



CONFLUENCE

August 1, 2008

VIA Electronic Mail

Ms. Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE.,
Washington, DC 20549-1090

Re: File Number S7-12-08, Interactive Data for Mutual Fund Risk/
Return Summary

Dear Ms. Harmon:

We appreciate the opportunity to comment on the proposed rule requiring mutual funds to provide risk/return summary information to the Commission and on their Web sites in an interactive data format using the eXtensible Business Reporting Language (XBRL). Confluence supports the Commission's continued exploration and advancement of interactive data initiatives. We believe that use of interactive data will confer benefits on the investing public by making comparison of investment opportunities a simple and straightforward process. We are concerned, however, that the proposed timeline may cause required filers to rely on manual processes to fulfill their obligations. Our concerns arise from (i) potential revisions to the taxonomy's architecture and (ii) the potential addition of data elements should the Commission decide to require tagging of summary prospectus data.

In this letter, we focus our comments on the areas of our core competency as they relate to our role as a provider of data management solutions to the fund industry, including:

- Cost savings and risk control benefits to be gained through automation.
- Taxonomy considerations, including commentary on ensuring the accuracy and reliability of data and ease of risk/return summary comparability.
- Timing considerations, including the time necessary for fund companies to gain familiarity with interactive data, explore available tagging and filing solutions, evaluate vendor solutions and implement and test software.

Confluence Overview

Confluence provides a range of product and service offerings, all of which are built on a fund administration platform. At present, our applications are used by more than 60 percent of U.S. mutual funds. Our platform allows fund administrators to create and leverage the following:

- Pricing reports
- Performance reports
- Form NQ
- Shareholder reports
- Fund Fact Sheets
- Third-party surveys
- Post-trade compliance checks
- Expense payment authorizations
- Budget accrual analysis

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Submission of the Risk/Return Summary Information Using Interactive Data

The Commission has asked whether commenters agree that compared to filings using ASCII and HTML, interactive data would require less manually-transferred data. If so, do commenters believe that the proposed rules would result in less human error and therefore contribute to reduced costs?

Confluence agrees that interactive data will provide an opportunity to automate information throughout the business cycle. An automated environment ensures accuracy and saves tremendous amounts of time and money. However, introducing XBRL does not guarantee automation. Many of the data tagging programs that exist today only introduce a manual data tagging process. Additional software tools will need to be introduced in order to allow data to be identified and tagged at its source, thereby automating the complete processing of the risk/return data and making it accurate and available to the public, the industry and the Commission.

Compliance Date

The Commission has questioned whether the proposed timing would be sufficient for mutual funds to familiarize themselves with interactive data and the process of mapping risk/return summary information using the list of tags for risk/return summary information.

In our view, the timing is not sufficient for fund companies to familiarize themselves with interactive data, explore tagging and filing options, and implement the internal processes and systems necessary to support XBRL tagging and filing. For the non-technical business users responsible for tagging data and filing with the Commission, XBRL is an unfamiliar, complex file format. While some have attempted to familiarize themselves with XBRL, the low participation in the risk/return summary voluntary filing program is evidence that there is not widespread understanding and use of the technology.

Furthermore, to avoid the inherent risks and costs associated with manual processes, we recommend automating the tagging and filing process. We recognize, however, that the purchase of an automated data management system is a strategic economic decision which requires time to identify viable options, evaluate alternatives, implement and test software. Without adequate time to *properly evaluate, procure and implement new software*, fund companies will be forced to use manual solutions to tag data either internally by employees unfamiliar with the XBRL technology or by third-parties unfamiliar with the fund company's data set.

In addition, the Commission has asked whether the rule proposal and the anticipated December 31, 2009 compliance date will sufficiently encourage potential vendors of interactive data products and services to invest in the development and marketing of such products. If not, what changes should the Commission make to encourage developments in the markets for filer and investor products related to mutual fund interactive data?

Within the proposed rule there are many outstanding questions which will impact the final architecture and content of the current taxonomy. Until those questions are answered, it is difficult to ascertain whether the December 31, 2009 compliance date allows potential vendors sufficient time to develop and market interactive products and services.

Documents and Information Covered by the Proposed Rules

The Commission seeks comment on whether it should require interactive data format information for the risk/return summary if the recently proposed amendments to Form N-1A are adopted. Should the Commission require interactive data format information for any additional information contained in the proposed summary section of the prospectus? Should the information in the proposed

summary prospectus be tagged? If so, should all of the information required in the summary prospectus be tagged? If not, what information in the summary prospectus should be tagged? Should only the risk/return information in the summary prospectus be tagged?

We believe that the summary prospectus document should include the same information that would be filed under the proposed rule. If the content of the two are not aligned, the two new mandates (summary prospectus and risk/return summary via XBRL) could cause confusion among investors. For example, if a prospective investor who receives a summary prospectus as an offering document wants to compare data interactively with another group of similar funds, the prospective investor would expect that the same information contained in the summary prospectus would be available electronically via XBRL for comparison purposes.

Accordingly, we suggest updating the risk/return summary taxonomy to include all of the elements contained in the summary prospectus. We further suggest filing both the risk/return summary and the summary prospectus on the same schedule. We note that currently the summary prospectus filing is proposed to be filed quarterly while the XBRL risk/return summary is proposed to be filed annually.

Accuracy and Reliability of Interactive Data

The Commission has asked whether software would be commercially available and reasonably accessible to all required interactive data filers, investors, and analysts that would make detection of tagging errors, such as the use of inappropriate tags or improper extensions, easy and cost-effective. If so, would such monitoring by investors and analysts likely discourage the improper use of extensions or negligent conduct in the tagging process?

In our view, software will be available and interactive data filers, investors and analysts should expect that software used to automate the processing of the risk/return summary would include validation functionality to detect and prevent tagging errors. It should be noted that several low cost third-party alternatives exist today for use to ensure validation.

As it relates to monitoring by investors and analysts, we believe that such monitoring will encourage providers to ensure the data is accurate; however, we do not believe that analysts and investors would have the technical skills to detect and police the use of inappropriate tags or improper extensions.

Required Items

The Commission has asked whether its focus on comparability is appropriate. Instead of stressing ease of risk/return summary comparability, should the rules permit greater use of customized data tags?

We believe that the Commission's focus on comparability is appropriate.

Relative to the risk/return summary taxonomy, the information shareholders are most concerned with, according to the Investment Company Institute's August 2006 study entitled *Understanding Investor Preferences for Mutual Fund Information*, is standardized within the taxonomy. While customized data tags may be useful for reporting additional information, they will only make it more difficult to compare data between funds. Therefore, if comparison is the primary use case for the data, comparability should be the primary design goal and the use of customized tags should be avoided.

Paperwork Reduction Act Reporting and Burden Estimate

The Commission has requested comment on ways to enhance the quality, utility, and clarity of the information to be collected.

In our view, the real success of XBRL lies in ensuring that fund companies and their service providers can tag data accurately and automatically. The key to achieving this goal is to automate the process – from the creation and validation of the data to the creation of the XBRL file – thereby ensuring accuracy by creating verified source data in XBRL.

Further, the Commission has requested comment on ways to minimize the burden of the collection of information on those who respond, including through the use of automated collection techniques or other forms of information technology.

We believe that by leveraging a centralized fund administration platform that automates the creation and distribution of risk/return information, fund companies will be able to automate the creation of XBRL data. This method will incorporate the approved objective, strategy, risk narrative sections of the risk/return summary, automate the calculation of the fund performance and present the required expense data, and prepare the XBRL files according to the defined taxonomy. As a result, the risk of error-prone manual processes is minimized and fund administrators, intermediaries and investors can rely on the accuracy of XBRL data and its consistency with other published performance and marketing literature without applying additional effort.

In summary, our comments relative to the proposed rule include the following:

- Cost savings and risk control – Automated tagging and filing processes will reduce the risk and cost associated with manual processes. However, introducing XBRL does not guarantee automation. Many of the data tagging programs that exist today only introduce a manual data tagging process. Additional software tools will need to be introduced in order to allow data to be identified and tagged at its source, thereby automating the processing of the risk/return data and making it accurate and available to the public, the industry and the Commission.
- Taxonomy considerations – We believe that the summary prospectus document should include the same information that would be filed under the proposed rule. Accordingly, we suggest updating the risk/return summary taxonomy to include all of the elements contained in the summary prospectus and implementing the same filing schedule for both.
- Timing considerations – In our view, the timing of the proposed compliance mandate is not sufficient for fund companies to familiarize themselves with interactive data, explore tagging and filing options, and implement the internal processes and systems necessary to support XBRL tagging and filing.

Confluence looks forward to continuing its participation in the Commission's interactive data initiatives relating to mutual funds and would be happy to discuss these issues with the Commission.

Best regards,

Dan Torrens
Vice President of Product Management