

**MEMO# 22763**

August 4, 2008

## **ICI Comment Letters On SEC XBRL Proposals**

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TO: ACCOUNTING/TREASURERS MEMBERS No. 16-08ETF ADVISORY COMMITTEE No. 21-08SEC RULES MEMBERS No. 73-08SMALL FUNDS MEMBERS No. 48-08TECHNOLOGY COMMITTEE No. 22-08XBRL WORKING GROUP RE: ICI COMMENT LETTERS ON SEC XBRL PROPOSALS

As we previously informed you, the Securities and Exchange Commission recently proposed to require all open-end management investment companies to submit the information contained in the risk/return summary section of their prospectuses using eXtensible Business Reporting Language ("XBRL"). The Commission also proposed to require all companies, other than investment companies, to submit financial statement information using eXtensible Business Reporting Language ("XBRL").\*

The Institute filed comment letters on both proposals. The letters are attached and summarized below.

### **Letter on Risk/Return Summary Proposal**

The letter reiterates the Institute's continued belief that requiring mutual funds to provide risk/return summary information in XBRL ultimately may further the fundamental goal of better serving the information needs of fund investors, but states that the Commission's proposal is premature. The letter urges the Commission to approach this initiative in a methodical, step-by-step manner that will permit certain important elements to fall in place first. The letter states that:

- Changes to the risk/return summary are pending (under the SEC's summary prospectus and ETF rule proposals) that would necessitate changes to the existing

risk/return XBRL taxonomy. It would be extremely inefficient and costly to require funds to make XBRL submissions using the existing taxonomy and then to comply with revisions resulting from the adoption of pending rule proposals.

- More testing and evaluation of the taxonomy are needed to ensure that it is well-designed and useful to the end user. In addition, the tools to create, view and submit XBRL files are not sufficiently developed for mandatory XBRL filings.
- More information is needed before the Commission can establish that the benefits of requiring XBRL for the risk/return summary are reasonably likely to justify its costs.
- Several aspects of the current proposal are problematic, including the proposed requirements under which liability may be imposed, the proposed liability safeguards, and the proposed requirement that funds post XBRL files to their websites.

The letter recommends that the Commission focus its resources on finalizing the pending summary prospectus and ETF rule proposals and then revising the risk/return summary taxonomy to reflect any changes to the risk/return summary resulting from those proposals. It states that during this time, the Commission should take steps to encourage participation in the Voluntary Program and the development of tools to facilitate XBRL filing for non-financial data, and that Commission should repropose mandatory tagging of the risk/return summary when the time is ripe – i.e., after the taxonomy has been revised, has been tested to ensure that it conveys information to investors in the most useful manner, and has been acknowledged, and once the development of tools to facilitate creation and viewing of tagged files is well underway. Finally, the letter urges that any such reproposal provide clarity with respect to funds' obligations and potential liability.

## **Letter on Financial Statement Proposal**

The Institute also filed a comment letter on the Commission's proposal to require operating companies to furnish their financial statements to the SEC in XBRL format. The Institute's comment letter supports the proposal to exclude investment companies from the XBRL financial statement tagging requirements.

The Institute's letter indicates that the benefits associated with tagging investment company financial statements are limited relative to other types of issuers. In particular, analysis of mutual fund financial statements cannot reveal "under-valued" funds because mutual fund shares are issued and redeemed at the mark-to-market value of their net assets. The Institute's letter also notes that the XBRL taxonomy developed for investment company financial reporting is not sufficiently developed to mandate its use. The letter indicates that the taxonomy must be updated and that investment companies must be afforded an opportunity to experiment with it in a voluntary environment before any proposal mandating financial statement tagging can be considered. Finally, the letter notes the Institute's concerns, addressed more thoroughly in the Institute's comment letter on the risk/return summary proposal, that the proposed requirements and liability protections raise significant interpretive issues, and that the liability protections address only a small subset of potential scenarios that might arise.

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[Attachment](#)

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