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April 14, 2016

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

RE: Release No. 34-76743; File No. S7-27-15 TRANSFER AGENT REGULATIONS

On behalf of XBRL US and our members, I am writing to comment on Concept Release No. 34-76743; File No. S7-27-15 TRANSFER AGENT REGULATIONS. XBRL US is the national nonprofit consortium for the business reporting standard, with a mission of improving the availability, comparability and transparency of business information in the capital markets to all stakeholders.

Our objectives with this letter are to respond to specific questions raised in the SEC concept release related to financial disclosure requirements under consideration, and to improvements that can be made in the processing of corporate actions events, an area where transfer agents play an important part. We appreciate the opportunity to provide input to the Securities and Exchange Commission (SEC) Concept Release and we commend the SEC's goals of updating requirements for transfer agents which have an important role within the national market structure.

XBRL is used today for regulatory reporting in the U.S. to the SEC by public companies and to the FDIC by bank institutions. Data in XBRL format is computer-readable and available in a more consistent, comparable format that enables the automation of data processing by investors, regulators and other data consumers. Data intermediaries use XBRL-formatted data to serve investment company clients, regulators and the public because it is more functional and timely and less costly than extracting data from SEC EDGAR filings in HTML. XBRL will be used for government reporting through the DATA Act implementation which is slated to begin providing the first XBRL-formatted datasets in 2017. XBRL is a free and open global standard that is also used heavily in non-US markets to report financial information by governments and by private and public companies.

This next section addresses the questions raised in the SEC Concept Release.

Questions Related to Financial Disclosures

The Commission proposes that Forms TA-1 and TA-2, which transfer agents are required to report to the SEC, be expanded to include financial information to better serve regulatory goals and in recognition of the expanded scope of transfer agent activities. Pages 111 and 112 of the Concept Release state:

"...the Commission intends to propose amendments to the forms to include disclosure requirements with respect to certain financial information, such as the financial reports discussed below in Section VI.C (e.g., statements of financial condition, income, and cash flows). …Financial disclosures may include annual financial statements using a data-tagged format, such as XBRL, broken out by the asset classes serviced by the transfer agent, such as equities, debt, and investment companies."

Release Question*: Should the Commission require that annual financial statements be submitted using a data-tagged format such as XML or XBRL?*

Any reported data that is financial in nature should be reported using the XBRL standard to facilitate automation and straight-through-processing (STP) and to reduce costs and streamline the processing of information.

XBRL is an XML-based data standard that leverages the tagging features of XML. Tagging in both XBRL and XML allow metadata about a reported fact to be embedded within that fact. For example, in Form TA-2, transfer agents today are required to report "Number of items received for transfer during the reporting period". That reported fact could appear in an XML or XBRL document with markup tags that define what the value means as follows:

<NumberItemsReceivedForTransfer>108147<NumberItemsReceivedForTransfer>

Both XBRL and XML can transform document-based information, e.g, PDF or text, into computer-readable data. The XBRL standard however, has additional structure which allows it to consistently and efficiently manage the characteristics of financial data including time period, units, financial tables, labels and reporting entity. Because XML does <u>not</u> have a standard method to handle time period, units, tables, etc., choosing XML as the standard for transfer agent reporting of financials would not be effective and would result in either:

1) Regulators would need to provide reporting entities with a form within which to input reported data to ensure that time period, units, concept name, etc. are portrayed consistently and can be easily consumed by regulators, investors and other users; or,
2) Additional structure to handle these features of financial data would need to be added to the XML standard, essentially creating a new "standard". To do this, would be to recreate what is already XBRL today.

Neither option makes sense given that a widely used standard designed to accommodate financial data is already available. The XBRL standard was initially created based on XML but is built on an open information model so that it can be adapted to accommodate other commonly used data formats like JSON.

Release question: *Would such a requirement require changes to the U.S. GAAP Taxonomy in order to capture the information included in transfer agents' financial statements? Why or why not?*

Page 111 of the Release references financial data required of transfer agents as "*statements of financial condition, income, and cash flows)…Financial disclosures may include annual financial statements using a data-tagged format, such as XBRL, broken out by the asset classes serviced by the transfer agent, such as equities, debt, and investment companies."*

The U.S. GAAP Financial Reporting Taxonomy, which is used by public companies today, covers a broad range of information including statements of financial condition, income and cash flow, in addition to industry-specific disclosures usually found in the footnotes to the financials. The U.S. GAAP Taxonomy also contains concepts to cover an array of asset classes. Core financials are already available in the U.S. GAAP Taxonomy and we would expect that minimal changes would be needed to add concepts for items reported by transfer agents.

Release question: *Should some other electronic format be required or permitted?*

Alternative methods to XBRL or XML could include requiring transfer agents to submit the financial data in PDF or html formats. These data formats however, have significant drawbacks.

To analyze data transferred in these paper based formats requires some level of manual intervention, such as rekeying data into analytical systems or spreadsheets. Manual data entry is time-consuming, error-prone and costly. XBRL tools on the market today can enable the creation of XBRL-formatted data directly from the reporting entity's internal financial system. While many public companies continue to transform their financial data into XBRL format after it's been prepared, more and more companies rely on disclosure management systems which allow them to automatically create XBRL data. Transfer agents could also adopt these tools which can save time and resources.

Release question: *What costs, benefits, and burdens, if any, would the potential requirements discussed above create for issuers or transfer agents?*

Costs

The added cost of transforming financial data into XBRL will vary depending on the final data requirements made by the SEC and the complexity of financials for individual transfer agents. A survey[1] conducted by the AICPA and XBRL US of costs incurred by small reporting entities found that the average annual cost was $10,000 (median $8,000), although 70% of companies spent $10,000 or less preparing their XBRL filings over a year.

The burden on reporting entities can be further reduced by leveraging “inline XBRL” technology which combines an HTML and an XBRL file into a single document. Public companies filing to the SEC today are required to submit both an HTML and XBRL version of their financials. The current process results in companies filing duplicated data which carries with it the potential for inconsistencies between the two versions.

The SEC is considering the use of inline XBRL technology for public companies which would reduce the burden of disclosure requirements. Inline XBRL is used in the United Kingdom by approximately 2 million companies reporting tax information to HMRC Tax Service Online[2]. According to the HMRC’s former Strategy Architect for the Company Tax online service, an estimated 90% of filings are at zero cost to the issuer because most companies (continue to) use packaged tax and accounting software to which the vendors added inline XBRL production capability as an alternative to printed output. The remaining 10% of companies outsource their inline XBRL conversion to accounting firms with estimated annual costs ranging from as low as $135 to as high as $4200.

We recommend that the SEC require a single filing and that the filing be formatted as inline XBRL as this could significantly reduce the burden of filing and produce data that is easily used and more timely.

Benefits

The benefit of requiring XBRL for financial statement disclosures is access to more timely, useable, consistent and comparable data for investors and regulators conducting analysis; and for transfer agents analyzing their own information and peer data. Because XBRL is widely used today, there is a competitive marketplace of tools to create and ingest financial data in XBRL format. Regulators implementing XBRL for transfer agent reporting will be able to leverage the existing US GAAP Financial Reporting Taxonomy as well as the numerous tools available for taxonomy creation and management; and for analysis of XBRL-formatted data.

Questions Related to Corporate Actions

Transfer agents play a key role in corporate actions processing and XBRL has been proposed by a broad cross-section of industry representatives including transfer agents, clearing houses, banks and data intermediaries, as an important tool to enable STP from issuer to investor. The XBRL data standard could significantly reduce costs and translation risks in the current

[1] XBRL Costs Survey; Source: AICPA and XBRL US, https://www.aicpa.org/interestareas/frc/accountingfinancialreporting/xbrl/pages/xbrlcostsstudy.aspx

[2] HMRC – corporation tax filing in XBRL; Source: XBRL UK, http://www.xbrl.org.uk/projects/hmrc.html

corporate actions process, improving accuracy and timeliness.The SEC Concept release states on page 10:

Data standardization efforts have emerged to further enhance these electronic communication methods, such as the international standards effort focusing on corporate actions, which may ultimately be used by transfer agents.[3] Although these issues are not specifically addressed herein, comments on, and specific data about, any such developments are welcome.

On pages 206 and 207, the following questions were raised:

Release question 160. *What, if any, are the problems in the marketplace today with respect to the role of transfer agents and corporate actions? Should the Commission propose rules governing transfer agent services provided in connection with corporate actions? Why or why not? If so, which types of services provided in connection with corporate actions should the Commission consider regulating?*

The Depository Trust & Clearing Corporation (DTCC) reports in excess of 5.3M corporate actions in 2015. Across all asset classes, there were 5.3M distributions, 355K redemptions and 31,500 reorganizations[4]. Issuers transmit corporate actions information by press release or regulatory filing, but most investors rely on intermediaries to provide summary information on the terms of the corporate action, which is frequently done by "translating" the issuer information into some form of electronic message. The process currently employed creates four risk factors:

- interpretation risk: The issuer typically announces the corporate action in a news release or regulatory filing, using unstructured text that must be interpreted, transformed and summarized by the financial services industry, generally with no input from the issuer on the data conveyed. A 2015 survey by SWIFT indicated that the majority of asset and fund managers in the survey relied on 3-5 information sources to collect corporate actions information[5]. Multiple messages from numerous intermediaries transmitted to the investor can result in a lack of consistent, accurate communication of the issuer message.
- timing risk: The need for manual interpretation and intervention by intermediaries results in delays in communicating information to the investor, which reduces the amount of time investors have to make informed investment decisions.
- accuracy risk: Multiple parties extracting, manually rekeying and disseminating the same information increases the potential for errors in data delivered to the investor. Often errors are not recognized until near instruction deadlines.

[3] See, e.g., XBRL: The Business Reporting Standards, https://www.xbrl.org/the-consortium/getinvolved/corporate-actions-working-group/.
[4] Each count reported by DTCC represents an event for an individual CUSIP. If an event impacted multiple CUSIPs, it is counted multiple times.
[5] Source: SWIFT, Corporate Actions 2015: A global survey of the corporate actions marketplace: http://www.cityiq.com/news/corporate-actions-2015-survey-report-released-37.html

- significant costs in the current process: The lack of straight-through processing (STP) throughout the corporate action chain results in cost and liability. These are sometimes absorbed directly by investors. More frequently, they are directly absorbed by financial intermediaries, but then indirectly absorbed by investors in the form of higher fees for other services. According to a study by Oxera[6], the estimated risk to firms' front offices from sub-optimal trading decisions is estimated to be in the region of €1.6 billion–€8 billion per year globally. The study notes however, that actual losses are somewhat lower because the industry spends significant amounts to compensate for these risk factors to prevent failures. A separate analysis based on a DTCC/SWIFT corporate actions survey and work done by The Tower Group, estimated the potential savings in the U.S. from improving STP rates at $400 million.[7]

To reduce the impact of these issues, we recommend that the Commission allow and encourage all parties involved in the processing of corporate action announcements to adopt a single set of ISO global information standards for corporate actions data, and require issuers to provide a limited set of corporate action information data points in XBRL format using XBRL tags based upon the global ISO standard. The 2015 SWIFT survey cited earlier also found that the lack of standardization in the industry is considered the main impediment to STP by respondents, because of the need to manage different communication formats from providers and/or customers. Transfer agents in particular, could facilitate the move towards greater standardization for reorganization events (versus distribution events) as they play a critical role in receiving and disseminating that information on behalf of their clients.

Transfer agents are one of the primary recipients of corporate action information as they need to act on these events. Transfer agents need to enter corporate action information into their systems to account for the impact on stockholders. This same information is then distributed to exchanges, clearing and settlement institutions, depositories, brokers, data aggregators, newswires, mutual funds and investors. The flow of this information can take various forms and formats; it flows through various participants where data is added and redistributed. Because the transfer agent is the initial point of capture for corporate actions, it would greatly benefit the market if the transfer agents became the initial point of standardized communication. The transfer agent is in the primary position to work with the issuer to ensure that the data is standardized appropriately to ensure consistency of data to downstream users. We believe this would also benefit the transfer agent by eliminating the need to provide this data to stock exchanges and depositories in numerous data formats.

[6] Source: Oxera: Corporate Actions Processing: What are the Risks?, May 2004 http://www.oxera.com/Latest-Thinking/Publications/Reports/2004/Corporate-action-processing-what-are-the-risks.aspx

[7] Source: A Business Case to Improve Corporate Actions Communications, 2009: https://xbrl.us/wp-content/uploads/2010/12/20100630CorpActionsBusinessCase.pdf

Release question 161*. Should the Commission propose rules requiring standardized corporate actions processing as a method to facilitate communications among market participants? Why or why not? If so, what are the primary market issues that such a standardization program is likely to address? Would there be any market issues that such a standardized program would not be able to address? Please explain.*

The use of a common data standard and agreed-upon market practice covering all parties in the corporate action chain, will dramatically reduce costs, increase timeliness and streamline process which will benefit all members of the supply chain:

- Retail investors will receive the key details of corporate action information as specifically identified by the issuer in a faster, more accurate and consistent manner than is common today;
- Institutional investors will benefit from cost reduction, speed of delivery and increased certainty in the data received from multiple sources that are relied on for critical investment decisions;
- Issuers will gain by knowing that their message is accurately conveyed in a timely manner under a transparent, standards-based process to the end investor;
- Regulators will recognize efficiencies in the implementation of new rule changes in an existing system that efficiently connects all relevant parties. By establishing a centrally managed taxonomy (digital collection of terms), changes in reporting requirements can be efficiently and easily conveyed to all members of the supply chain. This same process operates smoothly and easily today with the Financial Accounting Standards Board’s (FASB) XBRL US GAAP Financial Reporting Taxonomy. The FASB, which manages this taxonomy, publishes a new release every year to accommodate changes in reporting needs and thousands of public companies transition easily to the new version each year.
- The financial services industry will benefit from a reduction in the outlined risks and with a more streamlined process, which, as mentioned earlier, is estimated to result in a $400 million reduction in wasted cost.

Although this SEC concept release addresses US companies, it is important to note that corporate actions is a global issue. XBRL is an international standard, used worldwide by regulators, private and public companies. XBRL International is the global nonprofit consortium responsible for the technical XBRL specification; as such, this organization has established a Corporate Actions Working Group which is tasked with exploring how XBRL data standards can enable STP of corporate actions. The group has developed a taxonomy for corporate actions and has done significant outreach to the global marketplace, engaging securities agencies and depositories in markets outside the U.S. including Australia, Canada, Israel, Mexico, Singapore and the UK.

The XBRL standard for corporate actions is fully aligned with the ISO 20022 standard which is already being used in the downstream processes with corporate action financial intermediaries to improve STP, reduce errors and reduce costs. The ISO and XBRL standards together will offer data consumers the complete picture of a corporate actions event. The ISO 20022 standard provides settlement and clearance information and is already incorporated into back office operations of many corporate actions stakeholders; the XBRL standard provides additional financial information not included in ISO 20022. The XBRL standard also enables updates to reporting requirements without the need for structural changes, which minimizes disruption and cost.

Implementing standards as outlined in this recommendation, raises certain issues that should be considered but that can be addressed. These issues and mitigating factors are noted below:

- Issue: public companies will be responsible for both the accuracy of the source document and accuracy of the XBRL-formatted version. Concerns have been raised that tagging corporate actions data in XBRL format could require additional disclosures and could shift greater liability from the downstream consumer to the issuer
  - Mitigating factors: the use of inline XBRL which was discussed earlier in this letter is a simple solution combining the paper and XBRL version of the document, eliminating redundancies and the need to create two documents.
- Issue: the cost and added resource requirements of XBRL preparation will be passed on to the issuer.
  - Mitigating factors: issuers have been filing full financials in XBRL format since 2009, therefore the tools and process to format corporate actions data in XBRL already exist, providing numerous, competitively priced alternatives that will minimize resource requirements for public companies. The cost and work involved in XBRL formatting for most corporate actions documents will be significantly less than it is for financial filing. Secondly, implementing inline XBRL would reduce the labor and cost involved in preparation.

The current state of corporate actions processing has been cobbled together over decades. It has not kept pace with the sophistication and complexity of the financial markets and is in need of a review. Standards to produce computer-readable information will bring securities processing into the 21st century.

Conclusion

We strongly recommend the use of XBRL for corporate actions processing and for the financial data reporting the SEC is proposing for transfer agents. XBRL is an open, widely used, global standard that can help make reported financial data more timely, consistent and transparent to the regulators, investors and the transfer agents themselves that need to use it.

We urge the Commission to consider these recommendations and we would be happy to discuss further. On behalf of XBRL US and its members, we thank the SEC for the opportunity to provide input to this important proposal and welcome any questions you have. Please contact me at campbell.pryde@xbrl.us or (917)582-6159.

Sincerely,

Campbell Pryde, President and CEO, XBRL US, Inc.