

January 8, 2019

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

RE: List of Rules to be Reviewed Pursuant to the Regulatory Flexibility Act, File Number S7-25-18

Dear Mr. Fields:

We appreciate the opportunity to comment on the Securities and Exchange Commission's (SEC's) *List of Rules to be Reviewed Pursuant to the Regulatory Flexibility Act*. We laud the SEC for its consultative process and providing for a period of public comment.

CFA Institute,¹ in consultation with its Corporate Disclosure Policy Council ("CDPC")² is providing comments on the Strategic Plan consistent with our objective of promoting fair and transparent global capital markets and advocating for investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures – and the related audits – provided to investors and other end users are of high quality.

¹ With offices in Charlottesville, New York, Hong Kong, London, Brussels, Mumbai, Beijing and Abu Dhabi, CFA Institute is a global, not-for-profit professional association of more than 133,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 151 countries, of whom more than 162,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also include 151 member societies in 163 countries and territories.

² The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

This letter addresses the questions raised in the SEC List of Rules related to the importance of, and continued need for, the following rules:

- Interactive Data to Improve Financial Reporting
- Interactive Data for Mutual Fund Risk/Return Summary

The rules were finalized in the first quarter of 2009, with operating companies required to begin reporting starting in 2009 using a phased approach. All companies had begun XBRL-tagging both face financials and details in the footnotes by 2011. Mutual funds had a compliance date of 2011.

As you consider these rules, we urge you to consider investor perspectives outlined below.

Investor Perspective

With the availability of technology to sift through structured data and crunch numbers, investors today are well positioned to perform faster and better analyses. When some of their finite resources are freed up, analysts can not only research a greater number of companies but can also take a closer look at the companies they already follow, which supports better-informed investment decisions. Greater efficiency with higher-quality investment decisions is a win for capital markets.

The availability of structured data could also bring bigger and better opportunities in small- to mid-cap companies by making it easier and less costly for potential investors to assess these companies.

Is the Information Being Used?

Those opposing an XBRL standard argue that small companies should be exempt from reporting in XBRL because their XBRL files are not used by investors. Thus, opponents contend that small companies should not have to bear the compliance burden of preparing such files.

The report [Are XBRL Files Being Accessed? Evidence from the SEC EDGAR Log File Data Set](#), August 2017, explores whether the XBRL files of small companies are being used. The authors provide evidence as to whether users of financial reports are accessing XBRL files, the XBRL component of an SEC filing. The possibility of exempting small companies from the XBRL mandate was raised in a legislative debate in which some argued that XBRL files are not being used by small company investors. Using data from the EDGAR log file data set, the study counted the exact number of user accesses to the XBRL files and their corresponding conventional files in HTML PDF, or text when users access financial disclosures for SEC filings. In brief:

- During the sample period of the third quarter of 2012 through the first quarter of 2015, the study obtained 12,483,699 valid user accesses to 5,016 unique XBRL filings made by 880 small companies that are subject to the legislation.
- Among the user accesses, 61% are to access XBRL files while 39% are to access conventional (non-XBRL) files.
- Small company investors not only access XBRL files but also prefer them to the non-XBRL files when both are available to download for a filing.

The study provides a direct measure of user access and serves as evidence of the use of small company XBRL files by investors and others.

Misconceptions about Cost

Misconceptions regarding the compliance costs of XBRL are widespread. CFA Institute believes debate about cost should not focus on the cost increase of an outsourced, or “bolt-on,” service for producing XBRL-formatted reports. Instead, it should consider that the way a company implements XBRL reporting will directly affect its costs.

- When facing regulatory XBRL mandates, some financial executives opt to outsource the XBRL tagging and creation process (often viewing it only as a compliance requirement). This outsourcing approach is often perceived as bringing minimal disruption, but it also provides minimal potential benefit to the company.
- Other financial executives have taken a different implementation approach and realized net cost/time reductions by integrating and pushing the standardization earlier in their report assembly and review process.

The costs (or savings) and benefits realized are largely dependent on how financial executives view XBRL mandates: narrowly, as a simple compliance requirement, or more broadly, as a business reporting supply chain standardization opportunity to streamline and cost effectively enhance a broad range of compliance processes.

Benefits will ensue when financial information tagging takes place within companies at the beginning of the report-assembly process and when companies treat the machine-readable XBRL document as their financials. In the future, when such benefits are actualized, perhaps tags may be developed for nonfinancial items as well.

Data Providers Rely on XBRL Data

Data providers are building increasingly advanced consumption tools. Data providers pull the SEC’s XBRL data, normalize and clean it for errors, and present it to users in a manner that allows easy access and immediate analysis as well as the ability to export it into an Excel spreadsheet. Providers leverage the XBRL data to be able to trace the data point on the provider’s platform back to the source document.

A great deal of information in the textual component of an SEC filing also can be presented in a structured manner and more easily consumed by investors. Providers build upon the XBRL technology to further tag and improve the readability and usability of financial documents, for example by tagging non- GAAP information, items such as product warranty accruals; the management discussion and analysis (MD&A); earnings releases; SEC comment letters; and environmental, social, and governance data. This information overlays the XBRL data from the SEC.

Data providers build these tools to meet user demand for greater tagging of information. Tagging the earnings release, for example, allows users to export data from the earnings release directly into documents or into an Excel-based financial model. Users then can perform side-by-side comparisons of preliminary income statements against previously reported numbers, without having to manually input the data. This simplifies the process for financial analysts and reduces

errors and the time spent pulling information manually for multiple companies. Analysts, for example, can more easily compare EBITDA and non-GAAP EBITDA; see whether similar companies have received SEC comment letters and how to avoid the same pitfalls; review the MD&A of a given company (e.g., Facebook to identify the number of active users); apply machine learning to block-tagged text to identify early adopters of the new revenue recognition standard; and search text by topic on SEC comment letters, MD&A, and annual and quarterly financial statements.

In sum, XBRL is useful because it provides analysts with a fully searchable database of line-item details from SEC filings. Previously hard-to-find facts are no longer hard to find. The detailed segment breakouts, schedules, and roll forwards are available for searching, analyzing, and comparing over time and across companies. Users can examine company tax footnotes side by side; search geographic segment revenue for companies that report revenue in, for example, China; or drill into a footnote and then extract a concept from that same footnote, while asking who else might be reporting that concept and in what specific dollar amount.

Conclusion

The XBRL rules under review have contributed to the efficient flow of information in the capital markets. We urge the Commission to retain the existing rules for public companies and mutual funds.

If you or your staff have questions or seek further elaboration of our views, please contact Sandy Peters by phone at + [REDACTED] or by email at [REDACTED].

Sincerely,

/s/ Sandra J. Peters

Sandra J. Peters, CPA, CFA
Head, Global Financial Reporting Policy
CFA Institute

cc: Corporate Disclosure Policy Council