

July 25, 2018



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Nicole Puccio
Branch Chief
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2521

Dear Ms. Puccio:

RE: Draft 2018-2022 Strategic Plan for Securities and Exchange Commission

We appreciate the opportunity to provide input to the U.S. Securities and Exchange Commission's (SEC) Strategic Plan, 2018-2022. XBRL US is a national, nonprofit consortium for the business reporting standard - a member-driven organization, representing accounting firms, software companies, other nonprofits, data intermediaries, and service providers. The mission of XBRL US is to encourage the use of business information in a standardized format, to improve reporting between business, government and the public.

We are supportive of the three goals laid out in the SEC's Strategic Plan to focus on the long-term interests of main street investors, recognize significant trends and effectively allocate resources, and to improve SEC performance by enhancing analytical capabilities.

Financial data standards are a critical component to successfully reaching these goals. This letter outlines our recommendations on how to leverage data standards effectively, in support of the SEC Strategic Plan. A summary of our recommendations to the SEC includes:

- Require all financial data submitted by all reporting entities, to be provided in computer-readable, standardized format.
- Use consistent standards across the agency to keep the cost of producing and consuming the data low, and improve the ability to perform analysis. Ensure that the standards used are appropriate for the job at hand. For example, XBRL is the standard uniquely designed to handle the complexities of financial data.
- Opt for only one financial data standard to be used by all entities. This will ensure the lowest possible data collection and analysis costs for all data users, including the Commission; and the lowest cost to issuers of preparing data for submission.
- Make greater use of standardized data. Use structured, standardized data for all analysis performed by the Commission in monitoring reporting entities, detecting fraud, and researching marketplace trends, again, to keep the cost of analysis performed by the SEC, low.

Below is a detailed description and rationale for these recommendations which will help the SEC meets the goals of the Strategic Plan.

Recommendation: Require all financial data, submitted by all entities, to be reported using financial data standards.

To meet SEC goal 1.4, to “*Modernize design, delivery, and content of disclosure so investors, including in particular retail investors, can access readable, useful, and timely information to make informed investment decisions.*”, the Commission must turn to appropriate data standards. Structured data standards, effectively implemented, can democratize access to data for investment decisions, making analysis significantly easier, more timely, and less expensive for all investors, retail as well as institutional.

Today, a subset of data reported by public companies, mutual funds, and other reporting entities is available in structured data format. And yet, a significant amount of data is still reported in an unstructured format. For example, the MD&A, the earnings announcement, and the proxy statement, are locked in paper-based forms that require manual data entry to extract. Only large institutional investors have the resources to obtain this information on a timely basis, either by hiring staff to laboriously extract information, or by purchasing commercial database products. Retail investors relying on free web services or their own review of documents from the SEC’s EDGAR system, will continue to be at a significant disadvantage to institutional investors, until this data becomes standardized.

Data in the proxy, the earnings announcement, and the MD&A, is just as important to all investors, as data in the face financials of a public company. If the SEC requires financial data to be reported, it must be made available in machine-readable format.

Recommendation: Use consistent standards to keep the cost of producing and consuming data low, and to improve the ability to perform analysis. Make greater use of automated data.

Today, the SEC requires structured data for certain types of information. But it does not always require the same *kind* of structured data, which leads to inconsistent data produced by SEC-reporting entities. **All structured data is not the same.** The XBRL standard improves the ability to conduct more efficient analysis, and to reduce costs.

The SEC can more effectively conduct analysis by adopting, and using, consistent data standards.

SEC Goal 3.3 is to “*Enhance our analytics of market and industry data to prevent, detect, and prosecute improper behavior.*” SEC Goal 2.1 is to “*Expand market knowledge and oversight capabilities to identify, understand, analyze, and respond effectively to market developments and risks.*”

These goals can most effectively be met by adopting **consistent** standards across all reporting entities. The availability of automated XBRL data for operating companies means analysis can be performed faster, and with greater accuracy. Below are some real-world case studies

demonstrating how XBRL-formatted data improves the efficiency of analysis among some non-regulatory stakeholders:

- Auditors were able to conduct more robust, multi-company analysis, including a larger volume of companies, because the data no longer required manual extraction. Read more: <https://xbrl.us/research/audit-analysis-save-data-collection-time/>.
- Research analysts cut 72 hours off their analysis by using standardized data. Read more: <https://xbrl.us/research/save-time-data-collection/>
- A global data provider reduced processing time by 90%. Read more: <https://xbrl.us/research/reduce-processing-time/>

These same advantages apply to work performed by the SEC in analyzing operating company data to detect fraudulent activities, monitor market developments, and identify trends and potential risks. We know that today, many at the SEC are leveraging the vast amount of XBRL data available. We encourage the agency to expand its use of XBRL across all SEC divisions, and in all facets of work related to detection of improper behavior, market analysis of risks, and monitoring of registered entities. XBRL data should be used as a primary source of financial fundamentals used by the Commission, rather than used solely for select analysis.

Consistent data standards reduce processing costs. The SEC can reduce the cost of analysis by increasing its use of automated data.

SEC Goal 3.2 is to *“Expand the use of risk and data analytics to inform how we set regulatory priorities and focus staff resources, including developing a data management program that treats data as an SEC-wide resource with appropriate data protections, enabling rigorous analysis at reduced cost.”*

The XBRL financial data standard has eliminated the need for manual data entry, automating data processing, and reducing the cost of data extraction. When data is automatically extracted and consumed into databases, or pulled into analytical tools through APIs, it dramatically lowers the cost of performing analysis.

Second, the availability of machine-readable, automated, corporate data, lowers the barriers to entry in the financial data business. Small data and tool providers have entered the market in the past few years *because* of the availability of XBRL data. Companies such as Calcbench, idaciti, Intrinio, and Tagnifi, expand the competitive marketplace of tools providing timely, good quality data.

The reduction in processing costs for data aggregators, combined with increased competition in the database market due to the lowering of barriers to entry, have effectively reduced the cost of analysis for the Commission, and for investors, both retail and institutional.

The SEC's inconsistent approach to standards, limits potential savings from greater efficiency.

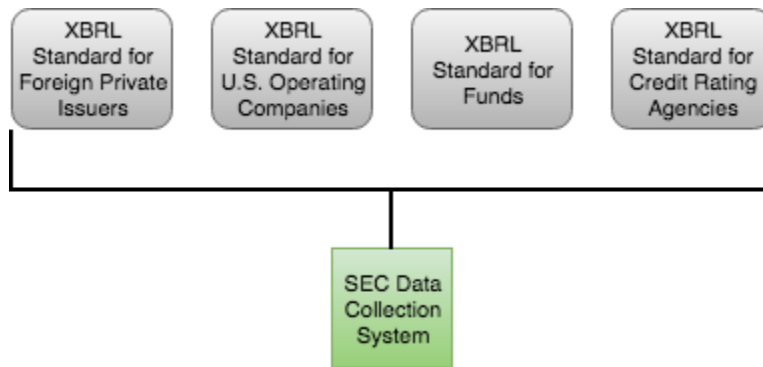
Today, data and tool providers can leverage the same data collection and processing mechanism to access data from US corporations and from foreign private issuers submitting data in either US GAAP, or IFRS, to the SEC. That's because this data is all provided in XBRL format. The ability to use the same data collection mechanism keeps processing costs low.

But disclosures from other entities that also report to the SEC, are **not** required to be reported in the same consistent format. The SEC has jurisdiction over reporting from public operating companies, funds, crowdfunded entities, investment companies, broker dealers, etc. The stated goal in the Strategic Plan is to modernize delivery so that *"investors, including in particular retail investors, can access readable, useful, and timely information to make informed investment decisions."* Providing **all disclosures using a single, consistent, effective data standard** would meet this goal. And yet, today, much of that data is either not reported in structured data format, or it is provided in custom structured formats that do not uniformly handle the characteristics of financial data.

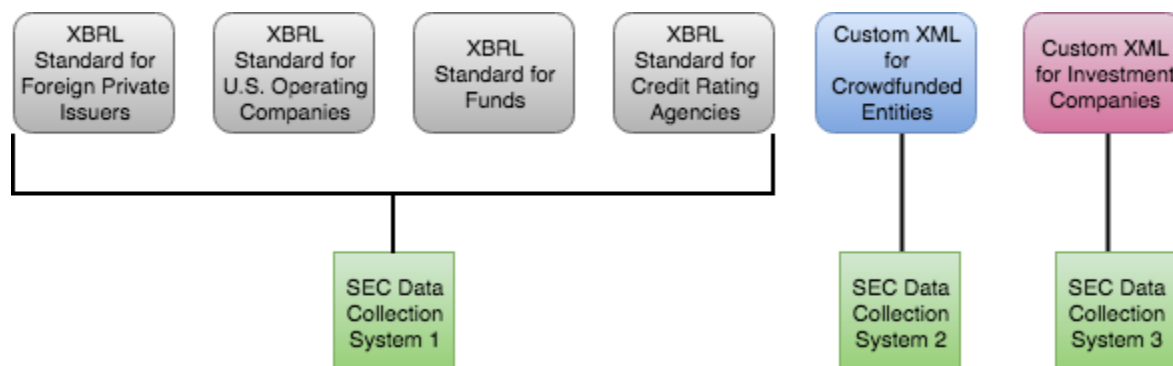
The table below lists various entities required to report to the SEC along with the associated standard requirement and SEC form.

Reporting Entity	Standards Requirement	Form
Operating companies	XBRL	10-K, 10-Q
Foreign private issuers	XBRL	20-F, 40-F
Mutual funds and ETFs	XBRL	485BPOS, 497 (Risk Return Summary)
Credit rating agencies	XBRL	Exhibit 1 of Form NRSRO (Credit rating history)
Investment companies	Custom XML	N-CEN, N-PORT
Crowdfunded entities	Custom XML	Form C

To process data from operating companies, funds, foreign private issuers, mutual funds and credit rating agencies, requires the SEC to create a single data collection system as shown in the diagram below. This is because these entities all report using the XBRL financial data standard. Commercial data providers meeting the needs of investment clients, both institutional and individual, also need only create a single data collection system.



Investment companies and crowdfunded companies, however, report using a *custom-built XML schema*. To collect data from each of these entities **requires the SEC to build a separate data collection system from scratch**. This creates further complexity, more work, and greater expense for the Commission, **and** for every other data provider or investor that also needs to collect data from these different kinds of entities, as shown on the diagram below. Instead of building a single data collection system, the SEC must build three data collection systems, as must capital market data users.



The data that investment companies and crowdfunded entities must disclose, is quite similar to the data required to be disclosed by operating companies. The creation of separate taxonomies (collections of terms to be reported), separate collection systems, and separate training programs to help filers understand how to comply, and to help data users understand how to use the reported data, is duplicative, and creates a significant amount of unnecessary work (and cost) for the Commission and the capital markets.

Example: Investment Company Reporting

The SEC rule on “Investment Company Reporting Modernization” established two new reporting forms for investment companies: Form N-CEN and Form N-PORT. These disclosures contain many of the same line items that are used for US GAAP reporting by operating companies, for example, Assets.

Rather than leverage what already exists in the US GAAP Financial Reporting Taxonomy, the SEC opted to create a new, custom XML “structured data standard” for investment companies. A

common term such as “Assets” for investment management companies, therefore, is different than the term “Assets” used by public companies when they report.

Example: Crowdfunding Entities

The SEC’s Regulation Crowdfunding (CF) requires small businesses engaged in crowdfunding activities to file Form C, which also contains common financial terms such as Assets. The definitions for facts that must be reported in Form C, such as “Assets” differ from definitions used by operating companies reporting using the US GAAP Financial Reporting Taxonomy; and differ from what investment companies report using form N-PORT.

As a result of these SEC decisions, three different data fields, all representing “Assets” have been created for these three very different standards implementation. By definition, a uniquely created “standard”, is not a standard.

Avoid custom XML that requires unique systems and creates challenges in handling financial metadata.

XBRL is uniquely designed to capture the features of financial data such as time period, units, precision, and data type. **XML is not.**

When the Commission embarks upon a custom XML implementation, it must build these features into the system. For example, when creating the term Assets for crowdfunded entities, multiple terms were created to capture time periods as shown on the diagram below. XBRL has a built-in feature to easily capture multiple time periods. The SEC created 18 new terms for crowdfunded entities. If this program had been implemented in XBRL, it would only have required nine terms.

Form C: Annual Report Disclosure Requirements

Annual Report Disclosure Requirements

Current Number of Employees:	<input type="text" value="4"/>	
Total Assets Most Recent Fiscal Year-end:	<input type="text" value="1249225.00"/>	Two terms created to represent Assets
Total Assets Prior Fiscal Year-end:	<input type="text" value="1260065.00"/>	
Cash and Cash Equivalents Most Recent Fiscal Year-end:	<input type="text" value="10870.00"/>	Two terms created to represent Cash & Cash Equivalents
Cash and Cash Equivalents Prior Fiscal Year-end:	<input type="text" value="38412.00"/>	
Accounts Receivable Most Recent Fiscal Year-end:	<input type="text" value="0.00"/>	Two terms created to represent Accounts Receivables
Accounts Receivable Prior Fiscal Year-end:	<input type="text" value="0.00"/>	
Short-term Debt Most Recent Fiscal Year-end:	<input type="text" value="1247462.00"/>	Two terms created to represent Short-Term Debt
Short-term Debt Prior Fiscal Year-end:	<input type="text" value="1434476.00"/>	
Long-term Debt Most Recent Fiscal Year-end:	<input type="text" value="0.00"/>	Two terms created to represent Long-Term Debt
Long-term Debt Prior Fiscal Year-end:	<input type="text" value="0.00"/>	
Revenue/Sales Most Recent Fiscal Year-end:	<input type="text" value="4665333.00"/>	Two terms created to represent Revenue
Revenue/Sales Prior Fiscal Year-end:	<input type="text" value="2810704.00"/>	
Cost of Goods Sold Most Recent Fiscal Year-end:	<input type="text" value="2875626.00"/>	Two terms created to represent Cost of Goods Sold
Cost of Goods Sold Prior Fiscal Year-end:	<input type="text" value="2047880.00"/>	
Taxes Paid Most Recent Fiscal Year-end:	<input type="text" value="0.00"/>	Two terms created to represent Taxes Paid
Taxes Paid Prior Fiscal Year-end:	<input type="text" value="0.00"/>	
Net Income Most Recent Fiscal Year-end:	<input type="text" value="166174.00"/>	Two terms created to represent Net Income
Net Income Prior Fiscal Year-end:	<input type="text" value="-167191.00"/>	

18 separate terms have been created where an XBRL implementation would only have required nine.

Every reported value is already reported by operating companies using the US GAAP Financial Reporting Taxonomy. The SEC re-created concepts that already exist and are in widespread use.

Every one of these terms, including Net Income, Cash and Cash Equivalents, Accounts Receivables, etc., is also reported by operating companies using the US GAAP Taxonomy. As a result, the SEC has created a new system from scratch, **duplicating data fields for elements that already exist**. The work performed to create fields for these terms was conducted in 2007, when the initial US GAAP Taxonomy was created.

Acknowledge the complexities of financial data.

Financial data is complex. To understand what a reported value means, requires that the reporting entity convey, and the data consumer be able to read, detailed metadata associated with that value. The SEC, in its proposal on Investment Company Reporting Modernization¹, argued that certain reporting programs, even when financial data is disclosed, are “simpler” and therefore don’t require the complexity of using a financial reporting standard (XBRL). XML was chosen over XBRL because, according to the SEC final rule, “*the information funds will report will be as of a*

¹ SEC Investment Company Reporting Modernization final rule: <https://www.sec.gov/rules/final/2016/33-10231.pdf>

single reporting date, the units of measurement are predetermined or are constrained by the data type, and there is little value in customizing the content or presentation.”

This is not a sound basis for creating a custom SEC standard because:

- Time period is a critical component of financial data. Even when a report contains data reflecting a single time period, if that data is to be automatically consumed into a database, the time period needs to be associated with every reported fact or datapoint, not just with the document. A file of facts with no associated time periods cannot be automatically consumed.
- The units of the data reported can vary between monetary (in which case it could be in dollars, or euros, or some other currency), percent, integer, string, per share, or other data type; again, this metadata will not be associated with each reported fact and therefore the data consumer must perform the task of identifying the appropriate data type for each reported fact, before the data can be posted to its database.
- Data that must be collected from investment companies may change over time, for example, the Commission may decide they want to capture prior periods to enable historical comparisons; or they may decide to collect different types of data in the same report. If the format cannot handle metadata such as time period or data type, these changes cannot be easily adapted. By using an appropriate financial data standard, changing disclosure requirements can be more easily incorporated.

Finally, technology changes, regulations change, and industry changes over time. The XBRL standard is maintained by an international standards organization (XBRL International) with an active, industry-driven standards body, that focuses on continuously adapting the XBRL specification to meet the demands of the marketplace and emerging technologies. For example, the XBRL standard can now be built on either the XML, JSON or CSV format. The XBRL standard has continuously evolved to meet changing technology trends.

XBRL is currently the only standard that adequately represents financial information, as it was initially created, and is continuously developed, with this objective at its core.

Recommendation: Require consistent structured data standards to keep the cost to issuers of preparing data, low.

Issuers typically rely on software providers or filing agents to help in preparing financial filings that must be submitted to the SEC. Often the same filing agent or tool provider serving one type of reporting entity, such as operating companies, also serves mutual funds, foreign private issuers, investment companies or even crowdfunded entities.

Service or tool providers that must constantly adjust their offerings to adapt to unique, custom structured data programs, will require time and effort to adapt. In addition, maintaining multiple data reporting and creation tools that produce data in different formats, for example, one in XBRL, a second in custom XML, a third in a different custom XML, will always be more expensive to maintain than handling a single data standard.

Because of the different formats required for different types of companies, some providers may choose to specialize in certain types of disclosure, for example, only working with customers that report using XBRL, or only with customers that use a specific custom XML program. This fragmentation limits options available to reporting entities, and reduces competitiveness of data creation offerings on the market.

The added cost of maintaining different tools and services, and reduced marketplace competition, result in higher costs to issuers. Streamlining these format requirements would make the marketplace of tools and services more efficient and cost-competitive.

Conclusion

The SEC needs to continue leveraging the XBRL standard for disclosure requirements. The Commission has established an effective and efficient means to extract and analyze data from SEC filings, reducing the workload on staff. When new disclosure requirements are promulgated, or existing disclosure requirements are being revised, the SEC should always carefully consider whether requiring that disclosure in XBRL format is feasible. If the requirement involves financial data that has already been defined in an XBRL taxonomy used by the SEC, then these terms should be re-used and not recreated. Any new XBRL requirement can leverage the existing data collection infrastructure that the Commission has in place for public company reporting.

We appreciate the opportunity to provide our recommendations and are available to respond to any questions the Commission may have. I can be reached at [REDACTED] or [REDACTED].

Sincerely,

Campbell Pryde, President and CEO, XBRL US, Inc.

A handwritten signature in black ink, appearing to read "Campbell Pryde". The signature is fluid and cursive, with a large initial "C" and "P".

Campbell Pryde,
President and CEO, XBRL US, Inc.