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Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Business and Financial Disclosures Required by Regulation S-K, Release No. 33-10064; 34-77599; File No. S7-06-16

Dear Mr. Fields:

On behalf of XBRL US and its members, I am writing to respond to the SEC proposal on Business and Financial Disclosures Required by Regulation S-K, Release No. 33-10064; 34-77599; File No. S7-06-16, regarding changes under consideration for disclosures made by registrants.

XBRL US is a non-profit, standards organization with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the non-profit consortium responsible for developing and maintaining the technical specification for XBRL, a free and open data standard widely used around the world for reporting by public and private companies as well as government agencies. XBRL US members include accounting firms, public companies, software, data and service providers, other nonprofits and standards organizations.

The SEC concept release is part of an initiative by the Division of Corporation Finance to review the disclosure requirements applicable to registrants to consider ways to improve requirements for the benefit of investors and registrants. We support the Commission's efforts given changes in industry and in the financial markets, and the availability of technological improvements that can be leveraged to improve reporting.

The primary focus of our recommendations is to encourage the Commission to:

- make greater use of standards, which offer a clear, consistent framework to communicate reported data; and
- to take advantage of technology to streamline processing for registrants and automate the consumption of corporate data, making it significantly more useful.

This letter provides a brief summary of our recommendations. The attached ***XBRL US Detailed Response to SEC Concept Letter*** provides XBRL US' detailed response to specific questions raised by the Commission in the concept release and a more thorough explanation of other ways that data standards can be used to promote efficiency, competition, and capital formation.

Summary of key recommendations responding to specific questions raised in the concept release:

- Identify opportunities to lower financial market costs through emerging technologies such as blockchain, big data and artificial intelligence (AI), acknowledging however, that these technologies are not a replacement for standards. Standards, in fact, must be leveraged to recognize the efficiencies that these emerging technologies promise.
- Capitalize on the work of industry-driven standards organizations which continuously upgrade technical specifications; and collaborate with industry on new technical changes to ease adoption.
- Enhance the value of disclosures for investors by expanding the use of data standards beyond financial statements and footnotes. Financial and non-financial portions of the MD&A, certain additional exhibits, market risk factors and other sections of the periodic report would be significantly more useful in structured data format. Some sections would be most useful employing block-tagging; some sections contain reported facts that should be detail-tagged.
- Ensure that investors have a clear, consistent method to identify companies by transitioning to use of the Legal Entity Identifier (LEI).
- Provide investors equal and consistent access to financial data from all companies, large and small.
- Improve the quality of financial data by supporting, acknowledging and adopting the work of the industry-led XBRL US Data Quality Committee which provides freely available rules and guidance for issuers.

While the concept release is comprehensive and considers many issues in disclosure, there are additional areas where we believe improvements can be made to reduce the burden on registrants and increase the usefulness of information for investors.

How standards can further improve the effectiveness of public company disclosures:

- Use existing standards already defined and in use for all data collected by the SEC. When designing data collection processes, consider the perspective of an external stakeholder who may be interested in the same kind of information from multiple reporting entities. For example, "assets" must be reported both by publicly traded companies and by small business'. The rules governing disclosures by these entities are different (Regulation S-K for public companies; Regulation Crowdfunding for small business) and the data reporting requirement is also different. Public companies report in their Form 10-K using the US GAAP Financial Reporting Taxonomy term "Assets"; small business' report in Regulation C using multiple terms to reflect assets in different time periods, such as "totalAssetMostRecentFiscalYear". Consistent reporting standards should be used for all data required.
- Standardize how *other* commonly referenced information (that is not currently in standard format) is reported to give investors a more complete picture, improve the functionality of

the data and reduce the reporting burden. For example, the concept release proposes requiring registrants to report information on intellectual property (patents, copyright, etc.). If this new reporting requirement is adopted, patent numbers could be used by investors to research patents of interest. The Commission should review existing disclosures to determine all common identifiers that can be used (such as NAICS, LEI etc.), and any new disclosures considered by the Commission should be put in place with an eye to identifying normalized ways to report them.

- Upgrade the EDGAR system to enable easier, more intuitive and consistent search that allows users to drill down by multiple attributes.
- Lead an effort to establish consistent standards reported by public companies to government agencies to reduce the burden on registrants and agencies and improve data quality. The Commission should review what data is required and how it is reported to other agencies that is duplicative of SEC requirements; and then work to adapt SEC requirements to match what is required by these agencies. Public companies report to multiple agencies, e.g., Bureau of Economic Analysis (BEA), the IRS, the Department of Labor, the FDIC, the Federal Reserve, etc., often reporting the same information, at different frequencies, in different formats. Consistent reporting requirements would increase efficiencies and reduce labor costs both for reporting entities and for the agencies collecting the data; and it would improve the accuracy and usefulness of the data generated.

We appreciate the opportunity to provide our recommendations and are available to respond to any questions the Commission may have.

Campbell Pryde
President and CEO, XBRL US, Inc.

XBRL US Detailed Response to SEC Concept Release: Business and Financial Disclosures Required by Regulation S-K

Release No. 33-10064; 34-77599; File No. S7-06-16

Table of Contents

The first section of this paper provides responses to specific questions raised in the release. These questions cover the impact of structured data on investors and registrants, as well as specific requests for comments to disclosure proposals made in the release. The second section covers additional recommendations which we believe will help to improve disclosure effectiveness.

Questions Raised in the Concept Release

Impact of Structured Disclosures on Investors

Concept Release Question 335. How does the availability of structured data in registrants' periodic reports affect the timeliness, efficiency, or depth of investors' review of disclosures? How do the effects of structured disclosure requirements vary across investor types? Are there other methods of structuring disclosures that would make disclosures more accessible or useful?

Concept Release Question 336. To what extent is the information currently provided in structured disclosures readily available through other sources, such as third-party data aggregators? What are the costs and benefits to investors of obtaining this data from such third parties rather than through the use of structured disclosures filed by registrants?

Concept Release Question 337. To what extent do investors, analysts, third-party data aggregators, or other market participants rely on structured data provided by registrants in their periodic reports? What specific content in structured disclosures is useful to each of these groups?

Structured data makes information extracted from the SEC's Edgar system computer-readable and eliminates the need to rekey financial statements, rendering it more timely and less costly to process than other data formats such as HTML or text. Financials created using the XBRL data standard can be processed automatically because data produced is consistently defined using agreed-upon definitions and with normalized methods to convey time period, reporting entity, units and labels.

Most data users typically obtain financials for multiple public companies through commercial data providers, organizations that extract public company financials from the SEC's EDGAR system, post it to their databases and then provide the data along with analytical applications to investors, regulators, public companies, auditors, the media and other data consumers. Data users may also visit corporate websites to obtain the annual report or further detail about a single company, but most data consumers compare data for multiple companies; visiting individual corporate websites is an inefficient method to obtain information on more than one company.

Large data providers serving a significant percentage of investment firms worldwide such as Bloomberg[1], Morningstar[2] and Thomson Reuters, today use XBRL formatted data for their investment clients.

[1] Bloomberg discusses how XBRL data is used in March 23, 2016 webinar: Financial Fundamental Analysis: What Analysts Can Do with Structured Data: https://xbrl.us/events/analyst-webinar-160323/

[2] Morningstar discusses the value of financial data and structured data in October 8, 2015 video: The Importance of Financial Data for Stock Research, October 8, 2015: https://youtu.be/TkuQguC1qNU

More recent entries to the market for data and analytics such as Calcbench[3] have built their database business on XBRL data because it is less costly and faster to process. The availability of more easily consumed XBRL data has made it possible for startup data providers to emerge as computer-readable data reduces barriers to entry.

Primary face financials are important to data users but the details available in tagged format in the disclosures to the financials often contain additional valuable information about the company. Before structured data (XBRL) was required in filings, this information was very labor-intensive and costly to extract.

Impact of Structured Data Disclosures on Registrants

Concept Release Question 21. Do current disclosure requirements appropriately consider the costs and benefits of disclosure to registrants and investors? How should the Commission evaluate benefits, such as those arising from disclosure, that cannot be easily quantified?
Concept Release Question 23. Are there other benefits and costs that we should consider when evaluating disclosure effectiveness?

When weighing costs and benefits, it is easy to quantify the cost of preparing financial statements and submitting that data to Edgar, but it is difficult to accurately assess the value that transparency can bring not only to investors but to the company itself in the form of greater access to the capital markets. A PwC study[4] found that 80% of investors agreed that the quality of a company's reporting impacts their perception of management quality. Companies that opt towards greater transparency and openness about their financial status are looked upon as more reliable opportunities by the investment community. Companies with a less open, consistent and dependable approach to disclosure are viewed with less certainty and are less attractive as investment options as investors gravitate toward companies with more easily accessible and reliable information.

As noted earlier in this document, many large and small data providers use XBRL-formatted data to serve their investment clients which provides them a faster and less expensive method to extract data. Any data that is <u>not</u> tagged therefore, may not be included in this pool of data made available to investors through commercial vendors (or may be made available on a less timely or less detailed basis), thus increasing the relative value of tagged versus "non-tagged" data.

Concept Release Question 328. How would disclosure costs or other challenges to registrants be affected by any increase in the use of specific formatting or presentation requirements?

XBRL tagging is required for financial statements, therefore every registrant already has a process in place to create XBRL data; additional tagging requirements are not likely to significantly add to costs. In addition, the cost to issuers of disclosures in general could be reduced by the

[3] Learn more about Calcbench: https://www.calcbench.com/home/aboutus

[4] Corporate Performance - what do investors want to know? Source: PwC; http://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/investor-view/investor-survey-edition.html

move to inline XBRL, a technical specification which the Commission began permitting issuers to use in June of this year. Inline XBRL eliminates the need to file two separate documents to Edgar as it combines the HTML and XBRL versions of the submission.

Recommendations - Responses to Concept Release Questions

Leverage Industry to Adapt to Market and Technological Change

Concept Release Question 5: Are there other ways our disclosure requirements could be revised to adapt more easily to future market changes and technological advancements?

Industry and standards organizations drive technological advancements. Their work can and should be leveraged by the Commission to ensure that regulation can also rapidly adapt to technological change. We make two recommendations in response to Question 5 which are covered in detail below.

Use Standards in FinTech to Lower Market Costs and Fully Recognize Efficiencies

New technologies are sweeping the financial services industry, with traditional financial sector and technology startups investing heavily. This is not a trend or an anomaly. "Fintech" encompasses a range of technical developments, including but not limited to:

- "big data", systems capable of dealing with huge volumes and various formats of information, moving at previously unimaginable velocity, each with differing levels of quality or veracity.
- "artificial intelligence" (AI) embracing new machine learning techniques, predictive analytics and evolutionary computing systems as well as more traditional expert systems.
- distributed ledger (blockchain) systems that propose to remake traditional organizational and system interfaces.

Combined, these new technologies create significant opportunities to dramatically lower the costs of financial operations, within financial and non-financial firms. This will create new challenges for the Commission, as it becomes necessary to monitor a much wider set of financial interactions, in real time, in order to determine whether or not market conduct meets the requirements of policy makers.

The Bank of England's Chief Economist Andy Haldane spoke in a recent speech[5], about his work in examining the potential for FinTech to introduce competition and efficiency in capital markets, that, over a century of growth and new technologies have thus far stubbornly resisted the creation of these efficiencies. The potential to break this cycle demonstrates the importance of intelligent and measured regulatory responses to the institutional challenges that these new technologies represent.

[5] Finance Version 2.0?, March 7, 2016 speech at Bank of England/London School of Economics Conference: http://www.bankofengland.co.uk/publications/Documents/speeches/2016/slides891.pdf

Structured disclosures deliver accurate information to markets that can't be replaced with artificial analysis of unstructured data.

These new technologies however, *do not* represent a magic wand that means the need for structured data in disclosures is diminished. Artificial analysis of unstructured data continues to improve and create a range of new analytical opportunities. However it is: (a) very much fallible and is, (b) by its nature, concentrated in the hands of a very small number of actors that have invested sufficiently so as to create the necessary critical mass of expertise and data holdings to allow AI techniques to work. To ensure that there is a level playing field (and therefore encourage new entrants and greater efficiencies) it is important that the Commission not assume that the capabilities of AI make structured data redundant.

Structured, digital disclosures are more important in this new era than previously.

In fact, the need for *digital* disclosure - structured data using well defined and machine readable semantics - is significantly greater in an era in which so many organizations rely on the quality, reliability and comparability of data. As reliable and trusted machine reusable structured data becomes available, convenient and affordable, it attracts and enables new capabilities within industry.

Collaborate with Industry on Technology Advancements

Industry-led standards organizations continually develop enhancements to technical specifications.

We encourage the SEC to continue following enhancements made by industry-led standards organizations that can improve the disclosure process for issuers, investors and software providers. For example, XBRL International continues to enhance the value of the global business reporting standard. In June 2016, the Commission adopted a voluntary program leveraging inline XBRL which is an enhancement to the XBRL specification developed by XBRL International.

The "Open Information Model" (OIM) is another XBRL International technical enhancement that can help improve the utility of the data that is published by the SEC. This effort aims to make XBRL data usable by more software developers, by creating interoperable specifications that allow the use of alternative technical formats, such as JSON and CSV. The Commission can make its published data available to more of its own systems, and make it usable by more developers supporting the operations of market participants and their software suppliers, by embracing and encouraging these new developments.

Early, open and routine consultation with software and standards communities can ease technology change.

The Commission could significantly reduce the burden on issuers and software providers, and lower its own implementation risks by altering its existing arrangements for making technical or standards-related changes to its rules. Rather than developing and testing data collection rules entirely in-house, we urge the SEC to conform to international best practice in this field and adopt a more consultative and agile approach to data collection and data quality rules including:

- Define and consult on its technical roadmap for the adoption of data standards and when making changes to the data collection mechanisms that impact market participants. The

SEC should accept that its roadmap will need to adapt to changes over time and that it will therefore need to frequently refresh its consultation and keep open its lines of communication with relevant software vendors.

- Provide RFC ("request for comment") style consultation opportunities with relevant software vendors, standards organizations and industry experts on the technical approach that *may* be adopted by the SEC as it works towards enhancements in data collection and dissemination. It should provide an open forum to receive feedback on the planned approach.

<u>Incorporate machine-executable testing protocols in all SEC data collection systems</u>
The SEC has an opportunity to substantially and continuously improve the quality of the data that it receives. Doing so will accelerate the creation of reliable and effective data collection and inculcate relevant behavioral change within industry. It should take advantage of the technical capabilities of standards, including the XBRL standard, to construct formula and exception tests that allow filers to test their filings prior to submitting them to the SEC (at which point those tests, as well as any private tests used to identify anomalies, are run again). The process of defining, enhancing and deploying data quality tests should be collaborative and continuous, so that the effect of new rules is formally evaluated at the conclusion of every reporting cycle and enhancements as well as corrections incorporated. The Commission may well discover that there are traits discernible in the way in which market participants treat data validation that form useful intelligence for its enforcement and rule-making functions. The SEC could usefully study the efforts of the European Central Bank and the Bank of Japan to identify best practices in this field and we would be happy to make relevant introductions if that would be helpful.

Again via an RFC-style process, the SEC should publish (and utilize internally) machine-executable test cases that allow software vendors to independently prove the interoperability of their systems with the SEC's planned or implemented receiving software.

Require XBRL Tagging Beyond Financial Statements

Concept Release Question 333. Should we require registrants to provide additional disclosures in a structured format? If so, which disclosures? For example, are there categories of information that investors would want to receive as structured data?
Concept Release Question 334. To the extent that we consider additional structured data requirements for disclosure in periodic reports, what level of structured data requirements would be appropriate? For example, should we require registrants to identify sections, subsections or topics with "block text" labels, or should we require registrants to structure numeric elements and tables individually? What would be the challenges and costs of such an approach? What would be the benefit?

We recommend expanding the use of data standards beyond financial statements and footnotes to increase the utility of company filings. Areas that are not currently tagged but lend themselves to structured data include financial and non-financial portions of the MD&A, certain additional exhibits, market risk factors and other sections of the periodic report. Consistently reported text data can be block-tagged; sections that contain reported fact values should be detail-tagged.

MD&A

Concept Release Question 95. Should we require a different format or presentation of MD&A such as a requirement for the discussion to be tagged or presented in a structured manner?

At present, none of the content in the MD&A is provided in computer-readable format, requiring users to manually extract information of interest filing by filing. The XBRL standard accommodates the tagging of both numbers and text within a document. All content within the financial statements is required to be tagged, including entire disclosures such as accounting policy, debt, commitments & contingencies which are tagged as a block of text.

"Block-tagging" enables investors, issuers, auditors and others to quickly compare these disclosures for multiple companies. Before XBRL, individuals conducting this form of analysis were required to extract disclosure information from individual company reports, a time-intensive, laborious process. With XBRL, this same information can be extracted from hundreds of company filings within seconds.

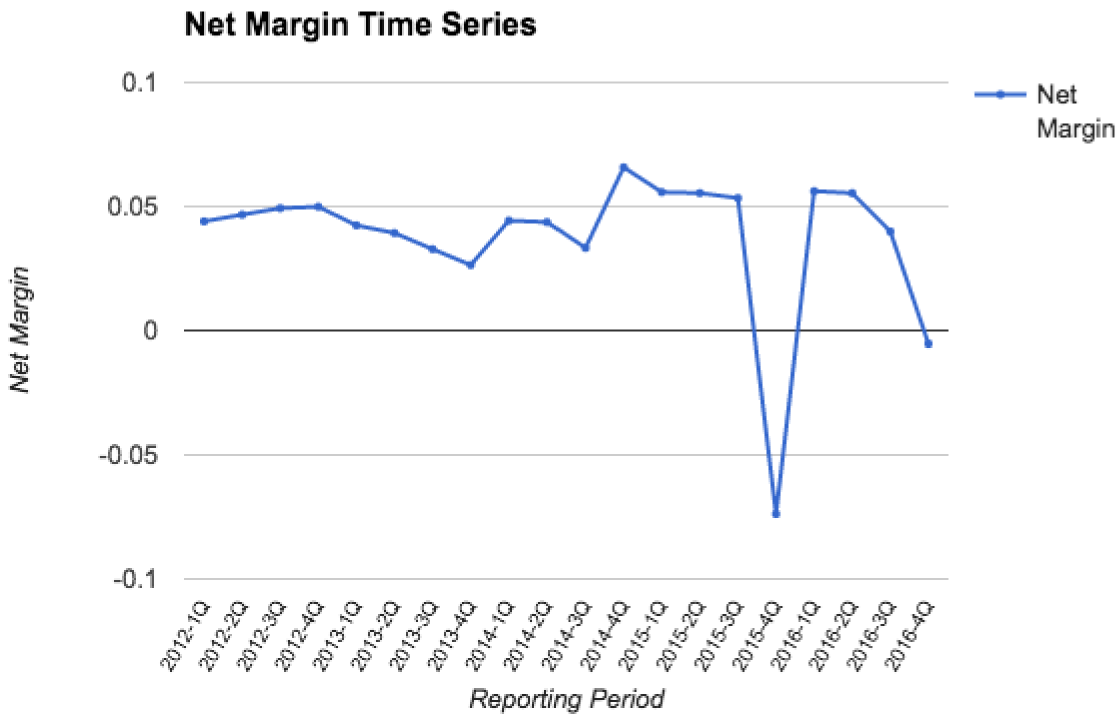
This same multi-company analysis could be performed on sections within the company MD&A, again using a combination of block- and detail-tags to capture different kinds of information. To conduct such a review today requires a significant amount of manual work to extract needed data, one filing at a time. Not only is this time-intensive, but it is likely that an individual performing such an analysis will review a smaller number of companies than if the analysis could be automated which suggests that more robust (and potentially more accurate) analyses are possible with structured data to automate the process.

<u>Results of Operations and other MD&A measures</u>

The concept release proposes changes to the disclosures currently made available by registrants covering results of operations, measures of liquidity and capital resources, short-term borrowings, contractual obligations, critical accounting estimates, quantitative and qualitative measures about risk, and share repurchase information. This data lends itself very easily to tagging and would be most efficiently used by investors in structured, computer-readable format.

<u>Filer Discretion in Tagging in MD&A or Financial Statements</u>

The fourth quarter results of many companies are not included in the financial statement section of the financials but are included in the MD&A. The filer has discretion on where these fourth quarter results should be placed. If reported in the MD&A, they will not be tagged. Unfortunately many significant adjustments such as write-offs are booked in the fourth quarter. Thus the impact does not show up in a reported quarter and is less noticeable when assessed as part of a full years earnings. For example, the following chart shows how a large fortune 500 company write-offs into the fourth quarter consistently over the last 2 years. By tagging the values reported in the MD&A these results will be transparent and easily consumed and analyzed in an automated fashion.



<u>Industry performance metrics in the MD&A</u>

Concept Release Question 106. What would be the costs and benefits of requiring registrants in certain industries to disclose standardized performance metrics? How could we identify which performance metrics should be standardized across an industry?

Establishing industry-standard metrics would significantly improve the usefulness of this data for investors. This could be most efficiently accomplished by creating industry working groups to collaborate on identifying the appropriate KPIs, creating labels and definitions, and building these new concepts into the existing US GAAP Taxonomy.

The usefulness of the MD&A would be significantly enhanced if the values reported as well as defined sections of the MD&A were block-tagged and detail-tagged, much the way the financials are today.

Other areas to tag

Other reported data outside of the financial statements should be considered for XBRL tagging including the earnings release, proxy information, corporate actions, non-GAAP financial metrics as well as tagging the reconciliation of this data to GAAP. This data is important to investors and other stakeholders, and would be more useful in structured format.

Trend and supplementary financial data

Concept Release Question 73. Currently, Item 301 disclosure is required in comparative columnar form. If we continued to require this disclosure, should we consider other presentation or format requirements?

Item 301 requires companies to report financial trend data which is intended to highlight significant developments in the registrant's financial condition and results of operations. As this data is already currently required in structured format in the financial statements, there is no value in its duplication.

Market risk factors

Concept Release Question 168. Should we revise Item 305 to provide for more standardized disclosure that would enhance comparability among registrants? How should we balance standardization with different methods and assumptions that registrants may use to evaluate, monitor, and manage market risk? How would standardization affect investors and registrants?

Standardizing market risk factors would be beneficial not only to investors but to issuers as well, as it would provide a framework for the information they need to disclose. To effectively create standards for market risk factors should involve a collaboration among market participants including issuers and investors to determine which factors are of most importance and to clearly define those factors. The standards could be most effectively maintained and used within an XBRL taxonomy framework.

Data describing securities of the registrant

The concept release covers disclosures describing the securities of the registrant. Specific items addressed include Item 201 which requires disclosures of the number of holders of each class of common equity; Item 202 which requires a brief description of capital stock, debt, warrants, rights, ADRs or any other securities being registered; Item 701, which covers both the recent sale of unregistered securities within the past 3 years including date, title, amount of securities sold and other related information, and the use of proceeds from unregistered securities such as effective date, offering date and amount registered for each security; and Item 703, tabular disclosure of data about purchases of registered equity securities by the registrant.

Much of this information is structured in nature; its use could be enhanced by first establishing consistent, comparable standards for how the data must be reported, by making the data computer-readable through XBRL and using standard identifiers in the filing to identify the securities.

Disclosures on public policy and sustainability

Concept Release Question 219. In an effort to coordinate ESG disclosures, several organizations have published or are working on sustainability reporting frameworks. Currently, some registrants use these frameworks and provide voluntary ESG disclosures. If we propose line-item disclosure requirements on sustainability or public policy issues, which, if any, of these frameworks should we consider in developing any additional disclosure requirements?

Several programs have been initiated to standardize the type and format of public policy and sustainability disclosures including the Global Reporting Initiative (GRI)[6] and the Sustainability Accounting Standards Board (SASB)[7]. These represent multiple "standards" for sustainability.

[6] https://www.globalreporting.org/Pages/default.aspx

[7] http://www.sasb.org/sasb/

The Commission could play a key role in helping establish a single sustainability standard for all to use by encouraging collaboration and consensus building among the multiple organizations that have taken on this task. By definition, there can be only one “standard”. These standards easily fit into an XBRL reporting framework; the GRI standard has already been built in XBRL and the SASB standard can also be put into an XBRL framework.

Certain Exhibits

Concept Release Question 226. Should the Commission consider changes to improve the usefulness of the exhibits? For example, should the exhibits be provided in a tagged or searchable manner?

While the majority of exhibits do not lend themselves to tagging because of the non-financial and primarily textual nature of the documents, we believe that the following exhibits, in addition to Exhibit 101 for the Interactive Data File, if tagged with XBRL, would provide more useful information for investors:

- Exhibit 10 – Material contracts
- Exhibit 11 – Statement re computation of earnings per share
- Exhibit 12 – Statement re computation of ratios
- Exhibit 21 – Subsidiaries of the registrants (note section on LEI below which covers identifying subsidiaries and should be used with this exhibit)

Require the Legal Entity Identifier

Concept Release Question 261. Should we require registrants to disclose their LEI and the LEIs of their subsidiaries (if available) in the list of subsidiaries filed under Item 601(b)(21)? How would this information benefit investors? What would be the costs of requiring disclosure of this information?

Concept Release Question 262. Should our rules encourage registrants to obtain an LEI? If so, how could we structure our rules, consistent with our authority under the Securities Act and the Exchange Act, to achieve this purpose? For example, should we make obtaining and maintaining an LEI a condition to any of our existing disclosure accommodations or alternatives? Why or why not? If so, should such a condition be limited to certain types of registrants, such as those operating in financial services? For registrants that have not obtained an LEI, will these registrants seek to obtain an LEI in the future absent any regulatory incentive to do so? In addition to the fees for obtaining and maintaining an LEI, would there be other costs associated with obtaining LEIs?

Concept Release Question 263. Some registrants may have hundreds or thousands of subsidiaries or affiliates operating globally while other registrants have simple corporate structures. If we required registrants to disclose LEIs (if available) in the list of significant subsidiaries, should we limit the requirement to larger registrants or larger subsidiaries, independent of the industry in which the registrant operates? For example, should we limit the requirement to large accelerated filers or well-known seasoned issuers (WKSIs)?

Corporations often have complex relationships which investors need to understand in order to fully comprehend the potential risks of an investment; and those doing business with a company also need to understand these relationships, again to gauge potential risk. A single company may have multiple subsidiaries; it may list on more than one exchange, in more than one country. All of these relationships can impact the risk profile of the company. Stakeholders should have a simple method by which to track these relationships.

Use of the LEI would significantly improve the functionality of the filings as it would uniquely and unambiguously identify participants in financial transactions and bring clarity to the inter-relationships between these entities. It is expected, over time, to become the primary identity mechanism in use around the world. The LEI is important for investors and also for those involved in transactions with a company to understand the holding company and its network of subsidiaries.

The LEI, combined with a standardized way of showing ownership and guarantor relationships between legal entities would be a significant enhancement over the existing Exhibit 21. The existing disclosure requirement for Exhibit 21 is non-standardized and is often reported using a graphic format which makes text parsing impossible.

We encourage the SEC to require the LEI identifier be reported for public companies where they have one and for those companies that do not, require them to obtain an LEI for every company in their corporate structure.

We do not believe this requirement should be limited to large companies as the value of being able to track the origin and relationships of a single company is important for all. Requiring some companies to use the LEI and allowing others to not use the LEI is effectively creating two standards which the market place must duplicate effort to reconcile. Standardization of legal identifiers should be consistent across the entire market. Having multiple standards only increases costs for all market participants.

Do not scale back XBRL requirements for SRCs

Concept Release Question 268. Are there any disclosure requirements for which scaling is not appropriate?
Concept Release Question 269. How should we assess whether scaled disclosures are effective at achieving the Commission's mission of protecting investors, maintaining fair and orderly markets and facilitating capital formation?
Concept Release Question 274. Should we eliminate or reduce the XBRL tagging requirements for SRCs? What, if any, XBRL tagging should we require of SRCs?
Concept Release Question 277. Do our scaled disclosure requirements appropriately consider the costs and benefits of these requirements to smaller registrants and investors in these registrants? What savings (or costs avoided) for registrants, including the administrative and compliance costs of preparing and disseminating disclosure, would likely arise from scaling additional item requirements?

Scaling or reducing compliance requirements for small issuers is intended to reduce the burden on small companies with more limited resources. Scaling disclosure requirements for small filers in and of itself will result in a reduction in the XBRL tagging requirement versus what large companies are required to tag, simply because small companies will be reporting less data (less information to be tagged). The effort involved in XBRL formatting flows from the disclosure requirements and is not appropriate for exemption or scaling back. If some data is deemed not necessary to report in XBRL, that data should also be deemed not necessary to report at all.

Morningstar's Head of Fundamentals, Equity Data Operations, Jo Guo noted in an October 2015 video referenced earlier, *"It is important for companies, regardless of size, to prepare their financials in the same way; so that when investors are assessing companies, they know that the data that they are using are comparable."*

Data providers can process XBRL-formatted data much more quickly and inexpensively than traditional data types. In the video noted earlier, Morningstar's Guo stated *"Using XBRL has increased our productivity and efficiency… We are able to process each [XBRL] filing within 1-2 minutes, and provide our clients with more timely data. This stands in contrast to other document types where it takes at least 20 minutes to process an HTML filing, 30 minutes for a good quality PDF and 50 minutes for an image document."*

Reduced processing time means data can be made available faster and less expensively and is an incentive for data providers to focus on those companies with data in XBRL format. Eliminating or reducing the level of XBRL tagging for small companies would put them at a disadvantage to mid- or large-cap companies which make their data available in automatable structured format.

A survey[8] conducted by the AICPA and XBRL US found that the average cost of XBRL creation for small issuers is $10,000 per year (median $8,000), with 70% incurring $10,000 or less, depending on the complexity of their financials. The disclosure process overall will be further streamlined now that the SEC allows the use of inline XBRL, which eliminates the need to create duplicate versions of the filing. Because a single filing is created, inline XBRL also reduces "translation risk" of developing both the XBRL and the HTML version of the filing separately.

An exemption from XBRL filing would risk small companies' profiles as investment opportunities, with limited corresponding savings. The benefits of standardized financials for companies - regardless of size - are significant in terms of faster delivery of comparable data to market and greater usability.

Support the work of the XBRL US Data Quality Committee

Concept Release Question 330. How can the quality of structured disclosures be enhanced?

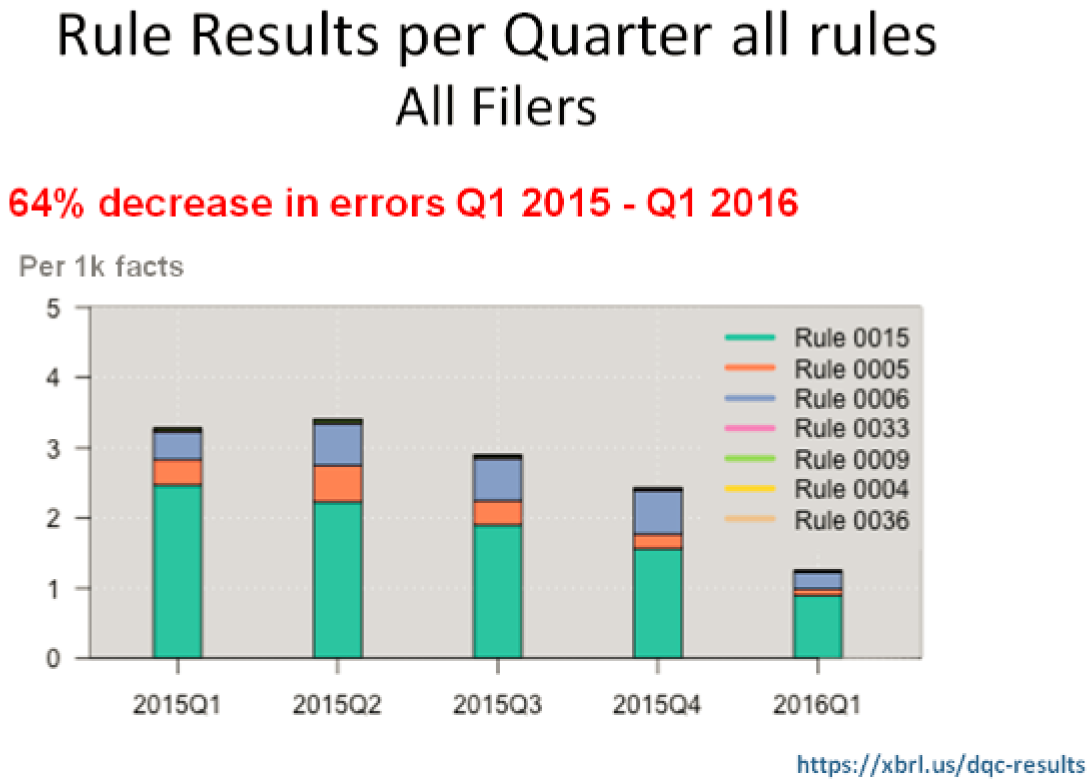
The benefits of automation and computer-readability of XBRL to investors, the SEC, analysts, and the market in general have yet to be fully realized due to inconsistencies and errors in the XBRL data filed with the SEC. XBRL US and an alliance of XBRL US member organizations have formed the XBRL US Center for Data Quality (Center)[9] to address concerns about, and to improve the utility of, XBRL financial data filed with the SEC.

[8] AICPA XBRL US Study Shoes XBRL Filing Cost Lower than Expected: https://xbrl.us/news/aicpa-xbrl-us-study-shows-xbrl-filing-costs-lower-than-expected/

[9] XBRL US Center for Data Quality: https://xbrl.us/data-quality/center/

The Center funds the work of the Data Quality Committee (DQC)[10], which is responsible for developing freely available guidance and validation rules that can prevent or detect inconsistencies or errors in XBRL SEC data. The DQC prioritizes issues based on trend analysis and input from users to focus on data quality issues adversely affecting data consumption and analysis. The DQC provides an open collaborative process with stakeholders through exposure of its proposed guidance and validation rules for public comment. Members of the DQC include representatives from public companies, software providers, data aggregators, institutional investors, the accounting profession and academia.

The work of the DQC has already been proven to reduce errors in XBRL filings. A study[11] conducted by the DQC found that by using its first set of validation rules, filers reduced the number of errors in their filings for the data covered by those rules by 64% in the first quarter of 2016 as compared to the first quarter of 2015. Large accelerated filers had a 70% decrease in the number of errors, while smaller companies had a 60% decrease.



By using the Data Quality rules, issuers can create more consistent, better quality financial data. We encourage the SEC to support, acknowledge and adopt these rules.

Concept Release Question 332. Are company-specific custom extensions, such as element or axis extensions, useful to investors or other users of structured disclosures? If so, how might these custom extensions be made more useful for enhancing automated analysis? If not, are

[10] XBRL US Data Quality Committee: https://xbrl.us/data-quality/committee/

[11] https://xbrl.us/data-quality/dqc-results/

there better ways to express disclosures that are unique to a company (e.g., business segment, product line)?

The XBRL US Data Quality Committee is developing a Framework for Element Selection and Extension Use to help issuers make decisions that will improve the consistency of reported data. The proposed Framework consists of the following guiding principles:

- Element selection must be based on the disclosure requirements under US GAAP and not on how the required disclosures are described or communicated in the printed financial statements.
- The materiality judgments for element selection must be the same as the materiality judgments used in preparing the printed financial statements.
- Extension use must be limited to defined, specific cases, and in those cases, extensions must be connected to standard elements in a manner that enables a useful, machine-readable interpretation of the extension.
- The location of a disclosure in the printed financial statements is not relevant to element selection, and therefore, there should not be multiple ways to tag the same information.

In addition, XBRL International established the Entity Specific Disclosures Task Force[12] this year, with a mission to improve the handling of entity specific disclosures.

We encourage the SEC to acknowledge, support, and adopt the guidance developed by these industry working groups.

Additional Recommendations to Improve Disclosure Effectiveness

Use existing standards for required disclosures

The US GAAP Taxonomy, used by thousands of public companies every quarter, contains financial statement concepts with consistent, agreed-upon definitions for reporting. These standard concepts should be used for *all* financial reporting required by the Commission and should be considered whenever a new disclosure requirement is put in place. Inconsistent disclosure requirements result in inconsistent data reported which is not helpful to stakeholders.

For example, a recent review of Form C documents submitted by small businesses under Regulation Crowdfunding showed that definitions used for data reported do not match definitions in the US GAAP Taxonomy for line items such as Revenues and Assets. Below is a portion of an XML file for a Form C submitted by a small company under Regulation Crowdfunding. The term for Assets is defined as highlighted in red. Assets for these issuers seeking funding is defined

[12] XBRL International Entity Specific Disclosure Task Force: https://www.xbrl.org/entity-specific-disclosures-task-force-gains-momentum/

based on reporting period and there is no clear definition or concept attributes associated with the concept required.

```xml
<annualReportDisclosureRequirements>
  <currentEmployees>8</currentEmployees>
  <totalAssetMostRecentFiscalYear>162080.00</totalAssetMostRecentFiscalYear>
  <totalAssetPriorFiscalYear>317402.00</totalAssetPriorFiscalYear>
```

This differs from the term “Assets” in the US GAAP Financial Reporting Taxonomy. This definition is used by thousands of public companies every quarter and has a clearly defined definition, authoritative FASB references and other associated metadata that ensure that filers, intermediaries and users of the data know what it is. The diagram below from the US GAAP Financial Reporting Taxonomy shows the label, definition, authoritative references and other related metadata for the term that public companies must use for Assets.

Assets

Labels

Type	Lang	Label
Standard Label	en-US	Assets
Documentation	en-US	Sum of the carrying amounts as of the balance sheet date of all assets that are recognized. Assets are probable future economic benefits obtained or controlled by an entity as a result of past transactions or events.
Total Label	en-US	Assets, Total
Change Label 2016	en-US	[2015-11] {Modified References}

References

Type	Reference	
Presentation Reference	Publisher	FASB
	Name	Accounting Standards Codification
	Topic	944
	SubTopic	210
	Section	S99
	Paragraph	1
	Subparagraph	(SX 210.7-03(a)(12))
	URI	http://asc.fasb.org/extlink&oid=6879938&loc=d3e572229-122910
Presentation Reference	Publisher	FASB
	Name	Accounting Standards Codification
	Topic	942
	SubTopic	210
	Section	S99
	Paragraph	1
	Subparagraph	(SX 210.9-03(11))
	URI	http://asc.fasb.org/extlink&oid=6876686&loc=d3e534808-122878

Investors would greatly benefit from being able to review data from both public companies and from small businesses that are consistently defined. The work of establishing standard line items has already been done through the US GAAP Financial Reporting Taxonomy; it’s a logical step to employ the same standards for other financial statement reporting needs such as Regulation Crowdfunding. We recommend that the Commission conduct a review of other reporting requirements where financial data is required to ensure that definitions are consistent throughout.

Standardize other commonly referenced information (where standards do not currently exist)

The use of agreed-upon standard identifiers to report disclosures will reduce the burden on registrants and improve the consistency and comparability of the data reported. In section IV A of the concept release, the SEC considers revisions and additions to disclosures about core company business information. Much of the information discussed can be identified within the company filing using consistent reference data rather than including lengthy write-ups that are time-consuming to create and repetitive from period to period.

We propose that the SEC establish standard identifiers to be used by all issuers and allow registrants to use identifiers within their filing that refer to databases and other sources where more detail can be found. For example, the concept release addresses intellectual property including patents and copyright information. A registrant could include patent numbers within its filing which are then linked to a federal repository where detailed patent information resides. Government contracts could be referenced by contract number, again with links to greater detail.

Below are suggestions of the type of reference identifiers that could be used to represent some of the disclosures alluded to in this section in the concept release.

- Technology and intellectual property rights - include standard patent and trademark identifiers in company filings allows users to automatically pull in associated details about the intellectual property.
- Government contracts - can be referenced by standard contract numbers that link to the actual contract to eliminate the need to include contract description within the filing itself.
- Description of property location - use standardized methods to report location, e.g., GPS coordinates, address, zip code, city and state abbreviation; some of these standards are already created and used for US GAAP reporting through the FASB XBRL Taxonomy.
- Description of security - use standard security identifiers when providing details of security issues in filings. This will allow users to augment the data with up-to-date price, corporate actions and related news about the security.
- Description of subsidiaries and guarantors - use standard identifiers (such as the LEI) to identify the subsidiary or guarantor of the company. This would allow users looking for data about a company to easily access all the data about that company reported in SEC filings without the need to know the ownership structure of the company.
- Description of product categories - use standard product identifiers (such as naics codes) to indicate the product category of the business segments of a company.

Upgrade the EDGAR system

EDGAR archive search could be improved, particularly when researching content more than 30 days old. Search functions by individual forms or CIKs are sometimes inconsistent and it can be difficult to drill down by multiple attributes. For example the following types of searches are not possible in a fully automated manner:

- Get a given form type for a given industry
- Get all large accelerated filers in a given industry
- Get a given form type for the last year filed with the SEC
- Get a list of all amended filings

The shortcomings of the EDGAR system were also discussed in a study by Boston Consulting Group on "Securities and Exchange Commission Organizational Structure and Reform"[13] that was commissioned by the SEC in 2011.

[13] Securities and Exchange Commission Organizational Structure and Reform (page 218), 2011, https://www.sec.gov/news/studies/2011/967study.pdf

We strongly encourage the Commission to establish a program to upgrade the EDGAR system to enable easier, more intuitive and consistent search. This should include documenting the search API used by the Edgar system so that system developers can easily build systems that can extract and use SEC data into end user applications without the need to download and replicate the data on the Edgar system.

Review corporate reporting to other government agencies and adapt SEC requirements to reduce the burden on filers.

Registrant burden could be reduced by establishing and implementing standards for company reporting to all government agencies. The Commission should review what data is required and how it is reported to other agencies; and then work to adapt SEC requirements to match what is required by these agencies.

Public companies report to multiple agencies, e.g., Bureau of Economic Analysis (BEA), the IRS, Department of Labor, SEC, etc., often reporting the same information, at different frequencies, in different formats. Many times the reporting is performed by different departments within the same company, which results in duplication of effort and can result in inaccuracies in data reported. A case study conducted by XBRL US that focused on United Technologies[14], analyzed that organization's reporting to multiple agencies: the BEA, Equal Employment Opportunity Commission (EEOC), the Department of Labor (DOL), the Federal Reserve Bank and the SEC, (a subset of the total reporting conducted each year by United Technologies).

The study found that reporting to these agencies alone required the equivalent of 12,000 man-hours per year (6.8 FTEs) and resulted in a significant duplication of effort throughout the company. The problems with this current process include:

- For the company:
  - Duplication, waste and potential inaccuracies as multiple departments report the same information to different agencies
  - Significant time and cost spent manually compiling, reviewing and reporting
- For the agency collecting the information:
  - Receipt of multiple non-electronic formats from reporting entities requires translating and rekeying information to a database before analysis can begin
  - Lack of consistency in information reported from one agency to the next because the same data is reported separately to different agencies – there is no central data repository used by the Federal government.
- For the public:
  - Significant time delays before data can be aggregated and made available for use
  - High potential for errors that could directly impact decision-making

[14] Better Data for Better Decisions, source: XBRL US; https://xbrl.us/wp-content/uploads/2011/12/BetterReporting.pdf

Consistent reporting requirements would increase efficiencies and reduce labor both for reporting entities and for the agencies collecting the data. This endeavor would require the Commission to analyze its own reporting requirements and compare them to corporate reporting requirements at other agencies to identify duplication.

To implement a normalized method of reporting across agencies would mean adapting SEC requirements to match other agency requirements, but the benefits for the federal government and industry would be significant in terms of cost savings, streamlining and accuracy. The US GAAP Taxonomy contains many of the elements that would be required and could form the base upon which additional standards could be built.

Conclusion

Registrants provide a wealth of information to investors and other data consumers. Standards offer a clear, consistent framework to communicate reported data, and technology can be used to automate the consumption of corporate data and make it significantly more useful. We encourage the Commission to continuously assess how technology and standards can be used to improve business reporting, to streamline the reporting process for registrants and to facilitate more useful analysis for investors.