

**MEMO# 20747**

January 3, 2007

## **Internet Disclosure and XBRL**

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TO: BOARD OF GOVERNORS No. 1-07    RE: INTERNET DISCLOSURE AND XBRL

I am writing to update you on our efforts, in cooperation with the Securities and Exchange Commission, to achieve meaningful reform of the current fund disclosure regime. As you know, this is an objective of Chris Cox as SEC Chairman, who has emphasized the potential of the Internet and interactive technology as a means to better inform and educate investors.

We have been working on a number of fronts to support Chairman Cox in this effort. Early last year, we published ICI research on the use of the Internet by fund shareholders of all ages, incomes and educational levels. In May, at our General Membership Meeting, we presented the results of our shareholder survey detailing the preference of fund investors for a concise disclosure document. In June, we participated in an SEC roundtable on disclosure reform, sharing our viewpoints with those of SEC commissioners, investor advocates, and third-party users of fund disclosure. The roundtable reached a strong consensus that investors would benefit from a short-form disclosure document, supplemented by more detailed information available online or in paper, upon request.

In response to Chairman Cox's initiatives in this area, the ICI has completed development of an XBRL taxonomy for the risk/return summary of a fund's prospectus. The ICI's XBRL Working Group, comprised of member firms, our regulators, service providers, and investor advocates, today is making the draft taxonomy available for public review. In early 2007, we expect the SEC to amend its voluntary filer program (VFP) rule to allow mutual funds to file their risk/return summaries using the new XBRL taxonomy.

All of these efforts have been very well received. Chairman Cox has publicly praised the industry for these efforts, most recently in early December in a speech on the promise of interactive data before an XBRL industry conference in Philadelphia. In his remarks, Chairman Cox said, "A great example of private sector leadership in this area is being provided by the Investment Company Institute, which even now is busy writing XBRL taxonomies for mutual funds to adopt voluntarily."

In a speech at our own Securities Law Developments Conference last month, Buddy Donohue, Director of the SEC's Investment Management Division, echoed Chairman Cox's praise. "I would like to thank the Investment Company Institute for the leadership it has shown with respect to mutual fund disclosure reform and interactive data. The ICI has announced a project to extend current interactive data capabilities by creating additional tags, or identifiers, that will cover all of the information in the risk/return summary of a mutual fund prospectus. This is an important project that will greatly enhance the potential utility of interactive data for mutual fund investors."

We intend to issue the attached press release tomorrow to publicly announce the completion of the draft taxonomy.

I believe we have reached a critical juncture on the road to disclosure reform. The SEC has demonstrated a desire to alter the current, paper-based disclosure regime in favor of one that is Internet-based, more accessible, more informative, and ultimately more effective for investors. In particular, the Commission is exploring a move toward a short-form disclosure document as the primary means of legal disclosure, supplemented of course by the full prospectus and other documents either online or in paper form upon request.

It is clear, however, that the SEC views this simplified, streamlined disclosure system as one requiring the adoption and use of new technologies. As Buddy Donohue put it in his recent speech, "If (the SEC's) work on disclosure reform does lead us to recommend a short-form disclosure document, it will be extremely important to also provide for a mechanism, such as an interactive data system, that will enable fund investors, the intermediaries who help them evaluate funds, and others to have access to more detailed fund information in a more accessible ... automated fashion than is available today. I do encourage the mutual fund industry to follow the lead of the ICI in embracing efforts to assist the Commission and its staff to reform fund disclosure and make greater use of interactive data for the benefit of fund investors."

I strongly encourage your firm to participate in the voluntary filer program when the 45-day review period is completed and the rule is amended to permit the filing of risk/return summaries using the new XBRL taxonomy.

This pilot program is admittedly a first step on the evolutionary road to meaningful disclosure reform, but it is a vital first step. Already, software firms and service providers are incorporating the taxonomy into document management products and solutions to facilitate its use by the fund industry. The Institute will work with these firms to develop and offer education and training opportunities regarding use of the taxonomy for member firms.

Our industry has in prospect a far more useful and effective disclosure regime for fund investors, and we look forward to continuing to work with you to accomplish this important objective.

Paul Schott Stevens  
President

[Attachment](#)

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