



July 28, 2019

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Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Dear Secretary:

Re: Comments on File Number 265-30: Comments to the Committee Meeting on July 29, 2019

We appreciate the opportunity to provide input to the Fixed Income Market Structure Advisory Committee Meeting, in particular to the discussion about Municipal Issuer Disclosures. This is an important topic and we believe that financial data standards can play a significant role in improving municipal disclosures to benefit both issuers and users.

While the SEC's discussion of municipal disclosure has focused on timeliness and content, standardization and accessibility of filings are also important. Time spent extracting data and dealing with inconsistencies across disclosures, adds to the delays investors experience when assessing an issuer's financial condition. Our comments address these issues.

XBRL US is a national, nonprofit consortium for the financial reporting standard - a member-driven organization, representing accounting firms, software companies, data and analytics providers, other nonprofits, data intermediaries, and service providers. The mission of XBRL US is to encourage the use of financial information in a standardized format, to improve reporting between business, government, and the public.

The benefits of standardization have not yet been introduced to state and local government financial reporting. Any dialogue about municipal issuer disclosures should include the consideration of data standards to help local governments provide more consistent, timely, actionable data to investors, governments, and citizens. Standardized, machine-readable data gives investors the ability to make more informed, better investment decisions; gives governments the tools to make better policy decisions; and provides greater transparency into government spending for citizens.

State & local government reporting today

Tens of thousands of municipalities prepare financial data in unstructured, inconsistent reports, resulting in time delays, the inability to easily aggregate data, and difficulties comparing local government financials. The lack of automation means inefficient, manual processing, which increases costs to investors, and to the municipalities themselves.

Financial data standards would resolve these issues, improve municipalities ability to obtain funds, and empower investors to more easily assess the credit risk of municipal bonds.

Corporate reporting today

Ten years ago, the SEC began transitioning corporate financial disclosures from over 6,000 public companies, to XBRL (eXtensible Business Reporting Language) format. Because XBRL disclosures make data embedded in these reports machine-readable, they facilitate the creation of high quality financial data sets at a low cost.

Since public companies began making their data available in XBRL format, more and more commercial data providers have transitioned to XBRL-formatted public company data as a source for their data and analytics offerings. Organizations using XBRL data to serve investment clients today, include Bloomberg, Calcbench, idaciti, Intrinio, Morningstar, Refinitiv (formerly Thomson Reuters Financial & Risk), Seatig, and TagniFi, among others. Commercial data providers like these are typically the primary source of information for the investment community, therefore most investors today are using XBRL-formatted data although they may be unaware that the data they access is extracted from the XBRL version of an SEC submission.

This disclosure improvement has yet to be implemented for municipal financial disclosures accompanied by Comprehensive Annual Financial Reports (CAFRs), although the idea of applying XBRL to CAFRs was raised ten years ago. In the SEC rule on Amendments to Municipal Securities Disclosures, which became effective on July 9, 2009, the SEC received comment letters urging the use of XBRL for municipal securities disclosures. To address these comments, the SEC stated in its final rule:

“In the Proposing Release, we noted that the availability of audited financial statements and other financial and statistical data in an electronic format by issuers and obligated persons could encourage the establishment of the necessary taxonomies and permit states and local governments and other obligated persons to make use of XBRL in the future, should they wish to do so. The final amendments to the Rule do not designate the electronic format or formats that EMMA will accept; instead, they provide that the MSRB will prescribe the format, which will be subject to the Section 19(b) rule filing process. Nevertheless, we note that this provision allows flexibility for future implementation of improved methods for the electronic presentation of information.”

The Municipal Securities Rulemaking Board (MSRB) stated, in its March 23, 2009 Notice, concerning the establishment of its electronic dissemination system EMMA:

“The MSRB may in the future designate additional computerized formats as acceptable electronic formats for submission or preparation of documents under Revised Rule G-32 by means of a filing with the Commission. The MSRB supports the SEC’s Interactive Data and XBRL Initiatives for registered offerings and would consider designating XBRL as a designated electronic format for purposes of submissions to the EMMA primary market disclosure service at such time in the future as appropriate taxonomies for the municipal marketplace have been developed and as issuers begin the process of producing primary market disclosure documents using XBRL.”

The XBRL standard and a marketplace of tools to create, extract, and analyze XBRL data, has matured over the past ten years; and financial data standards are even more widely used today in regulatory and industry-driven programs.

Why now

Recent trends, as noted below, make this an opportune time to revisit the discussion on data standards in municipal reporting.

State governments recognize the need and have begun the transition.

The state of Florida mandated the use of XBRL in March 2018, through [House Bill 1073](#), legislation that establishes the Florida Open Financial Statement System, and enables the state CFO to build XBRL taxonomies for state, county, municipal, and special district financial filings. The bill requires that XBRL filings be submitted by local governments in Florida starting in 2022. In May 2019, the California State Senate unanimously passed [Senate Bill 598](#) which calls for the creation of the Open Financial Statements Commission, to investigate and make recommendations for the building of local government financial data standards based on XBRL. These forward-looking states have identified data standardization as a tool to increase transparency, enable good policy-setting, and better serve their constituencies.

Data standards are becoming more widespread.

In the U.S., XBRL is required for financial statements by banks reporting to the FDIC (since 2005) and, as mentioned earlier in this letter, by public companies, mutual funds, and credit rating agencies reporting to the SEC (since 2009). In 2017, the Department of Energy funded a project to build XBRL data standards for solar industry participants to reduce the soft costs of financing; that taxonomy was completed in 2018. In June 2019, the Federal Energy Regulatory Commission (FERC) mandated the use of standards for utilities, oil pipeline, and gas pipeline companies. XBRL taxonomy development to support the FERC requirements has already begun.

The Federal Government is expanding the use of open data as mandated by the DATA Act, and by proposed legislation such as the Financial Transparency Act (FTA [H.R. 1530](#)) and the Grant Reporting Efficiency and Agreements Transparency Act (GREAT Act [H.R. 4887](#)). The FTA specifically references disclosure standardization at MSRB while the GREAT Act is likely to have a significant impact on reporting requirements for state and local government recipients of federal grants because of a provision that will require standards for the Single Audit Report.

Technology advances make adopting standards easier, and improve the benefits they bring.

On June 28, 2018, SEC Commissioners voted to adopt Inline XBRL for operating company and mutual fund disclosures. Inline XBRL eases issuer compliance and the review of financial data, because it permits the filing of a single disclosure that is both human readable and machine readable. The SEC Inline XBRL Viewer is an open source tool that has already been leveraged in commercial software tools to allow analysts, preparers, and others to more easily work with financial data. The availability of the open source viewer provides an opportunity for MSRB to provide similar functionality on EMMA with limited development.

Financial data standards are also advancing to keep pace with broader technology changes. XBRL International, the nonprofit standards body responsible for the XBRL technical specification, has evolved the standard to work with JSON and CSV, in addition to XML. This expands the number of software applications that can be used with XBRL. And separately, open source APIs have been developed by XBRL US to standardize the means to create, process, and extract XBRL content.


Standards to Enhance Municipal Disclosure

To support the momentum, and the clear benefits that standards will bring to municipal reporting, XBRL US has established a working group, which has created a demonstration taxonomy to represent the CAFR (Comprehensive Annual Financial Report), along with sample CAFR statements in XBRL format. Members of our working group have also identified several municipal issuers interested in creating Inline XBRL documents on a pilot basis. To access the CAFR Demonstration Taxonomy and review sample CAFRs from municipalities in California, Virginia, and Illinois, go to: <https://xbrl.us/xbrl-taxonomy/2019-cafr/>

To facilitate the pilot, we urge the Fixed Income Market Structure Advisory Committee to recommend that MSRB permit the submission of CAFRs in Inline XBRL format. This change would require minimal cost and does not impose mandates on issuers or other market participants. The pilot would allow us to gather information to determine if bringing data standards into the municipal marketplace will result in the greater efficiencies, transparency, and functionality that we expect. The potential for benefits across the supply chain, and in particular, for the investment community, is significant.

We would be happy to meet with the Committee by conference call or in-person to provide additional information supporting and explaining our position. Please contact us with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Pryde". The signature is fluid and cursive, with a large initial "C" and "P".

Campbell Pryde
President and CEO

CC:
Members of the SEC Fixed Income Market Structure Advisory Committee