Response to SEC Proposed Rule "EXTENSION OF INTERACTIVE DATA VOLUNTARY REPORTING PROGRAM ON THE EDGAR SYSTEM TO INCLUDE MUTUAL FUND RISK/RETURN SUMMARY INFORMATION", 33-8781.

I offer this response as a co-author of the XBRL specification and several other technical Recommendations of XBRL International Inc., the 501(c)(3) corporation that is the steward of the XBRL trademark and the royalty-free intellectual property associated with it. Also, I was the Chairman of its Steering Committee from 2002 to 2004 and currently serve on its Executive Committee. Finally, as a subcontractor to PricewaterhouseCoopers, I was the consultant assisting the Investment Company Institute (ICI) working group and led the technical development of the taxonomy.

The Investment Company Institute's Risk/Return Taxonomy (the "ICI-RR") as released in draft form is supported by design documents covering the business requirements, architecture, and technical guidance for software developers. These documents are freely available from ICI and allow interested readers to trace the overall design of the taxonomy as well as some specific tags to all the requirements. The business requirements were provided by the ICI working group that included representation for all its major stakeholders. Working group members represented 19 investment management companies, eight software vendors, two financial printers, two regulators and a consumer advocacy organization. ICI-RR is the first XBRL taxonomy ever created in which a majority of the participants in the working group represented preparers. This working group vetted several versions of the design before approving its release for a period of external comment that ended 20 February 2007.

- *Is it beneficial to tag mutual fund risk/return summary information? Is this portion of the mutual fund prospectus an appropriate place to begin evaluating the tagging of non-financial information? Is there other mutual fund information that should be included in the voluntary program?*

Yes, it is beneficial. The Risk/Return summary includes all of the information that recent ICI surveys conclusively demonstrate are the key items of interest to investors when purchasing shares of a fund. It is beneficial to begin in an area of most relevance to the users.

Yes, this is an appropriate area to begin evaluating the tagging of non-financial information. Indeed, it is almost ideal: Form N-1A provides instructions for facts that must be disclosed and not only allows but in some cases even mandates a narrative format for those facts. Consequently, in the course of designing the taxonomy it emerged as a significant requirement that there be a way for the prospectus author to control layout; this had never before been a central concern for any XBRL taxonomy and the ICI-RR taxonomy provides such a solution.

There is no technical obstacle to extending the ICI-RR to cover other parts of Form N-1A. The architecture of the taxonomy is documented in a set of design rules that could be followed by a competent XBRL developer, to straightforwardly encompass other items in the Form.

- *What effect would tagged data have on investors', analysts', and other users' ability to analyze mutual funds' risk/return summary disclosure? Would tagged risk/return summary information have an effect on the usefulness of disclosure in Commission filings?*

A prospectus tagged using the ICI-RR taxonomy allows automated, instantaneous, 100% accurate extraction of every fact disclosed in the Risk/Return Summary. There are about 60 distinct figures that could be identified for every class, series, and registrant in the prospectus, and over 50 named, distinct text fragments for the various narrative disclosures. Furthermore, all of these distinct tags are linked to the specific bullet point or paragraph in the Form N-1A instructions that define their meaning. The taxonomy itself also ensures that certain required disclosures are present.

This design allows the data points and critical text disclosures to be instantly extracted, reassembled, and analyzed, as well as allowing for a fair approximation of the original filing to be reconstructed with commercial off-the-shelf and even free software. For example, at the web site http://www.cbam.us under the topic "Anybody", a single sample filing encoded using the ICI-RR taxonomy is rendered in two alternative layouts using software from Fujitsu and Rivet Software; and a short program rearranges key facts from the filing such as the objective, risks and sales loads of the fund into a fourth compact, web-friendly display. On another part of the same site (under "Compliance") the filing is loaded into Microsoft Excel using a plug-in from Hitachi. Products from other software vendors are also able to load and display the filing.

Yes, that makes disclosures more useful.

- *We are not proposing to amend that portion of rule 401(b)(1) that currently requires that Mandatory Content "consist of a complete set of information for all periods presented in the corresponding official EDGAR filing." Should mutual funds that submit tagged risk/return summary information be required to tag all of the information in the risk/return summary section of the corresponding official filing or should they be permitted to tag some, but not all, of the information? For example, if a fund's official filing contains information for more than one series or class, should the fund be permitted to submit tagged risk/return summary information for fewer than all of the series and classes? As another example, should a mutual fund be permitted to tag discrete portions of the risk/return summary information, such as cost and performance information, while not tagging others, such as narrative information?*

If a fund's official filing contains information for more than one series or class, the fund **should** be permitted to submit tagged risk/return summary for **any or all** of the series or classes in that official filing. However, a mutual fund should **not** be permitted to tag discrete portions of the risk/return summary information (such as cost and performance information while not tagging others, such as narrative information) for any class or series described in the official filing.

Note that the burden of converting all Risk/Return Summary information into a document tagged with the ICI-RR taxonomy is actually lower than it is for other SEC Voluntary Filing Program participants. Current participants in the SEC Voluntary Filing Program have learned that the existing US-GAAP taxonomy design requires every filer to develop new tags to represent their line items. Some filers find it disconcerting to discover that their preferred arrangement of data (for example, the consolidated income statement containing just the consolidated data and two main segments for two years) cannot be preserved or even suggested using only the US-GAAP taxonomy as it exists today.

By contrast, the ICI-RR taxonomy allows the author of the information to provide an approximation of their original document layout and line items without having

to create even one single new line item tag. As a design principle, authors are "never *required* to extend the ICI-RR taxonomy, and should rarely *want* to."

For example, Form N1-A requires the table of sales charges to have certain line items; in industry jargon, these lines disclose such things as "front end loads" and "back end loads". These must appear in a certain order if they are not zero. However, funds are free to disclose different series' or classes' in one or more columns in any order, and they may give different names to their fees ("Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)" versus "Maximum Sales Charge"), and are allowed to provide up to three subcategories of "other" fees, and some fee types require footnotes. If these requirements were modeled in the same way that the current US-GAAP taxonomy does, it would require funds to create an extension to the ICI-RR taxonomy just to provide different names; even that extension would not allow them to ensure that (say) information for share class A appears to the left of that for share class C, or C before W, or that their "*" footnote appears before their "**" footnote. ICI-RR arranges the tags in such a way that the left-to-right, top-to-bottom reading order of the information, including the text naming each line item, can be controlled by the author.

This has important benefits.   The resulting document is easier to either display, or turn into a simple table of facts, using traditional XML technologies such as XSL -- indeed, without requiring familiarity with XBRL at all. This expedites not only preparation but review and other uses of the XBRL filing.   The US GAAP taxonomy now under development for the SEC by XBRL-US Inc. should adopt a similar approach to that used in ICI-RR.

Moreover, we observe that in the mutual fund industry, the production of prospectuses (and consequently Form N-1A's) has a fair degree of automation already. Two software vendors in the industry already offer the ability to create prospectuses tagged with the ICI-RR taxonomy.

- *Will the proposed amendment to rule 8b-33, providing that investment companies must tag information in a manner that will permit the information for each class to be separately identified, raise any issues with respect to any investment company information that may be tagged under the voluntary program? Should we specify that only risk/return summary information must be tagged in a manner that will permit the information for each class to be separately identified? Will the risk/return summary taxonomy in its current state of development permit the information for each series and class to be separately identified? If not, how should it be modified to permit this?*

Yes, the Commission should specify that the risk/return summary information must be tagged in a manner that will permit the information for each class to be separately identified.   ICI-RR provides a flexible structure that allows information for each series and class to be separately identified, and allows verification of its consistency. It needs no modification.

Several requirements interact to justify the resulting design. One of the key requirements of the ICI-RR taxonomy is that every disclosure in a prospectus must be identified with precisely those classes to which it refers -- and by implication, series and registrant, too. The class, series and registrant identifiers maintained by the SEC as a system of record had to be used, and the resulting filing consequently needed to avoid redundancy with this information. This was a key regulatory requirement, and consequently, a key consideration for preparers concerned with automating their own compliance checking of the data prior to

filing. There are other potential redundancies to avoid. In particular, no taxonomy should ever require the resulting XBRL filing to state the same fact (the same number, for example, or same text) more times than would be necessary in an ordinary filing.

The resulting design balances those requirements, and of necessity reflects these complexities and constraints. Filers create their own hierarchy of identifiers, some of which correspond to series and class identifiers and others corresponding to groupings that they choose. This hierarchy can even be shared across many of the filers' prospectuses. Therefore, a disclosure that applies, say, to all "A" class shares, or to all fixed-income funds in a fund family in a prospectus, can be stated compactly and without ambiguity. Rather than create an idiosyncratic, ICI-RR specific convention, the ICI-RR design leverages XBRL Dimensions 1.0, an existing XBRL International recommendation that provides a fully defined framework for such hierarchies. The XBRL Dimensions 1.0 specification is fully supported in the products of a growing number of commercial XBRL tool vendors including DecisionSoft, Fujitsu, and UBmatrix. At least a dozen other products without any specific XBRL Dimensions 1.0 support are nevertheless able to open ICI-RR filings.

There are similar complex interacting requirements occurring with respect to other corporate filings having disclosures with hierarchical segmentation by line of business, geography and other factors. The US GAAP taxonomy now under development for the SEC by XBRL-US Inc. should adopt a similar approach to that used in ICI-RR.

- *Should mutual funds be required to submit separate tagged risk/return summary exhibits for each series or class? Instead, should they be permitted to submit exhibits that combine multiple series or classes of the same registrant, provided that the information is tagged in such a manner that the information may be separately identified by series and class?*

Preparers should be permitted to combine multiple series and classes of the same registrant, just as they do today. The ICI-RR taxonomy allows preparers to combine any number of risk/return summary exhibits into a single document.

- *We plan to permit all filers on Form N-1A to submit documents containing tagged risk/return summary information as exhibits to their official Form N-1A filings so long as they comply with the requirements of the voluntary program. Should we limit participation, such as by size or type of mutual fund? If so, what should be the criteria for participating? If so, why?*

Any SEC registrant should be allowed to participate without limitations. Voluntary filers who prepare filings using XBRL have recognized and made public statements regarding the potential for taxonomies to facilitate enhancement in reporting processes and quality controls. The ICI-RR taxonomy will be no exception.

- *What steps can we take to encourage mutual funds to participate in the expanded voluntary program?*

From a technical standpoint, the Commission could lower the barrier to participation among small funds by providing a literal "form", either as a Microsoft Excel template (see as an example the Excel file at http://www.cbam.us, under the topic "Compliance"), as an Adobe Acrobat form, or some other commonly used form software application. From a business incentive standpoint, the SEC

could seek to accelerate in some way the transmission of these prospectuses to interested parties via an RSS feed or other targeted dissemination mechanism.

D. The Risk/Return Summary Taxonomy and Software Tools

- *Is the taxonomy for risk/return summary information created by the ICI sufficiently developed that we should permit its use in the voluntary program? If not, explain what changes or procedural steps are needed prior to use. What specific criteria should be applied to determine whether the risk/return summary taxonomy is sufficiently developed?*

Yes, it is sufficiently developed. The comment period ending 20 February 2007 did identify some minor omissions from the taxonomy that have already been corrected in an internal, backward-compatible draft.

- *Is there anything related to the process for developing and approving the risk/return summary taxonomy that should affect its use or otherwise raise concerns?*

As noted earlier, this is the first XBRL taxonomy ever developed in which the working group had significant, ongoing input from actual preparers during its development. ICI-RR "looks and feels" different from other taxonomies as a result because it meets their need for control over layout and other aspects of presentation, and balances these against other requirements in a more sophisticated manner than any other XBRL taxonomy ever published.

- *The process for approving a taxonomy as XBRL includes testing and technical modification. Should the Commission permit use of a risk/return summary taxonomy in the voluntary program that has not been acknowledged or approved as XBRL?*

As a point of clarification, any file that is valid with respect to the XBRL specification "is" XBRL; the question here is more properly phrased in terms of "acknowledged or approved *by the XBRL International consortium".*

The process of Acknowledgement by XBRL International Inc. is straightforward. ICI must provide a small amount of documentation in a specific format, XBRL International staff require less than an hour of effort to validate that the taxonomy can be used in XBRL enabled software products, and a committee must vote to ratify the acknowledgement. This can all be accomplished in a month. The Commission should certainly require acknowledgement.

Approval by XBRL International is more complex. First, approval implies conformance with a 2005 Recommendation of XBRL International known as the Financial Reporting Taxonomies Architecture (FRTA). Modifications of FRTA to bring it up to date with newer XBRL specifications are being considered, but no prediction can be made about the timing or results. Fortunately, ICI-RR is already compliant with all FRTA mandatory and automatically testable criteria other than those resulting from FRTA being out of date with respect to the consortium's own XBRL Dimensions specification. Second, approval requires independent subject matter expertise that is rarely available on a volunteer basis, and identifying an appropriate resource to perform a time consuming review can be another obstacle. To make XBRL International Approval a prerequisite to the SEC's voluntary filing program would introduce unpredictable delay.

- *A tagged submission that a volunteer creates can adhere to either a standard taxonomy or a standard taxonomy with extensions. Extensions*

*to a standard taxonomy are additional tags defined by a particular user
that further refine the tags contained in the standard taxonomy. We
expect that mutual funds will be permitted to submit extensions to the
standard risk/return summary taxonomy. Given the narrative format of
much risk/return summary information, does tagging of this information
raise particular problems with regard to extensions or other facets of data
tagging? For what purposes would mutual funds want or need to make
use of extensions? Are there sufficient software tools available to develop
extensions to the risk/return summary taxonomy, if necessary? To what
extent would the use of extensions reduce the comparability among
risk/return summary information that is tagged? Are there any reasons
why the use of extensions would be inappropriate with regard to
risk/return summary information?*

The ICI-RR taxonomy is the first XBRL taxonomy to provide a technical user's
guide that explains in detail how to create a limited class of extensions that would
be natural and expected in the use of the taxonomy. These methods do not
include any extension that would in any way "disguise" a disclosure required by
Form N-1A or otherwise make it difficult to compare. The restrictions on
extensions are not currently enforced by the EDGAR system; we recommend that
the Commission incorporate those validation rules to limit the extensions that
prospectus filers may provide.

One type of extension has been mentioned above: the filer provides an extension
that reflects how they wish to group classes and series identifiers in their filing.
Existing commercial XBRL tools are able to use these identifiers and the
conventions by which they are grouped.

A second type of extension allows a preparer to create a vocabulary of "topics"
that go beyond the topics required by the instructions to the Form N-1A itself,
and tag entire paragraphs or individual numbers with these topics. Large fund
families have an intrinsic interest in ensuring that potential buyers understand
the full range of possibilities that the fund family offers, and can easily create
such sets of topics. Comparability within a fund family is enhanced, and the
consumer can use existing XBRL enabled tools to filter, sort and arrange the
resulting tags. Of course, any consuming software is free to ignore these fund
family-specific topics and simply use the ICI-RR's own tags.

The core ICI-RR taxonomy is published with three distinct sets of sample "topic
extensions" to illustrate this approach; the topic sets cover fund strategies,
objectives, and risks. The working group extensively discussed and experimented
with the possibility of developing a large set of topics that all filers could use. In
the final design, the only topics in the core ICI-RR taxonomy are those specifically
required by the Form N-1A instructions.

- *What are the advantages and disadvantages of the Commission providing
  on its Web site tools to render the tagged risk/return summary
  information in human readable form or to permit users to analyze and
  compare tagged risk/return summary information submitted by different
  mutual funds? If we were to provide a rendering tool, what, if any, liability
  or other concerns would be raised by the fact that the presentation would
  be different from the risk/return summary information as presented in a
  registrant's official prospectus? What, if any, liability or other concerns
  would analytical or comparison tools raise? What, if any, disclaimers would
  be necessary to address any liability concerns related to rendering,
  analytical, or comparison tools? If we were to provide a rendering tool,
  would it hinder the ability of a volunteer to present its tagged risk/return*

summary information in as much detail as, and in a manner substantially similar to, its official filing? If we do not provide rendering, analytical, or comparison tools, would it hinder participation in the voluntary program or limit our ability to explore the usefulness of tagged risk/return summary information?

These technical questions regarding rendering are of great significance for taxonomies such as the current US-GAAP taxonomy in which the XBRL filing is completely divorced from any but the most primitive layout considerations.   The resulting complexities mean that the SEC has had to fund separate development of software tools merely to facilitate viewing of US GAAP taxonomy filings.

By contrast, the ICI-RR taxonomy can be published with one fixed style sheet to provide a rendering that would be immediately recognizable to both author and reader. For analysis, a *different* fixed style sheet could extract the data from an ICI-RR filing in a tabular format suitable for consumption and subsequent analysis in a spreadsheet program. These style sheets have not yet been finalized for the ICI-RR taxonomy, but their form and design is obvious (see http://www.cbam.us with topic "Anybody").   We recommend that the Commission encourage development, testing and release of these style sheets as open source before the EDGAR system begins allowing ICI-RR instances.

The US GAAP taxonomies now under development for the SEC by XBRL-US Inc. should adopt a similar approach to that used in ICI-RR.

Respectfully yours,

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