

**MEMO# 10914**

April 19, 1999

# **INSTITUTE COMMENT LETTER ON EDGAR MODERNIZATION AND RELATED RULE AMENDMENTS**

1 See Memorandum to Operations Committee No. 10-99, SEC Rules Committee No. 20-99, and Technology Task Force, dated March 18, 1999. [10914] April 19, 1999 TO: OPERATIONS COMMITTEE No. 16-99 SEC RULES COMMITTEE No. 29-99 TECHNOLOGY TASK FORCE RE: INSTITUTE COMMENT LETTER ON EDGAR MODERNIZATION AND RELATED RULE AMENDMENTS

As we previously informed you, the Securities and Exchange Commission is modernizing the Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system.<sup>1</sup> When programming for the new system is completed, EDGAR will be able to accept filings submitted in HyperText Markup Language ("HTML"), as well as the current ASCII format. Also, filers will have the option of accompanying their filings with unofficial copies in Portable Document Format ("PDF"). In addition, the Commission has proposed to amend certain rules and adopt new rules to accommodate modernization of the EDGAR system. A copy of the Institute's comment letter on EDGAR modernization and the related rule amendments is attached and is summarized below.

**EDGAR Modernization** The Institute's comment letter supports the change from ASCII to HTML. HTML will enable filers to improve the appearance of their documents filed with the SEC through the addition of varied fonts, graphics and other features which are not available in the current ASCII based system. The Institute's letter recommends a two year transition period during which the EDGAR system would accept both ASCII and HTML formats. This transition period will enable filers to implement requisite systems changes and staff training in an orderly manner. The Institute's comment letter supports the ability of filers to include, at their option, an unofficial PDF version of their official HTML filing. Many ICI member firms currently use PDF to display fund disclosure documents on their Internet web sites. The Institute's letter expresses concern with the additional filing volume attributable to PDF filings, and recommends that the SEC ensure that the EDGAR system has sufficient capacity to accept registrants' filings in a timely manner as the Commission moves forward with EDGAR modernization.

**Rule Amendments** Proposed rule 105 would initially prohibit electronic filers from including in HTML documents hypertext links to sites or documents outside the HTML document. The Institute's letter recommends that the Commission consider permitting filers to include hypertext links from EDGAR filings to other documents or web sites in the future. Hypertext links would enhance filer ability to present information and provide greater public access to valuable information. The Institute's letter recommends that the Commission consider following a similar approach to liability for hyperlinked material as it follows for "attachments" to paper filings. For example, paper prospectuses filed with the Commission may attach a document

(e.g., a prospectus "wrapper"), which is not considered part of the prospectus for liability purposes under the 1933 Act. Similarly, in the Internet context, a fund could attach a document to its online prospectus via a hyperlink, whereby a user is led to the document by a clearly delineated box, set apart in the prospectus, followed by a buffer page which alerts the user that he is leaving the prospectus and entering a third-party site. The Institute's comment letter supports amendments to investment company registration forms that would delete the requirement to include a financial data schedule as an exhibit to the registration statement. The letter recommends that these amendments be adopted as soon as possible so that filers with December 31 year-ends can omit financial data schedules from their annual prospectus update to be filed on May 1. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment

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