed; 1 was neutral) that the rule could improve the timeliness of preparing the filing because issuers will no longer need to provide the fee calculation table in the body of the document cover page, and the related fee amount in the EDGAR submission header. Eliminating duplication would reduce unnecessary work and the possibility of

error by entering the same information twice. The proposal would require all information needed to calculate the fee to be placed in the cover page of the filing.

One vendor noted that with XBRL tagging, if an error is identified in the fee or fee calculation table, the cover page will need to be revised, the XBRL document generated again, and it may be necessary for the issuer to go through their internal approval process again. Today, without XBRL, errors can be fixed by simply re-entering information in the submission header. That said, we believe the benefit of single entry for fee information outweighs the possible downside for those filers with calculation errors, that may need to revise the cover page.

Eight out of nine vendors (1 was neutral) in our survey agreed that the proposed requirements would eliminate the need to re-enter data in the submission header, reducing time spent preparing the filing, and minimizing errors.

#### *Companies that do not use XBRL today*

Some investment companies filing the Affected Investment Company Act Forms may not have experience structuring Commission documents in Inline XBRL; therefore, they will incur transition costs. In addition, these filers will likely file these forms less frequently than operating companies, which will slow their climb up the learning curve. This suggests that market offerings should be developed that make it relatively easy for them to prepare the XBRL filing; and it points to giving these filers additional time to make the transition.

BDCs and CEFs file Form N-2. On April 9, 2019, the SEC proposed that BDCs and CEFs prepare their financials in XBRL format in their rule proposal, *Securities Offering Reform for Closed End Investment Companies* (<https://www.sec.gov/rules/proposed/2019/33-10619.pdf>). If that rule passes as currently written, and the requirement goes into place prior to implementation of the fee-based filing rule, BDCs and CEFs will already have gained an understanding of how to prepare structured data, making XBRL preparation of fee data easier.

Investment companies report using Form N-1A, which will have less extensive XBRL preparation. These companies will be filing in XBRL format for the first time and will need to identify XBRL preparation tools and become knowledgeable about the XBRL process.

#### *Legal/Compliance staff at issuer companies*

Internal and external legal counsel at SEC filing companies may be affected because of the impact of the rule on filings such as (fee bearing) proxy, registration statements, and tender offers, that are typically handled, and may be reviewed and approved, by legal. They will need more education and guidance, as they have little awareness of XBRL today.

Five of the nine vendors surveyed indicated that the XBRL-formatted fee calculation table may need to be reviewed by internal legal or compliance (2 were neutral; 2 disagreed).

### **Fee information in non-fee bearing filings**

*Proposal question 13. Should a filer, as proposed, be required to structure information in a non-fee bearing Form S-3, F-3, or S-4 final prospectus filed pursuant to Rule 424 when it omits a fee*

*table but contains specified fee-related information such as maximum aggregate amount or maximum aggregate offering price that we propose to require?*

Regardless of the availability of the fee table, requiring the aggregated (calculated) fee to be prepared in structured format will facilitate the ability to identify fees in filings and to compare fees from multiple entities and multiple filings.

### **Requiring Inline XBRL**

*Proposal question 14. Is Inline XBRL the most appropriate structuring format for all filing fee-related information? Is there another structuring format such as XML that would be better in general or particular circumstances? Are there changes we should consider making to the proposed amendments to provide additional flexibility to address future advances in related technology? For example, should our rules specify that information must be provided in a structured data format, but the type of structuring format would be specified by the Commission elsewhere, such as in a separate update to the EDGAR Filer Manual? Would such an approach provide additional flexibility to address future advances in technology?*

*Proposal question 43. Should fee-related disclosures in forms with proposed Inline XBRL requirements be structured in a different format? What would be the costs and benefits of any alternative formats?*

Inline XBRL should be the required format for all fee-related information. Inline XBRL is the only open, nonproprietary data standard that renders financial information unambiguously and consistently, machine-readable and searchable; and that also makes the information available in a human-readable (HTML) format. The XBRL standard is managed and maintained by a global standards organization, XBRL International, which continuously adapts the standard to future changes in technology. For example, XBRL International's Open Information Model (OIM)<sup>1</sup> provides a syntax-independent model for XBRL data, allowing reliable transformation of XBRL data into other representations. XBRL reports today can be generated in multiple formats, including XML, HTML, JSON, and CSV. The OIM model will continually expand, through the efforts of a global, market-driven technical working group tasked with ongoing development of the standard.

While we recognize that the Commission should keep the door open to the potential that a standard that improves upon XBRL or Inline XBRL may be developed in the future, we caution against suggesting that the standard chosen could be swapped out with ease. Allowing the possibility for a switch to a different standard in future, could result in market uncertainty. Vendors will be hesitant to invest in upgrades and feature enhancements to their reporting applications, if it's possible that there could be a switch to a different format (rendering their offerings obsolete) in the near future. Uncertainty about how data may need to be reported, could increase the cost of tools and data access. As noted above in the reference to the OIM model, XBRL, through the

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<sup>1</sup> XBRL International Open Information Model (OIM): <https://specifications.xbrl.org/spec-group-index-open-information-model.html>

consensus standards body supporting it, is designed to adapt to changes in technology and reporting requirements, and to anticipate future market demands.

Opting for XML rather than XBRL for fee data would require the creation of additional structure to consistently handle the characteristics of the fee, such as currency, time period, reporting entity and level of precision. These characteristics are already baked into the XBRL standard. A non-standard XML schema developed by the SEC would add to the costs of data preparation, collection and analysis for all stakeholders.

### **Pilot or test period**

*Proposal question 15. Would it be valuable to filers, if we require filing fee information to appear in Inline XBRL or another format, to have a pilot program, or test period, before compliance is required? If so, how long should such a pilot program or test period last?*

A pilot would aid both vendors and filers in understanding the full implications of the rule changes. Six of the vendors surveyed agreed that a pilot would be beneficial (1 was neutral; 1 disagreed). The vendors who were neutral or negative, noted that a pilot may not be necessary given that XBRL has been in place for ten years; and they expressed concern that a pilot could delay the implementation of the rule, resulting in the potential for more filing fee errors. Those who were positive about a pilot however, stated that a pilot could aid in testing EDGAR programming, gaining knowledge in the tagging of fee-related data, and in the process changes for vendors and issuers.

When asked about the duration of a pilot program, vendor responses ranged from 3 to 12 months. Eight out of nine expressed interest in participating in a pilot (one was uncertain).

### **Inline XBRL for entities not currently submitting in XBRL format**

*Proposal question 18. Should we instead allow or require information in the Affected Investment Company Act Forms to be structured in a format other than Inline XBRL since they may not have experience with Inline XBRL? For example, should we permit XML structuring, consistent with our separate proposal to structure Form 24F-2?*

Inline XBRL should be the structured format selected. It is a widely used, open, nonproprietary standard, and is the only data standard that can handle the complexity of financial data. If the Commission opts for XML structuring, it will be necessary to add consistent structure to the XML schema to handle time period, currency, and other characteristics of financial data. To do so, would be to effectively re-create what is already available in XBRL. More importantly, creating a new XML schema/structure would be creating a new and separate SEC standard that produces data that cannot be compared, extracted or collected in the same fashion as data in XBRL format. This raises the cost of preparation, data collection, and analysis.

*Proposal question 19. Rather than requiring funds to structure data in the Affected Investment Company Act Forms as proposed, should we require them to provide the structured data on another form, such as Form N-CEN?*

Form N-CEN is required to be submitted in a structured XML format. It is prepared using an SEC developed XML schema that is not comparable to other data published by the SEC. We support the preparation of structured fee data in the Affected Investment Company Forms as proposed.

*Proposal question 24. Should application of the proposed structuring requirements depend upon whether the filer already is or, as a result of a filing will be, required to comply with Inline XBRL, XML or other structuring requirements under our rules, such as those imposed on operating company financial statements under, for example, Item 601(b)(101) of Regulation S-K or fund risk/return summaries under, for example, Form N-1A and related rules under Regulation S-T?*

Filers that do not prepare their submissions in XBRL format, will need to make a more significant transition than filers like operating companies, that are accustomed to working in XBRL. That said, the vendors in our survey were split on whether non-XBRL filers should be allowed a longer phase-in. Four who disagreed with a phase-in stated that XBRL preparation is not as costly and burdensome as it was when operating companies first began XBRL preparation in 2009, and the marketplace has substantial experience in terms of tools and expertise. In addition, they noted that these types of companies have sufficient resources to help them make the transition more easily.

Of the three vendors who said that additional time should be allowed for non-XBRL reporting entities, they cited the need for them to identify the appropriate resource for XBRL preparation, and to gain the internal skillset required.

### **More or fewer filing types in structured format**

*Proposal question 20. Should we apply the proposed filing fee content and structuring requirements to the proposed filing types? Instead, should the proposed content requirements, structuring requirements or both apply to more or fewer types of filings?*

To enable consistency of preparation and usage, fees and fee calculation tables from all filings should be prepared using the same consistent, structured data standards.

### **Phase in and timing based on entity size**

*Proposal question 25. Should we adopt a phase-in schedule for the implementation of the structuring requirements for filing fee-related information, as proposed?*

Vendors surveyed were split on the value of a phase-in for smaller reporting companies. Of the four who disagreed with the phase-in, reasons cited included the fact that XBRL preparation is not as expensive or burdensome as it was at one time; small reporting companies will already be reporting in Inline XBRL by the time this rule proposal is likely to become effective; and XBRL preparation of fees should be a trivial addition to their current process. It was also noted that having all companies cut over to a new submission process at the same time would eliminate dual submission processes, reducing confusion among issuers, vendors and data users.

The five vendors who agreed with a phase-in for small reporting companies cited more limited resources available for small versus larger companies.

*Proposal question 26. Would the proposed phase-in schedule allow sufficient time for vendors and filers to develop and efficiently apply the technology needed to comply? If not, what schedule would better provide the time needed?*

*Proposal question 45. Does the proposed compliance date schedule provide filers sufficient time to comply with the requirement to structure fee-related information?*

No concerns were raised by vendors over the timing of implementation as stated in the proposal.

### **Costs of implementing structured data**

*Proposal question 41. How much would it cost filers to structure the fee-related information, as proposed? What are the benefits of structuring these disclosures for filers and investors? What are the benefits and costs of structuring fee-related disclosures in additional types of fee-bearing forms, such as forms filed by ABS issuers?*

*Proposal question 42. What are the costs and benefits of structuring fee-related disclosures in Inline XBRL format, as proposed? How do those costs and benefits vary depending on whether the filer is smaller or already required to make other disclosures using Inline XBRL?*

Preparing the fee tables in Inline XBRL is likely to result in additional preparation time for filers. The vendors we surveyed estimated that it could require an additional 30 minutes to 2 hours to prepare the first filing with XBRL-formatted fee information. Eight out of nine however, said that the extra time would decline with subsequent filings as issuers and vendors move up the learning curve. Four of the eight said the time spent would decline significantly; four said it would decline somewhat.

When asked about the possibility of a price increase because of the new requirements, five out of nine indicated that there would likely be a price increase in XBRL preparation for those companies that outsource their XBRL preparation, of between 5-10%. For those filers who prepare their own submission using a disclosure management tool, there may or may not be a modest price increase.

### **Additional recommendations and considerations**

With fee and fee calculation tables in structured data format, additional features could be added to improve the accuracy of the calculation and facilitate the process. We ask that the Commission consider the following:

- Create a mechanism that prompts issuers to provide additional required information when they select the calculation type in the table “Calculation of Registration Fee”. For example, Rule 457(p) is used when the issuer has an offset to the fee amount. In the event of an offset, the issuer must also provide the previous filing file number, date of the filing, filing

type, and the amount of money to be offset. The Commission prompt could alert the issuer of the required additional information when they select Rule 457 (p).

- Provide additional guidance about features of the rule for vendors and issuers. For example, today issuers are required to indicate in the text of the footnote when there is an offset, and the data required for an offset is provided in the submission header. The EDGAR manual provides technical guidance on how to prepare the submission but limited guidance in how to prepare the footnote. Given the lack of guidance, vendors report that they see little consistency among issuers on how this should be referenced in the footnote. This proposal requires filers to tag the footnote. We encourage the Commission to clarify this as filers and vendors are apt to interpret this many different ways if no clear guidance is provided.
- Leverage the added validation enabled by XBRL. The Commission could have the filing validate automatically, so that issuers can correct issues before EDGAR submission. This would improve efficiencies and the accuracy of reported data.
- Clarify to vendors and issuers how EDGAR will handle dual submission types during a phase-in. With the proposed phase-in, the EDGAR system will need to accept documents prepared in both Inline XBRL and conventional XBRL. It will need to be able to differentiate between the two (inline and conventional XBRL) in order to check the fee data in both types of submissions. Vendors and issuers could benefit from confirmation that the EDGAR system supports this differentiation and that it will be able to alert vendors and issuers for both conventional and Inline XBRL submissions.

The ongoing move to greater standardization in data submitted by every entity reporting to the Securities and Exchange Commission will enable greater consistency and ease of analysis; and will reduce the cost of data preparation, collection and use, across the supply chain.

I am available if you have questions concerning our recommendations or would like to discuss further. You can reach me at [REDACTED] or by email [REDACTED].

Sincerely,

A handwritten signature in black ink, appearing to read 'Campbell Pryde', written in a cursive style.

Campbell Pryde  
President and CEO