

January 4, 2021



Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Dear Secretary:

RE: Tailored Shareholder Reports, File No. S7-09-20

We appreciate the opportunity to provide input to the Securities and Exchange Commission (SEC) proposal *Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements*. We agree with the Commission's goal to modernize disclosures provided by open end investment management companies to provide more transparency, consistency and readability into the information provided to investors.

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, banks, and government agencies). Our members include accounting firms, public companies, software, data, and service providers, as well as other nonprofits and standards organizations.

Our comment letter specifically addresses the questions raised in the proposal regarding the implications for issuers and end users of providing investment management company disclosures in structured (XBRL) format. We encourage the Commission to adopt the use of standards for these disclosures as they will allow third-party providers to more easily, and on a more timely basis, extract and leverage comparative data about the funds which will benefit both retail and institutional investors.

### Require N-CSR and Tailored Shareholder Report Data to be Prepared in Machine-readable (XBRL) Format

In the proposal, the Commission asks "*Should we require funds to submit some or all of Form N-CSR in a structured machine-readable format such as the Inline XBRL format? What would be the benefits and costs of such a requirement? Would any resulting benefits accrue to all types of*

*investors (e.g., retail investors and institutional investors)? Are there any particular disclosures which investors would benefit most from having access to in structured machine-readable format?”*

#### **Improve ability of retail investors to compare fund performance**

The Commission should require funds to tag data in both the Tailored Shareholder report and Form N-CSR in machine-readable (XBRL) format. The Commission states that the primary objective of the proposal is “*..to promote shareholder reports that assist existing shareholders in monitoring their fund investments, leaving information that is more useful for new and prospective investors to compare funds and make investment decisions to be retained in the fund prospectus... Because facilitating fund comparisons is one of the chief benefits of the Inline XBRL format, Inline XBRL requirements are likely more beneficial to investors in the context of prospectus disclosures rather than disclosures in periodic reports such as Form N-CSR. As such, the Commission has determined not to propose an Inline XBRL tagging requirement for Form N-CSR.*”

We disagree with the implication of this statement that data in the N-CSR and in the proposed Tailored Shareholder Report are not important for investors making comparisons between funds. Third party providers, such as Morningstar, Inc., an independent investment research firm, extract data from individual fund disclosures, and provide comparative data through their applications to help investors make informed decisions. We have confirmed with Morningstar that data in these two reports (proposed Tailored Shareholder Report and Form N-CSR), in addition to data in the fund prospectus, represents information they provide to retail investors making investment decisions. Providing this data in machine-readable (XBRL) format would ensure that applications from these third-party providers are able to provide more timely, consistent data to retail investors.

#### **Allow issuers to leverage a standard used by funds for 10+ years**

In the proposal, the Commission asks “*Should a structured machine-readable format other than Inline XBRL, such as a custom XML format, be required for Form N-CSR?”*

We encourage the Commission to continue using the Inline XBRL standard, rather than creating a new custom XML format. First, because funds today already submit Risk Return Summary data in XBRL format, and have been doing so since 2009. Therefore, they have the experience, and process in place, and will be able to leverage the same tools they use today.

The original rule established by the Commission allowed funds a 15-day grace period between the time they published their Risk Return data in conventional form (text or HTML) and the publication of the XBRL version of the data. This limited the use of the XBRL-formatted Risk Return data by third party providers, because it was simply not timely enough. In 2018 however, the Commission amended the fund rule on interactive data, to require funds to provide Risk Return data using the Inline XBRL format (rather than conventional XBRL). Even more importantly, the rule amendment also eliminated the 15-day grace period. Large fund groups began the transition starting September 17, 2020; small fund groups will transition starting September 17, 2021.

Third party providers such as Morningstar have indicated that they expect to begin using machine-readable (XBRL) Risk Return data now that it will be made available on a timely basis because it is easier and more practical to extract than text or HTML data. The same will hold true for machine-readable data from Form N-CSR and the Tailored Shareholder report.

Second, creating a custom XML schema will require both funds and third-party data providers to leverage tools for preparation, extraction and analysis, that are different than what they use today for their XBRL-formatted financials. A custom XML schema will add to the costs of preparation, extraction, and analysis across the supply chain.

## On Expense and Fee Data in Machine-readable Format

The proposal raises the question *“Should we require funds to submit interactive data files (for example, formatted using eXtensible Business Reporting Language (“XBRL”)) containing their expense example information? Why or why not? Would it be useful for shareholders to have access to the expense example in a structured data format? Would this meaningfully complement the current requirement that funds submit their prospectus risk/return summary information in Inline XBRL format, or would it be duplicative with this current requirement? Is there any other information from funds’ shareholder reports that we should require funds to submit in a structured data format?”*

Expense data would be rendered more valuable and functional if prepared in structured (XBRL) format. Comparative expense data can illustrate differences between funds.

## On Instructions for Tagging of Form N-1A

The proposal also includes the question, *“Are the proposed amendments to the Form N-1A General Instructions regarding the use of structured data appropriate? Given that the full fee table in the fund’s statutory prospectus would continue to be tagged, and the information included in the summary fee table would be the same as that in the statutory fee table, would it also be necessary to require a fund to tag the summary fee table? If so, why?”*

We concur with the proposal that if the fee table is tagged in one section of the Form N-1A, it should not be tagged again in another section.

Thank you for considering our response to the proposal. We know that the Commission is dedicated to helping filers convey critical information to their shareholders.

Please let me know if you have any questions or would like to discuss these issues further. I can be reached at [REDACTED] or [REDACTED].

Regards,

A handwritten signature in black ink, appearing to read "Campbell Pryde". The signature is fluid and cursive, with the first name "Campbell" written in a larger, more prominent script than the last name "Pryde".

Campbell Pryde,  
President and CEO