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Office of Structured Disclosure
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To Whom It May Concern:

RE: SEC Taxonomy Development Approach

This letter is sent to the Securities and Exchange Commission (SEC) from the XBRL US Regulatory Modernization Working Group (RMWG) to provide our observations and recommendations regarding the SEC taxonomy development process. The RMWG is a member consortium within XBRL US composed of the majority of XBRL vendors that support the public company and investment management SEC filer community. The RMWG has a mission to establish an ongoing dialogue between regulators with the vendor and filer community, and to identify issues and propose recommendations to regulators that will facilitate the smooth implementation of new regulatory rules related to XBRL and other structured data filing requirements.

XBRL US is a nonprofit standards organization, with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of government and business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical specification for eXtensible Business Reporting Language (XBRL). XBRL is a free and open data standard widely used in the United States, and around the world, for reporting by public and private companies, as well as banks and government agencies.

Over the past three years, there has been a significant increase in the number of proposed and final rules published by the Commission, which contain structured data requirements. New structured data requirements require the Commission to build new taxonomies or to augment existing taxonomies to support these programs. To ensure the efficient rollout of these programs, it is important for vendors and issuers to understand the SEC taxonomy development approach and for the SEC to maintain a consistent development approach, so that software tools can be adapted to new taxonomies quickly and effectively in support of registrants. The Appendix following this letter describes some of the observations related to rule implementations.

Observations

This is a collection of observations and examples identified in recent SEC taxonomies and programs:

- **Increasing trend of requiring multiple taxonomies to support a single rule.** While issuers are accustomed to using more than one taxonomy (DEI, SRT, GAAP, IFRS), the recent slate of new taxonomies for different purposes has had unintended consequences:
 - *Different taxonomies used by different types of filers.* For example, to comply with the Insider Trading Rule, US-GAAP filers use the ECD Taxonomy which contains both GAAP and non-GAAP elements such as Insider Trading Policies, and Procedures and Recovery of Erroneously Awarded Compensation. 20-F filers, on the other hand, use the IFRS Taxonomy *and* the ECD Taxonomy; from the latter they use the non-GAAP elements used to comply with the Insider Trading rule. While the ECD Taxonomy packaged the GAAP Taxonomy together, IFRS filers do not have a taxonomy that auto-imports IFRS and ECD together; and the taxonomy support page does not list the two taxonomies as being importable together. While the end result is that both sets of filers have access to the elements they need, it is confusing because of the different approaches to obtaining the elements needed to comply.
 - *Inconsistent approach to concepts used for more than one program.* Concepts that are used for more than one implementation are sometimes provided in the DEI or SRT Taxonomy, and sometimes duplicated in the new taxonomy generated for that program. For example, the element NetIncomeLoss in the GAAP Taxonomy was added to the ECD Taxonomy but with a terse label that differs from the GAAP Taxonomy label. The GAAP Taxonomy class of stock axis was added to the CEF and SHR Taxonomies. An element from the VIP Taxonomy was added to the OEF Taxonomy.
- **Clarification is needed around use of linkbases and the rationale for the SEC approach.** EFM 6.5.58 states, “*Exhibit 2.01 of Form SD consists of exactly two attachment types: EX-2.01.INS, an XBRL Instance, EX-2.01.SCH, an XBRL Schema, with custom elements and embedded linkbases. Exhibit 2.01.INS is not an Inline XBRL document.*” This statement suggests that issuers are not allowed to file separate linkbases (calc, def, pre), and that linkbases are required to be embedded in the schema. EFM 6.9 however, states that the linkbases can be stand-alone or embedded in the schema for validation purposes. Vendors and issuers need further clarification around this issue given the EFM discrepancies. What is the required approach and what is the rationale for the embedded linkbase approach? Understanding the reason for this approach will help vendors be better prepared to assist filers.
- **Labels are not consistently handled.** New taxonomies being developed use abbreviations in concept names, for example, Pct rather than Percent. This conflicts with

the XBRL US Style Guide and with the practices followed in the US GAAP Taxonomy. Other label inconsistencies include:

- Documentation labels are missing from recently published taxonomies.
 - Closed taxonomies contain editable labels.
 - Inconsistent [domain] markers are used, for example in the ECD Taxonomy.
 - Terse labels are defined in the combined ECD and GAAP Taxonomy and multiple standard labels in the combined DEI and CEF Taxonomy that cause conflicts in the combinations.
- **Approach to XBRL format (XML, Inline XBRL, CSV, JSON) and specification requirements set by the SEC need further clarification.** The Resource Extraction rule requires the use of traditional (XML) XBRL, although all other implementations since 2018 require Inline XBRL for public companies and investment management companies. The Resource Extraction rule was finalized prior to the 2018 Inline XBRL implementation which may be why this rule requires traditional XBRL. A better understanding of the SEC approach to format selection would assist both issuers and vendors. In addition, the Commission opted for EE 1.0 rather than 2.0 and this is the only SEC taxonomy following this specification. Understanding the rationale for this decision would help the vendor and issuer community prepare better.
 - **Samples provided with draft taxonomies can become outdated when the taxonomy is revised. Often there are no updated samples provided nor are there notifications that samples initially provided are no longer valid and should not be relied upon.** Vendors and issuers rely on sample documents as they greatly assist in software development and in the tagging process and testing for issuers. Outdated samples however, for example, with samples provided with the ECD taxonomy for PVP are common and problematic.

Recommendations

Most importantly, vendors and issuers need to understand the Commission's approach to taxonomy development, use of linkbases, specifications, and instance document creation to improve market readiness. Recommendations include:

- Provide timely notifications of site changes for technical notices, taxonomy changes, and taxonomy guidance materials. Blacklined documents would help to pinpoint revisions. Even minor taxonomy changes can affect software used by issuers. The SEC maintains two web pages where draft taxonomies may be posted - notification of changes on all pages is necessary.
- Sample files provided with draft taxonomies should be updated if possible, and at a minimum the market should be notified when they become outdated. A tracking system would be extremely helpful for software development and for instance document preparation.

- Establish a consistent approach to 1) handling labels, preferably following the XBRL US Style Guide, and 2) reuse of elements across taxonomies.
- Provide timely notification of site changes when there are technical notices, taxonomy changes, and guidelines. Minor, as well as major changes can affect software for issuers. Longer public review and implementation timelines should apply for major changes.

Thank you for considering these observations and recommendations. We would be happy to discuss these issues further and to respond to any specific questions that we can address.

Sincerely,

XBRL US Regulatory Modernization Working Group
(Member names and organizations: <https://xbrl.us/xbrl-reference/rmwg/>)

APPENDIX: SEC Taxonomy Approach by Rule Implementation

	Pay versus Performance	Insider Trading	Clawback	Share Repurchase
Taxonomy	ECD	ECD Expansion	DEI Expansion	SHR
Combo/ Usage	Taxonomy combo need: ECD + GAAP (auto)	Taxonomy combo need: ECD + GAAP (auto) GAAP + ECD GAAP + CEF + ECD IFRS + ECD	Taxonomy combo need: ECD + GAAP (auto) GAAP + ECD GAAP + CEF + ECD IFRS + ECD CEF + ECD Cover page check boxes added to Q4-22 DEI, but not the draft 2023 DEI. Clawback tagging would realistically start with 2023 DEI.	Taxonomy combo need: SHR + GAAP
Allowable Import		ECD and IFRS are not listed as importable together. ECD 2023 and IFRS 2022 especially needed to be explicit.	ECD and IFRS are not listed as importable together. ECD 2023 and IFRS 2022 especially needed to be explicit.	SHR and CEF are not listed as importable together.
Documentation and Other	Abbreviation used in labels which is inconsistent with Style Guide.	Taxonomy announcement indicated ECD 2023 and IFRS 2022 to be compatible but not listed on taxonomy page. Inconsistent [Domain] markers.	Release notes say the checkbox elements were in both Q4-22 and 2023 but they were not in 2023. Checkbox validations started with the use of 2023 DEI even though compliance may not have started.	

	Closed-End Funds	Open-End Funds
Taxonomy	CEF	OEF
Combo/ Usage	Taxonomy combo need: CEF + GAAP (auto) Started a large use case of open and closed taxonomy combo that increased complexity for filers CEF included some DEI elements but not all that was needed. Made it necessary to import separately resulting in some duplicates. Element repeated with different labels (i.e. EntityFileNumber)	Taxonomy combo need: OEF + GAAP (auto) OEF included a VIP element
Allowable Import	GAAP was not listed as importable with CEF initially	RR was listed as importable initially but the use case for that was unclear
Documentation and Other	Bug in CEF taxonomy not allowing label editing when 6 elements were explicitly called out to allow preferred labels. The bug was fixed after about a year.	