January 27, 2025

1345 Avenue of the Americas
27th Floor
New York, NY 10105
Phone: (202) 448-1985
Fax: (866) 516-6923

Alberta Securities Commission Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador Registrar of Securities Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Me Philippe Lebel Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

To Whom It May Concern:

RE: Proposed Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds, National Instrument 81-106 Investment Fund Continuous Disclosure, National Instrument 81-107 Independent Review Committee for Investment Funds and Related Proposed Consequential Amendments and Changes; Modernization of the Continuous Disclosure Regime for Investment Funds

We appreciate the opportunity to provide input to the Canadian Securities Authority (CSA) Notice and Request for Comment regarding the proposal to modernize the continuous disclosure regime for investment funds. We support the CSA's goal to make improvements that will benefit investors, investment fund managers, and other stakeholders. We encourage the CSA however, to amend the proposal to include the adoption of open, nonproprietary data standards for fund disclosures as this approach will allow information to be more easily, and on a timelier and more reliable basis, extracted and leveraged, which will benefit both retail and institutional investors. The adoption of open data standards for regulatory reporting will also align Canadian investment fund company reporting with disclosure trends in the United States and other countries.

U.S. capital markets require corporate issuers and funds to tag investor report contents in a structured, machine-readable data language, which makes their required disclosures more readily available and easily accessible for aggregation, comparison, filtering, and other analysis. The CSA could use this opportunity to align National Instrument 81-101 with the US Securities & Exchange Commission (SEC) Tailored Shareholder Report (TSR) requirement for tagging fund disclosures in Inline XBRL in accordance with Rule 405 of Regulation S-T and the EDGAR Filer Manual.

This letter is prepared by XBRL US, a nonprofit 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 nonprofit consortium responsible for developing and maintaining the technical specification for eXtensible Business Reporting Language (XBRL), which is a free and open data standard widely used around the world in over 200 regulatory implementations[1], for reporting by public and private companies, banks, and government agencies. Our members include accounting firms, public companies, software, data, and service providers, as well as other nonprofits and standards organizations.

Open Data Standards in US Capital Markets

The XBRL standard supports statutory financial reporting in the United States from public companies, investment management companies, public utilities, and banks reporting to the SEC, the Federal Energy Regulatory Commission (FERC), and the Federal Deposit Insurance Corporation (FDIC), respectively.

Since the inception of these regulatory programs, the FDIC in 2005, the SEC in 2009, and the FERC in 2021, each agency has added more programs, extending requirements for data standards reporting in XBRL to additional types of data, and types of reporting entities.

Gains for regulators and issuers

U.S. regulators opt for the XBRL standard because of the productivity and quality enhancements that standards bring. The FDIC, for example, reported in their case study paper[2] that they recognized immediate benefits when their program was established:

- 95% of data received met validation requirements
- 100% of data received met mathematical validation requirements versus 70% in the legacy system
- Data was publicly available immediately after calendar quarter end, versus weeks later in the prior legacy system

[1] XBRL International Project Directory: https://www.xbrl.org/the-standard/why/xbrl-project-directory/

[2] FFIEC Case study, Improved Business Process Through XBRL: A Use Case for Business Reporting: https://xbrl.us/wp-content/uploads/2007/12/20060202FFIECWhitePaper.pdf?_gl=1*1fkm4sq*_ga*OTE4MzUzMjQ0LjE3MzUzMzExMjg.*_ga_3G22VS550C*MTczNTQ5NTU2NC4yLjEuMTczNTQ5NTU5My4wLjAuMA..

- Staff productivity in handling bank data increased 10-33%
- Data could be distributed to end users at agencies within one hour versus within several days in the legacy system

In 2023, the SEC began publishing semi-annual reports to the U.S. Congress to provide insights into the costs and benefit of structured (XBRL) reporting. Their most recent report, "Regarding Public and Internal Use of Machine-Readable Data for Corporate Disclosures"[3] published in December 2024, states, "…*making corporate disclosures machine-readable has decreased information asymmetry between firms and investors by reducing information processing costs, making stock prices more informative (i.e., more reflective of firm-specific information), and reducing market inefficiencies and risks. Machine-readability has enhanced market competition by, for example, reducing insider advantages relative to non-insiders and local investor advantages relative to non-locals. The reduction in information processing costs has heightened monitoring of issuers by investors and other external parties (e.g., financial analysts, press) which often helps to inform investors and markets. Greater monitoring has driven firms to provide more quantitative disclosure and report earnings in a more consistent manner*."

The SEC report also notes that issuers have gained from decreased audit fees and increased timeliness of audit, as well as "… *higher liquidity; lower cost of capital; higher return on investment; and improved performance benchmarking and acquisition analysis*."

The SEC also notes in their report that machine-readable disclosures have facilitated their own investor protection efforts, enabling staff to analyze large quantities of information in support of risk assessment, rulemaking, and enforcement activities.

Easing the impact on small issuers

When US regulators first adopted XBRL requirements, they sought to ease transition costs for reporting entities. The SEC, for example, has often phased in reporting requirements, with larger companies required to comply first, and requirements delayed for small entities with fewer resources. Small companies gained from the experiences of earlier adopters and from enhancements made to reporting tools as the software community became more knowledgeable about new structured data requirements.

When public companies first began reporting in machine-readable format in 2009[4], the SEC established a three-phase program, with smaller reporting entities filing last after large and large-accelerated filers. Similarly, when the SEC program for open-end investment fund companies[5] began in 2018, small fund groups with net assets of less than $1 billion as of the end of the most

---

[3] SEC Semi-Annual Report to Congress: https://www.sec.gov/files/2024-fdta-machine-readable-data-report.pdf

[4] SEC rule: Interactive Data to Improve Financial Reporting: https://www.federalregister.gov/documents/2009/02/10/E9-2334/interactive-data-to-improve-financial-reporting

[5] https://www.sec.gov/resources-small-businesses/small-business-compliance-guides/open-end-management-investment-company-inline-xbrl-filing-tagged-data#:~:text=On%20June%2028%2C%202018%2C%20the,Inline%20eXtensible%20Business%20Reporting%20Language%20(

recent fiscal year were allowed an additional year before compliance deadlines began. These strategies could assist Canadian fund companies if the CSA chooses to establish a similar open data standards approach.

Competition has driven down costs

Issuers have also been supported by marketplace competition and enhancements in the technology employed by software developers. Because XBRL is open and can be freely implemented into any reporting software application, when regulators began to require XBRL, the software application market rapidly embraced the use of open data standards. Organic market competition among providers resulted in the creation of better, less expensive, and more functional tools for companies, banks, and investment management companies. With each new program implemented, costs are driven down further, and vendors have an incentive to continuously improve tool capabilities.

Given the standardized nature of reporting, tools built for use by public companies can be repurposed for use by banks, utilities, and investment management companies, fostering economies of scale. An AICPA study[6] estimated the average price of XBRL preparation for small US companies in 2017 was $5,475 per year to prepare four financial statement filings; this represents a 45% decline in costs since the study was first conducted in 2014.

The reporting software market has further evolved as a result of the need to report data in structured format, which has benefited reporting entities. When public companies began XBRL preparation in 2009, many relied on outside consultants. Today, most have transitioned to disclosure management applications which include XBRL preparation; these tools have also introduced quality, control, and efficiency enhancements that make the entire reporting and preparation process more effective.

According to a PwC report[7] on integrated reporting, the increasing use of disclosure management tools, sometimes called the “last mile” of reporting, has been driven by expanding financial and non-financial (for example climate) reporting requirements, global capital financing, the increasing use of Artificial Intelligence, and the partial or total migration that many organizations have made to cloud technologies.

The disclosure management market was estimated at $1.2 billion in 2024 and is expected to grow at a CAGR of 16.5% by 2029, as noted in the report, Disclosure Management Market Size & Share Analysis - Growth Trends & Forecasts (2024-2029)[8]. The report goes on to note, “*The North American disclosure management market is expected to grow significantly, owing to*

[6] https://us.aicpa.org/content/dam/aicpa/interestareas/frc/accountingfinancialreporting/xbrl/downloadabledocuments/xbrl-costs-for-small-companies.pdf

[7] PwC, The need for integrated reporting during times of change: https://www.pwc.com/gx/en/services/auditassurance/capital-market/digitising-finance/disclosure-management.html

[8] Mordor Intelligence, DISCLOSURE MANAGEMENT MARKET SIZE & SHARE ANALYSIS-GROWTH TRENDS & FORECASTS (2024-2029): https://www.mordorintelligence.com/industry-reports/disclosure-management-market

technologically advanced countries like the United States and Canada. Companies are dealing with increasing complexity in the reporting process characterized by different file formats, causing the demand to rise. The quicker report preparation and financial statement disclosure, report comparison, tracking changes made by any user, and complete restoration of earlier versions provide greater control to the users, propelling demand in the market." This view is echoed in a 2023 Journal of Accountancy article[9] which notes that "...*investing in technologies that automate core processes and streamline user experience will be paramount to building - and retaining - a skilled and agile finance team*."

The Canadian market is likely served by the same disclosure management tools widely used in the U.S. and Europe, which already have XBRL reporting capabilities, which could facilitate Canadian companies transition to structured data reporting.

Data Standards for Investment Management Company Data

The SEC published a final rule on October 26, 2022, Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements[10], with a goal to "...*modernize funds' shareholder reports so these reports will better serve the needs of fund investors— particularly retail investors*." The final SEC rule calls for amendments to require more concise and visually engaging information to facilitate usability, and the rule also requires funds to prepare data in XBRL format, using Inline XBRL, which renders the data in the report both human- and machine-readable.

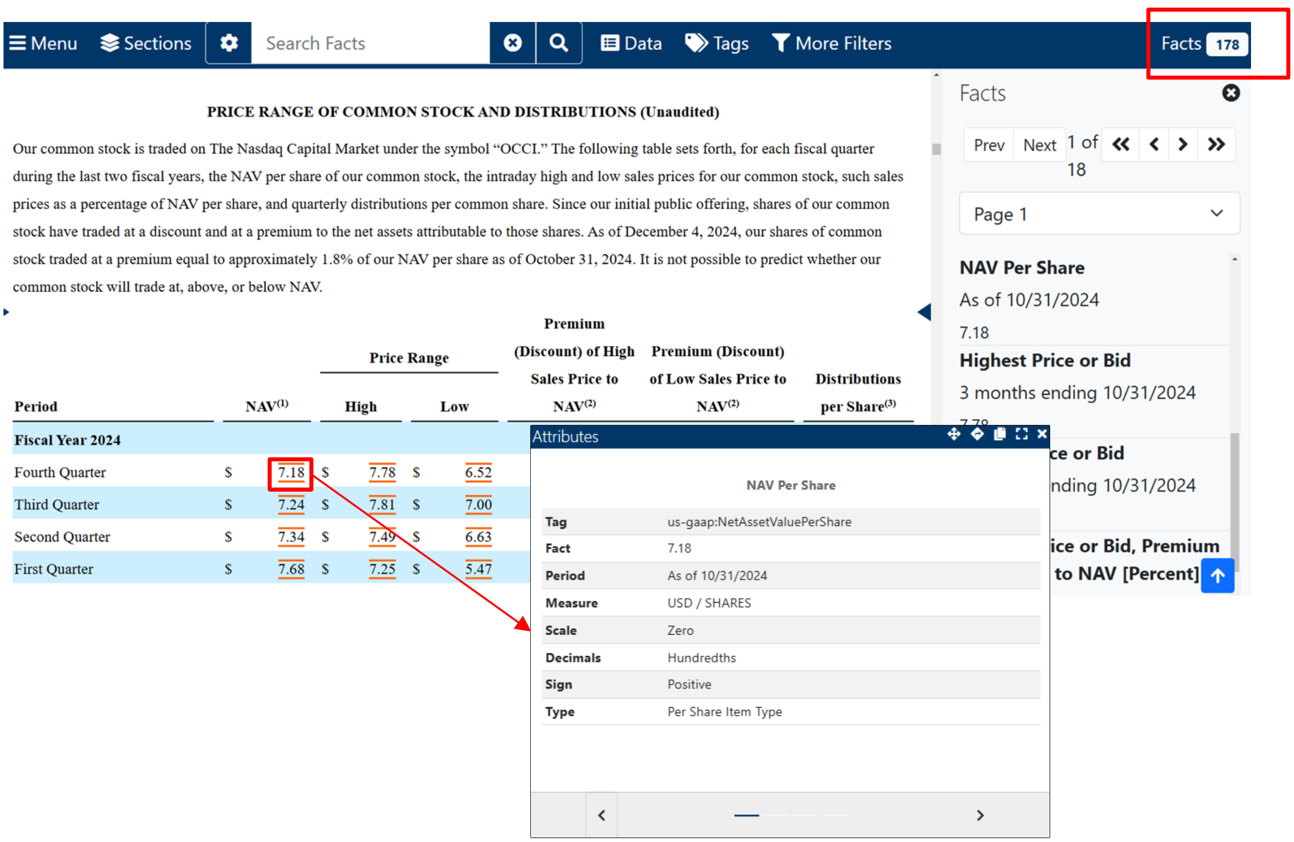
The SEC rationale for requiring this data to be prepared in XBRL is stated in the rule as "… *we are adopting requirements for funds to tag the shareholder report contents in a structured, machine-readable data language, which will make shareholder report disclosure more readily available and easily accessible for aggregation, comparison, filtering, and other analysis*," and goes on to mention benefits such as:

- Tagged information will help investors (through third party aggregators) more easily monitor investments
- Facilitates large-scale analysis and comparisons across funds and across time periods
- Enables comparison of disclosures in a shareholder report automatically against the same disclosures in other periods
- For the funds themselves, Inline[11] XBRL can enhance the efficiency of review, yield time and cost savings, and enhance the quality of data because data validation can be automated.

[9] Journal of Accountancy, "3 trends that will reshape accounting and finance in 2023", March 15, 2023: https://www.journalofaccountancy.com/news/2023/mar/3-trends-reshape-accounting-finance-2023.html
[10] U.S. Securities and Exchange Commission, Final Rule: https://www.sec.gov/rules-regulations/2022/10/s7-09-20#33-11125final
[11] Inline XBRL is a form of XBRL that is both human-readable (XHTML) and machine-readable (XBRL). XBRL reports can also be generated in the file formats XML, CSV, and JSON.

To illustrate how the XBRL standard embeds information into an investment fund report, the visual below shows a U.S. Shareholder Report (Form N-CSR) for OFS Credit Company, Inc. This is shown in an open-source viewing tool made available by the SEC. The report is human-readable (in XHTML) and machine-readable (XBRL); this version of XBRL is called Inline XBRL. Every fact on the page with red lines above and below has embedded information; by clicking on a fact, a popup box appears to show how the fact is expressed.

The notation "Facts 178" in the upper right-hand corner indicates that 178 individual facts have been XBRL-tagged with embedded descriptive information. The popup box in the middle of the screen shows the information embedded in the highlighted fact 7.18. It represents Net Asset Value per Share for the period 10/31/2024. It is reported in US dollars and is a per share figure. The fact also has an associated definition and authoritative reference to the Financial Accounting Standards Board (FASB) Accounting Standards Codification, Section 35, Paragraph 54B, SubTopic 10, Topic 820. The concrete nature of the embedded details provided make this fact fully machine-readable, with no need for human intervention to interpret or manually rekey the data. Visit this link to view the report on the SEC site.



Global Digital Reporting Trends

The trend towards digital reporting extends beyond the U.S. and includes the United Kingdom (UK) and the European Union (EU). The European Securities and Markets Authority (ESMA) established the Transparency Directive[12] in 2013 which requires financial data preparation in XBRL. ESMA requires the use of "a single electronic reporting format" (ESEF) with an aim to "…*facilitate accessibility, analysis and comparability of annual financial reports*"[13]. The EU has also adopted XBRL reporting for climate-related data, a program called the Corporate Sustainability Reporting Directive (CSRD) with companies beginning to report Greenhouse Gas Emissions and climate-related disclosures as early as 2026.

Since 2010, the UK has been requiring companies to report Company Tax Returns online using Inline XBRL. The UK tax authority, HM Revenues & Customs, noted, "*The introduction of XBRL tags enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. Computers can treat XBRL data 'intelligently': They can recognise the information in a XBRL document, select it, analyse it, store it, exchange it with other computers and present it automatically in a variety of ways for users. XBRL greatly increases the speed of handling of financial data, reduces the chance of error and permits automatic checking of information*." [14]

Digital reporting (and delivery) is more cost effective (even after allowing for one time implementation costs), accessible, and environmentally friendly (reducing the use of paper and related printing and mailing resources).

Although today, Canadian investment fund managers are not required to prepare data in structured, machine-readable format, this is an appropriate time to consider this approach. The benefits raised by the SEC and regulatory authorities in the UK and EU would accrue to Canadian investors and funds as well if their disclosures are prepared in machine-readable format. There are numerous software providers available to assist Canadian investment funds prepare data in structured XBRL format, as these same vendors are likely serving US funds today. Software companies that serve the Canadian market but do not have XBRL export capabilities can incorporate these capabilities into their offerings to meet existing client's needs.

The availability of data in XBRL format has expanded rapidly in the US and globally. Access to machine-readable data means that the market of tools to prepare data, and the market of aggregators and applications to extract and consume data has grown. Additionally, the volume of structured data in North America is likely to increase significantly in the next few years. The Financial Data Transparency Act (FDTA), U.S. legislation that passed in December 2022, requires nine US federal agencies to collect data in structured, machine-readable, standardized format.

---

[12] Transparency requirements for listed companies: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/transparency-requirements-listed-companies_en

[13] ESMA Electronic Reporting: https://www.esma.europa.eu/issuer-disclosure/electronic-reporting

[14] HM Revenue & Customs, XBRL guide for businesses: https://www.gov.uk/government/publications/xbrl-guide-for-uk-businesses/xbrl-guide-for-uk-businesses#what-the-benefits-of-ixbrl-are

The FDTA rule proposal[15], which was published in August 2024, named Inline XBRL as an approved data standard which could be used. FDTA-based programs are expected to begin rolling out in 2027.

Regulators opt for the XBRL standard because it is open and nonproprietary, and because it embeds descriptive information into a reported fact, rendering it fully machine-readable. The end result is data that is more timely, consistent, meaningful, and significantly less expensive to process. Structured data is an optimal source for AI applications, and because of its granular structure, can be validated automatically, resulting in cleaner, higher-quality data. Furthermore, reporting application providers are beginning to use advancements in artificial intelligence to improve the XBRL tagging process, reducing costs, and making it easier for reporting entities.

Many Canadian companies already prepare their financials in XBRL format because they are listed on non-Canadian stock markets in the U.S. or Europe that have XBRL reporting requirements, so these companies have familiarity with preparing data in structured, machine-readable format.

Furthermore, Canadian investors are able to purchase U.S. investment funds. With U.S. funds reporting data in more accessible formats, this could provide a competitive advantage to U.S. funds at the expense of Canadian funds if their data is not as easily accessible.

We thank you for the opportunity to provide input to this important proposal and are available to discuss our comments further. I can be reached at (917) 582-6159 or Campbell.Pryde@XBRL.US.

Sincerely,

Campbell Pryde
President and CEO, XBRL US

[15] Draft Joint Data Standards: https://www.govinfo.gov/content/pkg/FR-2024-08-22/pdf/2024-18415.pdf