

**MEMO# 22701**

July 17, 2008

## **Draft ICI Comment Letter on SEC Mutual Fund XBRL Proposal; July 24th Conference Call**

[22701]

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 9-08  
ETF ADVISORY COMMITTEE No. 18-08  
SEC RULES COMMITTEE No. 49-08 SMALL FUNDS COMMITTEE No. 21-08  
TECHNOLOGY COMMITTEE No. 15-08  
XBRL WORKING GROUP RE: DRAFT ICI COMMENT LETTER ON SEC MUTUAL FUND XBRL PROPOSAL; JULY 24TH CONFERENCE CALL

As we previously informed you, last month the Securities and Exchange Commission 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"). [\[1\]](#) The Institute has prepared a draft comment letter on the proposal. The draft letter is attached and summarized below. As the letter is a draft and may change before being finalized, please do not distribute it outside your firm.

Comments on the proposal are due to the SEC by August 1st. We will hold a conference call on Thursday, July 24th, from 2:00 - 3:30 p.m. Eastern time to discuss the draft letter. The dial-in number is 888-889-1956 and the pass code is 26270. If you plan to participate on the call, please send an email to Lynnette Smith at [lsmith@ici.org](mailto:lsmith@ici.org). If you are unable to participate on the call, please provide your comments to Mara Shreck ([mshreck@ici.org](mailto:mshreck@ici.org), 202/326-5923) or Frances Stadler ([frances@ici.org](mailto:frances@ici.org), 202/326-5822) before the call.

The draft letter expresses the view that the Commission's proposal to require mutual funds to provide risk/return summary information in XBRL is premature for several reasons, including the following:

- 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.
- Even if the taxonomy could be updated in time to be used under the current proposal, it would be inappropriate to mandate use of a revised taxonomy without the opportunity for public comment.
- 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 draft 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 the Commission should consider whether it is appropriate to repropose mandatory tagging of the risk/return summary only after (1) a revised, fully tested and acknowledged taxonomy is in place, (2) the development of tools to facilitate creation and viewing of tagged files is well underway, and (3) the Commission can demonstrate that the benefits of such a requirement warrant its imposition. Further, if the Commission elects to do so, any such reproposal must provide clarity with respect to funds' obligations and potential liability.

Mara Shreck  
Associate Counsel

[Attachment](#)

#### **endnotes**

[\[1\]](#) See Memorandum to Accounting/Treasurers Committee No. 8-08, ETF Advisory Committee No. 14-08, SEC Rules Committee No. 41-08, Small Funds Committee No. 17-08, Technology Committee No. 14-08 and XBRL Working Group [22614], dated June 17, 2008.

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