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March 14, 2007

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-9303

Re: Extension of Interactive Data Voluntary Reporting Program on the EDGAR System to Include Mutual Fund Risk/Return Summary Information  
File No. S7-05-07

Dear Ms. Morris:

The Investment Company Institute<sup>1</sup> strongly supports the Commission's proposal to amend its interactive data voluntary reporting program to allow mutual funds to submit the risk/return summary portion of their prospectuses in eXtensible Business Reporting Language ("XBRL").<sup>2</sup> The proposal, which contemplates the use of the draft XBRL taxonomy the Institute developed for this purpose, is an important step in the Commission's continuing efforts to promote greater use of technology to better inform investors.

As the Commission noted in its Proposing Release, there is widespread consensus among participants in the mutual fund industry, including investor groups, industry representatives, and analysts, on the importance of providing investors with better, more user-friendly access to key fund information.<sup>3</sup> The Institute agrees that allowing funds to file tagged risk/return summaries is one way to serve this objective. At the same time, we continue to strongly urge the Commission to pursue additional disclosure reforms that will further enable funds to better serve investors' information needs and preferences.

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<sup>1</sup> The Investment Company Institute is the national association of the U.S. investment company industry. More information about the Institute is available at the end of this letter.

<sup>2</sup> See *Extension of Interactive Data Voluntary Reporting Program on the EDGAR System to Include Mutual Fund Risk/Return Summary Information*, SEC Release Nos. 33-8781 and IC-27697 (Feb. 6, 2007), 72 Fed. Reg. 6676 (Feb. 12, 2007) ("Proposing Release").

<sup>3</sup> See Proposing Release at 10-11.

In particular, we recommend that the Commission propose as soon as possible rule changes to allow mutual funds to provide shareholders with a concise disclosure document, similar to a fund profile, in paper, with additional information available on the Internet (or in paper, upon request, at no charge).<sup>4</sup> This approach, along with the Commission's interactive data initiative, will offer ways to make key fund information available to investors in formats they can and will use. These efforts will benefit investors, their financial advisers, and other market participants, and will bring the mutual fund disclosure system into the 21<sup>st</sup> century.

Our specific comments on the Commission's interactive data proposal are set forth below.

### **Tagging the Risk/Return Summary**

The Institute believes that expanding the voluntary interactive data program to allow funds to submit tagged risk/return summaries is an ideal way to test the use of XBRL in the mutual fund context.<sup>5</sup> As the Proposing Release notes, the risk/return summary contains what many agree is the key information about a fund that investors want and need.<sup>6</sup> This information lends itself well to fund analyses and comparisons, consistent with the objectives of the Commission's interactive data initiatives. Facilitating analyses and comparisons was also the original purpose of the risk/return summary.<sup>7</sup> Making this information interactive – and permitting the use of a short-form disclosure document that contains this information in place of the current fund prospectus – will help fulfill the risk/return summary's intended purpose.

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<sup>4</sup> For a more complete discussion of the Institute's mutual fund disclosure reform recommendations, *see* Securities and Exchange Commission Interactive Data Roundtable, Statement of the Investment Company Institute (June 9, 2006) ("ICI Roundtable Submission"), available at [http://www.ici.org/statements/tmny/06\\_sec\\_rdtbl\\_tmn.html](http://www.ici.org/statements/tmny/06_sec_rdtbl_tmn.html). As noted in the ICI Roundtable Submission, the Institute recommends that the Commission consider a similar approach for fund shareholder reports.

<sup>5</sup> *See id.*

<sup>6</sup> *See* Proposing Release at n.26 and accompanying text. This information includes: the fund's investment objectives/goals; the fund's principal investment strategies; the principal risks of investing in the fund (including a narrative description of these risks and graphic presentations of historical fund performance); and the standardized fund fee table.

<sup>7</sup> In proposing the risk/return summary in 1997, the Commission stated that the summary "would provide all investors with key information about a fund in a standardized, easily accessible place that could be used to evaluate and compare fund investments." SEC Release Nos. 33-7398, IC-22528 (Feb. 27, 1997), 62 Fed. Reg. 10897, 10902 (Mar. 10, 1997) (Registration Form Used by Open-End Investment Management Investment Companies; Proposed Rule).

## **Obligations for Voluntary Filers**

### Partial Tagging

To encourage the broadest possible participation in the voluntary program, the Institute strongly recommends that the Commission permit funds to file risk/return summary exhibits that cover one or more, but fewer than all, funds, series or share classes included in the corresponding official filing. Many fund complexes file a single Form N-1A for multiple funds or series, with registration statements often including ten or more funds. Each of those funds or series may offer multiple share classes. Several Institute members have indicated their willingness to participate in the voluntary program on a pilot basis by providing tagged data for one or two funds, and not necessarily for all series or share classes of those funds. A requirement to provide tagged data for each and every fund, series and/or share class represented in a single Form N-1A is likely to discourage participation in the program.

For any single fund, series or share class that a volunteer chooses to include in an exhibit filed under the voluntary program, the Institute supports a requirement that a mutual fund must tag all of the information relating to that fund, series or class. Allowing a participant to tag only discrete portions of the risk/return summary could impair the ability of the Commission, the Institute and other interested parties to assess the benefits and limitations of the risk/return summary taxonomy. The taxonomy contains new features, such as the tagging of narrative information, that have not been included in other XBRL taxonomies. If participants could choose only to use certain parts of the taxonomy (such as cost and performance information), while omitting others (such as the narrative sections), this would diminish the value of the voluntary program as a testing ground for the taxonomy. Moreover, such partial tagging would be a disservice to end users, who might attempt to compare information about two funds with tagged exhibits, only to find that certain sections of the risk/return summary were missing.

### Ability to Separately Identify Each Class

The Commission need not and should not require funds to submit separate tagged risk/return summary exhibits for each series or class. The risk/return summary taxonomy is specifically designed to allow class-level and series-level tagging of data when disclosure of class-level or series-level information is permitted or required by Form N-1A. It also is designed to permit information for each series and class to be separately identified and extracted from an exhibit that contains multiple series or classes. Requiring funds to create separate exhibits for each series and class would create unnecessary burdens on filers without providing commensurate benefits.

Given the design of the taxonomy, the proposed requirement that information must be tagged in a manner that would permit the information for each class to be separately identified should not raise any issues. We note that in both the risk/return summary and fund financial statements (which also

may be submitted under the voluntary program), some information is broken out by class and other information relates to the fund as a whole.<sup>8</sup> We recommend a technical change to the proposed language in Rule 8b-33 to clarify that information must be tagged in a manner that would permit the information for each class to be separately identified *when information is provided at the class level*.

### Continuing Obligations

The Institute agrees that participation in the voluntary program should not create a continuing obligation for a volunteer to submit tagged risk/return summary information as an exhibit to a subsequent post-effective amendment. As noted above, several Institute members have indicated a willingness to participate in the program on a trial basis. If continuing obligations were imposed, some funds might decide not to volunteer.<sup>9</sup>

We note that if a volunteer filer amends the risk/return summary portion of its Form N-1A, but opts not to update its tagged exhibits, XBRL rendering tools<sup>10</sup> may not be able to detect that the tagged data is no longer current (*i.e.*, that the filing to which the tagged exhibit was appended has been superseded).<sup>11</sup> We encourage the Commission to consider whether additional safeguards, such as the option to withdraw XBRL exhibits, should be made available to ensure that there is no liability to funds or harm to investors if rendering tools utilize outdated information.

### **Steps to Encourage Participation**

The Institute applauds the Commission for considering possible steps to encourage mutual funds to participate in the expanded voluntary program. We have two recommendations. First, we recommend that the Commission offer expedited review of fund exemptive applications. The Division of Investment Management recently has been seeking to address concerns about extensive delays in the

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<sup>8</sup> For example, in the risk/return summary, fee table information is broken out for each class offered in the prospectus. Narrative information about investment objectives, principal strategies and risks is provided at the fund level. Similarly, while certain elements of fund financial statements are broken out by class (*e.g.*, financial highlights, distribution fees), the majority of elements are appropriately presented on a series or fund level (*e.g.*, portfolio holdings, management fees).

<sup>9</sup> We recognize that a volunteer would be required to amend any tagged risk/return summary exhibits that do not comply with the content and format requirements of Rule 401, and we do not object to that requirement.

<sup>10</sup> As noted in the Proposing Release, "rendering tools" are software tools that provide means to view tagged data in human readable form and to compare or analyze tagged information.

<sup>11</sup> We assume that such rendering tools would verify filing dates in the tagged exhibits. If so, data from expired registration statements would not be presented as current. As a result, concerns about obsolete data may be limited to amendments other than annual updating amendments.

processing of exemptive applications and has made some progress in this regard.<sup>12</sup> Still, we believe that the prospect of expedited review would provide an attractive incentive for funds that have an exemptive application on file, or are contemplating filing an exemptive application, to participate in the voluntary XBRL program.

We further recommend that the Commission offer, as an alternative to expedited review of an exemptive application, expedited review of (1) an initial registration statement on Form N-1A or (2) an amendment to a registration statement to add a new fund or series. This recommendation is similar to the incentives the Commission has offered to companies that participate in the existing voluntary XBRL program covering financial data.<sup>13</sup>

### **Required Cautionary Disclosure**

We support extending to mutual funds that file tagged risk/return summaries the current requirement that any official filing with which tagged exhibits are submitted must contain specified cautionary disclosure.<sup>14</sup> The exhibit index to Form N-1A is the appropriate place for this disclosure. In addition, we recommend that filers be required to include *within* their XBRL exhibits similar cautionary disclosure that the data included in the tagged exhibits is not the fund's official filing and should not be relied upon in making investment decisions. At the Commission's request, the Institute could add an element to the taxonomy for the display of such a warning. It should be noted, however, that placing such an element in the taxonomy would not guarantee that the warning would be displayed by a particular rendering tool or process.

We agree with the Commission that a disclosure stating that the information contained in an exhibit containing tagged risk/return summary information is "unaudited" or "unreviewed" is not necessary.

### **Liability Protection**

The Institute supports the Commission's proposal to extend the liability protection under the voluntary XBRL program to include protection from liability under Section 11 of the Securities Act of 1933. We agree that such protection is necessary and appropriate to ensure that volunteers submitting tagged exhibits to Form N-1A do not face potential registration statement liability under Section 11.

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<sup>12</sup> See *Mutual Funds in 2006: Getting Back to Basics and Embracing Core Values: Remarks before the ICI 2006 Securities Law Developments Conference* by Andrew J. Donohue, Director, Division of Investment Management, U.S. Securities and Exchange Commission Washington, DC (December 4, 2006).

<sup>13</sup> See *SEC Offers Incentives for Companies to File Financial Reports with Interactive Data*, SEC Press Release 2006-7 (Jan. 11, 2006).

<sup>14</sup> The official filing must state that the tagged exhibits are being submitted to test the related format and technology, and that investors should not rely on the exhibits in making investment decisions.

Such liability protection, along with the other liability protection already included in Rule 402, is essential if the Commission hopes to encourage funds to participate in the voluntary program.

### **Acknowledgement and Approval of XBRL Taxonomies**

Technically and practically, the risk/return summary taxonomy can be considered valid XBRL. The risk/return summary taxonomy has been developed and tested using several of the most common XBRL editing and viewing tools. These tools check the conformance with XBRL technical standards of any taxonomy or data document they open. Industry service providers have also incorporated the taxonomy into their XBRL-enabled proprietary software.

Beyond this automatic validation, developers of XBRL taxonomies may seek two levels of recognition by the XBRL International consortium responsible for the XBRL standards.<sup>15</sup>

“Acknowledgement” provides formal recognition by XBRL International that a taxonomy can be automatically validated against the XBRL standards. This recognition is important to a taxonomy’s acceptance by the XBRL community. We plan to pursue acknowledgement and expect to obtain it by the time the taxonomy is made available in the voluntary program.

“Approval” by XBRL International requires a more detailed assessment of a taxonomy’s architecture and its relationship to other XBRL taxonomies. Based on what we have learned from members of the XBRL community, there may be several obstacles to obtaining approval on a predictable schedule. These potential obstacles include finding appropriate personnel to conduct the review, and the ongoing development and incorporation of new guidelines within XBRL International. While we intend to seek approval for the taxonomy, we cannot be sure how long the process may take. We do not believe that this level of recognition is necessary before allowing filers to use the taxonomy in the voluntary program.

### **Use of Extensions**

The risk/return summary taxonomy requires filers to create an extension that defines relationships among all of the series, funds and classes for which the filer will be providing XBRL exhibits. This reusable filer extension enables concise labeling of XBRL elements at the appropriate level, and minimizes redundancy within exhibits. The taxonomy also defines a set of fund category extensions, the use of which is voluntary. These extensions were created to allow industry participants to experiment with possible systems for classifying different types of funds. While the taxonomy has been designed to minimize the need for other extensions, filers may need to create extensions to handle circumstances not foreseen during the initial taxonomy development process. We believe that it is appropriate to give filers adequate flexibility to extend the risk/return summary taxonomy in the

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<sup>15</sup> See <http://www.xbrl.org/TaxonomyRecognition/>.

voluntary program. We therefore support the Commission's proposal to permit funds to submit extensions to the taxonomy.

### **SEC Rendering Tools**

We are in favor of the Commission offering a rendering tool on its website. We believe that such a tool could help investors and funds that are considering whether to participate in the program to better understand and explore the benefits of XBRL. In addition, it could stimulate the development of other, more sophisticated tools for rendering XBRL-tagged data. Should the SEC provide such a tool, we would strongly support the inclusion of appropriate cautionary language about the purpose and limitations of the tagged data, and would also suggest providing a cross-reference to the EDGAR database for investors who seek information for investment purposes.

### **Effective Date**

The Commission intends to make the proposed amendments effective 30 days after publication of the adopting release in the Federal Register. The Institute supports the expeditious implementation of the proposal. We recommend that, if possible, the amendments become effective the later of: (1) 30 days after publication of the adopting release in the Federal Register or (2) when the risk/return summary taxonomy is made available to filers on the SEC's website. If the Commission receives comments on its proposal that require changes to be made to the taxonomy, we would likely need to reconvene the XBRL working group to consider the revisions. We would make every effort to complete any necessary follow-up as soon as possible. Our proposed approach would avoid a situation where the amendments are effective but filers are unable to participate in the program because the taxonomy is not available.

### **Cost Estimates**

It is extremely difficult to estimate the likely cost of participation in the voluntary program at this time. We expect that filers will use a variety of means to prepare exhibits for submission in XBRL. Some firms may use desktop XBRL tools to manually prepare tagged exhibits. Others may create custom applications to automate the creation of tagged data from existing data stores. Still others may engage third-party service providers to prepare XBRL submissions. The costs of these approaches could vary widely, and each approach may offer different economies of scale as it is applied to multiple filings. The Institute hopes to learn more about the costs of participation from our members as they begin to prepare XBRL submissions and may wish to provide cost data to the Commission in the future.

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The Institute appreciates the opportunity to comment on this important proposal. We commend the Commission for continuing to move toward greater use of the Internet to better serve

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investors and other participants in the mutual fund marketplace. We strongly encourage the Commission to continue this effort by pursuing broader reform of the mutual fund disclosure regime. If you have any questions about our comments or would like any additional information, please contact the undersigned at 202/326-5845 (Mr. Boteler) or 202/326-5815 (Ms. Krentzman), Frances Stadler at 202/326-5822, or Mara Shreck at 202/326-5923.

Sincerely,

/s/ Donald J. Boteler

Donald J. Boteler  
Vice President—Operations and  
Continuing Education

/s/ Elizabeth R. Krentzman

Elizabeth R. Krentzman  
General Counsel

cc: The Honorable Christopher Cox, Chairman  
The Honorable Paul S. Atkins  
The Honorable Roel C. Campos  
The Honorable Annette L. Nazareth  
The Honorable Kathleen L. Casey

Andrew J. Donohue, Director  
Susan Nash, Associate Director  
Division of Investment Management

### **About the Investment Company Institute**

The Investment Company Institute's membership include 8,839 open-end investment companies (mutual funds), 658 closed-end investment companies, 363 exchange-traded funds, and 4 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$10.445 trillion (representing 98 percent of all assets of US mutual funds); these funds serve approximately 93.9 million shareholders in more than 53.8 million households.