

DATA TRANSPARENCY COALITION

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Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-2521

Via Electronic Mail

March 11, 2014

Dear Vikash:

The Data Transparency Coalition (<http://datacoalition.org>) appreciates this opportunity to present our views on the Securities and Exchange Commission's draft strategic plan for fiscal years 2014-2018 (the "Draft Strategic Plan").¹

On behalf of the private sector and the public interest, the Data Transparency Coalition advocates the publication of government information as structured, machine-readable data. Our membership includes for-profit companies, nonprofit organizations, and individuals interested in the standardization, publication, and analysis of federal data. We believe governments should adopt non-proprietary data standards for the information they generate or collect, and publish such information as machine-readable data, especially with regard to spending, regulatory, legislative, and judicial activity. As governments transform their information from disconnected documents into structured, open data, they improve transparency for citizens, investors, and other users; enhance the efficiency of management and enforcement; and allow manual reporting processes to be automated.

The Data Transparency Coalition's corporate members offer services and software products that can deliver all these benefits in a cost-effective manner. Our members' solutions make government information accessible and useful to citizens and investors. Their analytics services and software enable federal clients to illuminate fraud, manage public funds, and obtain business intelligence. Their filing products enable recipients of federal funds and regulated entities to automate federal reporting, replacing layers of lawyers with lines of code. Data transparency—the standardization and

¹ United States Securities and Exchange Commission, Strategic Plan, Fiscal Years 2014-2018, Draft for Comment (Feb. 3, 2014) ("Draft Strategic Plan"), *available at* <http://www.sec.gov/about/secstratplan1418.htm>.

publication of government information—is the prerequisite to all these benefits. Data transparency also drives innovation and job growth in the tech sector.

Data transparency is lacking at the Commission. The Commission’s system of disclosure requirements under the securities laws is a source of valuable information for investors, analysts, the agency’s own staff, and other regulators. Yet, for the most part, the Commission’s disclosure system has yet to be transformed from documents into data. With some exceptions, corporate and investment company filings and submissions are still expressed as unstructured documents, which must be manually reviewed by Commission staff and by investors. Moreover, the disclosure system does not use unique electronic identifiers for entities mentioned in disclosures; for key individuals, such as officers, directors, and fund managers; or for transactions and other common concepts. As a result, it is nearly impossible for investors, or Commission staff to use Commission disclosures to keep track of corporate ownership, officer and director interrelationships, and other important connections.

We believe that the Commission should adopt consistent data standards for all of the information it collects under the securities laws, including (1) common data formats, such as XML, for existing forms and (2) common data identifiers like the Legal Entity Identifier (LEI) for filers, key individuals, and other concepts such as transactions. Where the Commission has already adopted a common data format, such as eXtensible Markup Language (XML) or eXtensible Business Reporting Language (XBRL, an instance of XML specialized for financial information), the Commission should support that format by maintaining appropriate quality control—for example, by requiring errors in filings to be fixed.

This transformation will make existing disclosures more useful for investors; allow Commission staff to use data analytics to more efficiently check for compliance and enforce laws and rules; and reduce compliance costs through automation. It will facilitate capital formation by making it easier for analysts to automate the process issuer review, allowing coverage of issuers that cannot be cost-effectively reviewed using manual methods.

The Commission’s strategic planning process offers an opportunity to explore the opportunities and challenges of adopting data standards for existing disclosure requirements; supporting data standards already adopted; and helping investors, Commission staff, and filers derive the benefits. In addition to the strategic planning process, the Commission needs—and does not yet have—a coherent data strategy for its disclosure system.

In this comment, we first point out the most important connections between the Draft Strategic Plan’s goals and objectives and the need to transform the information filed with the Commission from documents into data. We next outline additional considerations for a data strategy for the Commission’s disclosure system.

Achieving the Draft Strategic Plan’s Stated Goals and Objectives by Transforming Documents into Data

We are pleased to note that the Draft Strategic Plan states the Commission’s intention to “[m]ake disclosure more useful for analysis” as part of Strategic Objective 4.2.² The Draft Strategic Plan promises that “[e]ventually, new filings structured for automated data retrieval and analysis will replace all filings submitted through the EDGAR system.” This commitment is the kernel of the transformation that will ultimately deliver transparency to investors, efficiency to Commission staff, and automation to filers.

But this imperative is not consistently reflected throughout the Draft Strategic Plan. Many of the Draft Strategic Plan’s goals and objectives can only be achieved through transforming the Commission’s disclosure system to require filing of data instead of documents, yet only Strategic Objective 4.2 mentions that transformation. We believe that the Draft Strategic Plan should be revised to reflect at least the following.

In **Strategic Objective 1.1**, the Commission commits to “establish[] and maintain[] a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and prevents abusive practices by registrants, financial intermediaries, and other market participants.”³ To accomplish this objective, the Commission intends to “improve the quality and usefulness of disclosure” and “modernize beneficial ownership reporting.”⁴

First, the most significant shortcoming in the quality of the Commission’s current disclosures lies in the agency’s failure to enforce the quality of corporate financial statements submitted in the eXtensible Business Reporting Language (XBRL) data format. The Division of Corporation Finance does not, as a rule, issue comment letters on errors in the XBRL-formatted financial statements, which are required to be submitted alongside the plain-text financial statements in quarterly, annual, and other reports⁵—even errors that would earn a rebuke if included in the unstructured versions. As a result, investors have perceived the XBRL data to be of poor quality⁶ and most don’t use it. The Commission should commit to enforcing quality in XBRL-formatted filings with the

² Draft Strategic Plan at 34.

³ Draft Strategic Plan at 7.

⁴ *Id.*

⁵ Interactive Data to Improve Financial Reporting, Release No. 33-9002 (Jan. 30, 2009).

⁶ *See, e.g.*, David Trainer, *XBRL Would Be Wonderful If It Always Worked*, FORBES (Nov. 7, 2013), available at <http://www.forbes.com/sites/greatspeculations/2013/11/07/xbrl-would-be-wonderful-if-it-always-worked/> (reporting that many filers’ XBRL-formatted submissions include errors in basic information, such as the number of shares outstanding; conflict with the simultaneously-filed plain-text versions; and fail to include required data elements—without the SEC’s seeming knowledge).

same rigor as it enforces quality in the duplicative unstructured version. Strategic Objective 1.1 should state this commitment.

Second, no mention of the need to modernize ownership reporting is complete without a commitment to adopt the Legal Entity Identifier (LEI),⁷ endorsed by the G20⁸ as an authoritative, unique, and common identifier for entities subject to financial regulators, throughout the Commission's existing disclosure requirements. The LEI will allow users to access an authoritative database of an entity's direct and indirect affiliates and to identify the entity using automated processes. As a result, the LEI will allow each legal entity's submissions to different regulators, or to different offices of the same regulator, to be aggregated automatically.

The Commission has already proposed requiring the LEI to be included in security-based swap reports, but has not yet committed to use the LEI in other crucial instances. For example, the Commission currently requires corporate issuers to identify their subsidiaries on Exhibit 21 to Form 10-K, but because the exhibit is nothing more than a plain-text list, investors have great difficulty matching issuers' subsidiaries to other sources of data.¹¹ If the Commission required Exhibit 21 to include an LEI for each subsidiary and submit the exhibit as structured data, investors and Commission staff could use software to automatically aggregate risk and compliance issues at each issuer's subsidiaries.¹² The Commission should address this possibility as part of Strategic Objective 1.1.

Finally, Strategic Objective 1.1 includes only one progress indicator: the number "of investor testing research projects."¹³ We believe that the balance between information filed with (or submitted to) the Commission as unstructured documents, on the one hand,

⁷ See generally Legal Entity Identifier Regulatory Oversight Committee website, <http://www.leiroc.org> (accessed March 10, 2014).

⁸ See G20, G20 Leaders Declaration (June 19, 2012), available at <http://http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html> ("We endorse the [global Financial Stability Board's] recommendations regarding the framework for development of a global legal entity identifier (LEI) system for parties to financial transactions, with a global governance framework representing the public interest").

¹¹ See, e.g., OpenCorporates, *Understanding corporate networks. Part 3: where's the data?* (Nov. 19 2013), <http://blog.opencorporates.com/2013/11/19/understanding-corporate-networks-part-3-where-are-subsidiaries-listed/> ("neither the US accounting standards, nor the SEC, requires a full list of subsidiaries (and of course, the filings are in the form of free text, often difficult to parse)"). The Commission collects the same information in an XBRL data element that is more easily searchable, but many investors are unaware of this, and, in any event, consider XBRL filings with the Commission to be unreliable, see *infra*.

¹² Note that all the benefits of the LEI can be obtained by requiring it to be reported in addition to, rather than in place of, existing Commission identifiers in current use, such as the Central Index Key (CIK) for 1933 and 1934 Act filings. This should ease concerns about transitioning from legacy identifier systems.

¹³ Draft Strategic Plan at 8.

and information filed with (or submitted to) the Commission as structured data, on the other, would be a better progress indicator for Strategic Objective 1.1, and one that has the advantage of being subject to meaningful quantification.

Strategic Objective 1.2 states the Commission’s commitment to foster formation by ensuring that “capital markets . . . operate in a fair, efficient, transparent, and competitive manner.”¹⁴ One of the Commission’s initiatives to further Strategic Objective 1.2 is a plan to “[i]mprove transparency and oversight of small capitalization securities.”¹⁵

As noted above, one of the chief benefits of structured data reporting, as opposed to plain-text documents, is that the cost of analyzing disclosure information drops. When the Commission chose to begin requiring corporate issuers to submit financial statements in the XBRL format alongside the plain-text versions, it predicted that analysts would be able to expand coverage to include smaller issuers, decreasing those issuers’ costs of capital.¹⁶ If the Commission hopes to enhance the transparency and oversight of small capitalization securities, it should commit, within Strategic Objective 1.2, to fully enforcing the quality of XBRL submissions by all issuers, large and small.

In **Strategic Objective 1.4**, the Commission commits to “[e]ngage with a multitude of stakeholders to inform and enhance regulatory activities domestically and internationally.”¹⁸ As part of Strategic Objective 1.4, the Commission will “[c]ollaborate with other authorities on enforcement and market oversight matters.”¹⁹

The Draft Strategic Plan omits to mention the need to coordinate the data formats and fields that the Commission uses for disclosure with the data formats and fields used by other regulators. In foreign jurisdictions around the world, regulators have begun to align their data standards for reporting, allowing filers to submit similar information one time instead of multiple times to separate regulators. For example, Australia’s Standard Business Reporting (SBR) program²⁰ brings together tax, insurance, and securities reporting. In the United Kingdom, companies can satisfy their tax and Companies House

¹⁴ Draft Strategic Plan at 9.

¹⁵ Draft Strategic Plan at 10.

¹⁶ Interactive Data to Improve Financial Reporting, Release No. 33-9002 (Jan. 30, 2009), at 125 (“[T]here is likely to be an increase in coverage of smaller reporting companies by commercially available products that provide corporate financial data”).

¹⁸ Draft Strategic Plan at 14.

¹⁹ *Id.*

²⁰ See Standard Business Reporting – an Australian Government Initiative (accessed March 10, 2014), at <http://www.sbr.gov.au>.

reporting obligations through one XBRL-formatted filing.²² In the United States, where one study showed that two-thirds of the data elements reported to the Bureau of Economic Analysis are also reported, separately, to the Commission, Standard Business Reporting holds similar promise to simplify compliance.²³

Congress recognized the potential of cross-regulator data standardization to reduce duplication across the financial sector when the Dodd-Frank financial reform directed the Treasury Department’s Office of Financial Research (OFR) to issue rules governing the data formats and fields used by financial regulators.²⁴ The OFR’s first data standardization objective, in fact, is the broad adoption of the LEI.²⁵ The OFR intends to use its authority to encourage U.S. financial regulators to adopt data standards throughout their own collection regimes.²⁶ As part of Strategic Objective 1.4, the Commission should commit to working with the OFR and other financial regulators to align reporting data standards and achieve efficiencies of the sort being pursued by Australia and other jurisdictions.

Strategic Objective 2.1 is to “foster [] compliance with the federal securities laws.”²⁷ As noted above, the Commission does not currently enforce the quality of XBRL-formatted financial statements; the agency rarely takes action when issuers submit financial statements with clear errors. Over the past year, academic researchers,²⁸ the

²² See, e.g., Interactive Business Reporting blog, *XBRL in the UK* (accessed March 11, 2014), at <http://ibr-mag.com/xbrl-in-the-uk/>.

²³ See XBRL US, *Better Data for Better Decisions* (Oct. 2011), available at <http://xbrl.us/learn/documents/betterreporting.pdf>, at 10 (chart).

²⁴ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203 (July 21, 2010) § 153 *et seq.*

²⁵ See Office of Financial Research, Annual Report 2013 (December 17, 2013), available at www.treasury.gov/initiatives/ofr/about/Documents/OFR_AnnualReport2013_FINAL_12-17-2013_Accessible.pdf, at 97.

²⁶ See *id.* (table identifying categories of data standards).

²⁷ Draft Strategic Plan at 16.

²⁸ Columbia Business School Center for Excellence in Accounting and Security Analysis, *An Evaluation of the Current State and Future of XBRL and Interactive Data for Investors and Analysts* (Dec. 5, 2012) (“Columbia Report”), available at http://www4.gsb.columbia.edu/filemgr?&file_id=7313146; see also Suzanne Morsfield, *An Evaluation of the Current State and Future of Interactive Data and XBRL for Investors’ and Analysts’ Needs* (follow-up article), INTERACTIVE BUSINESS REPORTING, Vol. 3 no. 2 (2013) (“Columbia Follow-Up”), available at <http://ibr-mag.com/an-evaluation-of-the-current-state-and-future-of-interactive-data-and-xbrl-for-investors-and-analysts-needs/> (recommending that the Commission “[i]mmediately address all errors and any other issues that users tell you affect their willingness to use your data”).

Commission’s own investor advisory committee,²⁹ and the House Committee on Oversight and Government Reform³⁰ have all called attention to the need for the Commission to address these violations—or at least to treat errors in XBRL-formatted financial statements with the same rigor as errors in the plain-text financial statements. The Commission has not formally responded to any of these calls to action. The Commission should commit to enforcement as part of Strategic Objective 2.1.

Strategic Objective 2.2 is to “promptly detect [] and deter [] violations of the federal securities laws.”³² To pursue this objective, the Commission intends to improve its “surveillance and risk assessment capabilities,” “obtain greater access to data” from “registrants, SROs, commercial vendors, and other sources,” and “expand the use of analytics.”³³

These good intentions cry out for a data strategy. The Commission’s disclosure system is replete with examples of filings and submissions that currently are expressed as unstructured documents or lack the electronic identifiers that could make them useful. Proxy filings, reports of mutual fund voting of portfolio company shares on Form N-PX, earnings reports, corporate actions, and a great many other disclosures are plain text, even where the information they contain is numeric and/or tabular and easily could be converted into structured data. Moreover, the Commission has expressed no intention to systematically incorporate the LEI into existing filings or to create common identifiers for key individuals, transactions, and products.

If the Commission does not systematically adopt structured data formats for its disclosures, each analytics project will continue to face unnecessary conversion expenses. If the Commission does not incorporate adopt common identifiers, Commission staff will continue to manually match entities, ownership, transactions, and individuals each time they seek a cross-market view. To effectuate Strategic Objective 2.2, the Commission must create and execute a plan to transform its disclosure system from one that collects, maintains, and publishes documents into one that collects, maintains, and publishes data.

In **Strategic Objective 3.1**, the Commission commits to “ensure that investors have access to high-quality disclosure materials that facilitate informed investment decision-making.”³⁴ To pursue Strategic Objective 3.1, the Commission recognizes the

²⁹ Securities and Exchange Commission Investor Advisory Committee, *Recommendations of the Investor as Owner Subcommittee Regarding the SEC and the Need for the Cost Effective Retrieval of Information by Investors* (July 25, 2013) (“Advisory Committee Recommendations”), available at <http://www.sec.gov/spotlight/investor-advisory-committee-2012/iac-recommendation-data-tagging.pdf>.

³⁰ Rep. Darrell Issa to Chair Mary Jo White (Sept. 10, 2013), available at <http://www.scribd.com/doc/168830597/Issa-to-White-re-SEC-open-data>.

³² Draft Strategic Plan at 18.

³³ *Id.*

³⁴ Draft Strategic Plan at 27.

need to re-evaluate the substance of existing disclosure requirements, measure the effectiveness of filing review programs, create new disclosure regimes for specialized categories of issuers, and enhance EDGAR and SEC.gov.³⁵

Delivering useful information to investors is one of the Commission's core missions.³⁶ As already mentioned, the poor data quality of XBRL-formatted financial statements has made these structured data filings less useful to investors than they could be.³⁷ Judging from our Coalition's informal review of republication vendors' reports, simple errors that could be easily corrected but impair comparability are common. Strategic Objective 3.1 demands that the Commission commit, explicitly, to quality enforcement.

We agree that the Commission's existing filing review programs should be re-evaluated.³⁹ Today, the Division of Corporation Finance manually checks mechanical calculation rules with calculators. The Commission should replace its existing manual and document-based review process for corporate filings with a data-focused workflow that automates simple checks and calculations and isolates patterns that require staff attention.

We applaud the Commission's commitment to enhance EDGAR, its online portal for public securities disclosures. In recent weeks, media attention to RankandFiled.com, a new website that republishes Commission disclosures, has illustrated the shortcomings of EDGAR.⁴⁰ RankandFiled.com aggregates all of a corporate filer's submissions on a single page, categorized by information type instead of form type, isolates the activities of key insiders, visually summarizes ownership, and provides other functions not attempted by EDGAR. A single former Commission employee constructed RankandFiled.com over several months with minimal investment, demonstrating that modernizing EDGAR's interface need not be time-consuming or expensive.⁴¹

³⁵ *Id.*

³⁶ See Securities and Exchange Commission, *The Investor's Advocate: How the SEC Protects Investors, Maintains Market Integrity, and Facilitates Capital Formation* (accessed March 11, 2014), at <http://www.sec.gov/about/whatwedo.shtml>.

³⁷ See Columbia Report at 62 (reporting that only 8% of investors surveyed made direct use of data from XBRL-formatted financial statements).

³⁹ Draft Strategic Plan at 27 ("This assessment will explore the criteria used to identify filings for review, the process of issuing comments to reporting entities, and *new ways for technology to help improve the Commission's programs*") (emphasis added).

⁴⁰ See Alex Howard, *RankandFiled.com is like the SEC's EDGAR database, but for humans* (Feb. 19, 2014), <http://e-pluribusunum.com/2014/02/19/rankandfiled-com-is-like-the-secs-edgar-database-but-for-humans/>.

⁴¹ *Id.* We understand that the creator of RankandFiled.com has offered to donate its computer code to the Commission, but has not received a formal reply in either the affirmative or the negative.

As already mentioned, **Strategic Objective 4.2** states the Commission’s intent to “leverage [] technology and data to fulfill its mission more effectively.”⁴² In addition to its worthwhile nod to the need to transform existing filings from documents into data,⁴³ the Commission here recognizes that it must improve “information management and analysis functions.”⁴⁴ The steps that the Commission identifies in support of this initiative are all actions that could, and should, be performed by a chief data function, yet the Commission lacks a chief data officer. In fulfillment of Strategic Objective 4.2, the Commission should consider appointing a chief data officer with authority over data governance and standards and charged with creating and pursuing a data strategy for the Commission’s disclosure system.

Developing a Data Strategy for the Commission’s Disclosure System

The Commission’s strategic plan is an appropriate foundation for the transformation of its disclosure system. We believe that if the changes outlined above are incorporated in the Commission’s strategic plan for fiscal years 2014-2018, and pursued vigorously by the Commission and its staff, investors, the Commission’s mission, and the financial industry will benefit. But even if these recommended changes are indeed incorporated in the final plan, the technology and data initiatives will still read like a group of disconnected requests by various SEC offices, rather than a unified, agency-wide data strategy. We therefore believe that the Commission should adopt and pursue a unified data strategy beyond its strategic planning process. Here we outline considerations that may fall outside the scope of strategic planning but should be addressed if the Commission adopts and pursues a data strategy.

Start with the strengths and weaknesses of the Commission’s existing technology and structured data efforts. A unified data strategy would comprehend the Commission’s recent significant accomplishments in the use of technology and structured data, such as the implementation of XML for ownership disclosures⁴⁵ and XBRL for corporate issuers’ financial statements.⁴⁶ It would frankly acknowledge the shortcomings in the SEC’s use of technology and structured data, including those identified by the Columbia Business School study of investors’ use of XBRL-formatted financial statements and by Congressional investigations.

⁴² Draft Strategic Plan at 34.

⁴³ *See supra*.

⁴⁴ Draft Strategic Plan at 35.

⁴⁵ *See* Securities and Exchange Commission, Information for Filers (accessed March 11, 2014), <http://www.sec.gov/info/edgar.shtml> (XML taxonomies for ownership filings).

⁴⁶ Interactive Data to Improve Financial Reporting, Release No. 33-9002 (Jan. 30, 2009).

Fully treat recommendations by external stakeholders. A unified data strategy would fully adopt and implement the measures recommended by the Columbia study,⁴⁸ the Investor Advisory Committee,⁴⁹ and other products of stakeholder inquiry. If the Commission believes that certain of those measures should not be adopted, it should give specific, credible reasons for not adopting them.

Include a reasonable time frame and reflect high-level support. A unified data strategy would set a realistic timetable for converting all information filed with the Commission from disconnected documents into structured data and acknowledge the necessity of support at the level of the Office of the Chair. Ideally, formulation and implementation should be the responsibility of one person, preferably a senior official reporting to the Chair. Without this last step, it will continue to be no one's job to modernize the SEC's collection, maintenance, use and publication of financial data. Without individual accountability for this task, it is naïve to think that necessary changes will be made.

Reflect the growing need for quantitative analysis. The Commission has traditionally not consumed its own data. Rather, it has viewed its role as being a conduit of information from issuers to investors in the market. The Commission sets disclosure standards and reviews a portion of investor filings to ensure they are met, but, by and large, it has seen itself as an intermediary concerned with maintaining the quality of disclosures made by issuers for investors, rather than as a consumer of those disclosures for purposes of performing its statutory mission. However, new developments have put pressure on the Commission to adopt quantitative analysis in the performance of its mission, stepping out of the role of a mere "data conduit" in certain circumstances. For example, the Commission's report in response to the May 6, 2010 "flash crash"⁵⁰ took almost five months to prepare, because it required manual reconciliation of order and trade data from many different markets. The flash crash put a spotlight on the Commission's lack of sophisticated tools to do market reconstructions following unusual market activity. As a result, the Commission acquired MIDAS, a software tool and database that lets the SEC see trades and orders for National Market System equity

⁴⁸ Columbia Study at 43-44 (recommendations for Commission action).

⁴⁹ Advisory Committee Recommendations at 3, 4, 5 (recommending that the Commission "integrate data tagging into all future rulemaking and rule revision efforts that involve the collection of data"; seek to reduce filers' costs by, for instance, setting up web-based forms that automatically apply data tags; and prioritize forms that help investors participate in corporate governance for earlier transformation into structured data); *see also* Data Transparency Coalition, *Investors ask SEC to commit to "smart disclosure": Replace documents with machine-readable formats* (July 30, 2013), <http://datacoalition.blogspot.com/2013/07/investors-ask-sec-to-commit-to-smart.html>.

⁵⁰ Securities Exchange Commission and Commodity Futures Trading Commission, *Findings Regarding the Market Events of May 6, 2010* (Sept. 30, 2010), *available at* <http://www.sec.gov/news/studies/2010/marketevents-report.pdf>.

securities at the same level of detail as a high frequency trader does, through a fully automated process. A unified data strategy would reflect the Commission’s need to perform quantitative analysis on its own data.

Prioritize disclosures for conversion from unstructured documents into structured data. As recommended by the Investor Advisory Committee,⁵² the Commission should prioritize certain disclosures of greatest value to investors for early conversion from documents into data, yet make clear its intent to ultimately transform its entire disclosure system.⁵³ For example, the Commission might prioritize filings under the 1933 and 1934 securities laws by first adopting a structured data format for all periodic and current reports, next converting proxy and consent solicitation materials, and finally transforming registration statements and prospectuses included in registration statements. A unified data strategy would lay out disclosures for prioritized transformation.

Phase in common data identifiers for common concepts. A unified data strategy would plan for the gradual incorporation of common, preferably nonproprietary identifiers, throughout the Commission’s whole disclosure system, starting with the LEI and eventually including identifiers for individuals, transactions, and other concepts reaching across multiple filings.

Support the growth of an ecosystem of securities disclosure data. Open government data can be a foundation for future economic growth.⁵⁴ A unified data strategy would support the use of the Commission’s disclosure data as a public resource. It would promote the usefulness of the SEC’s structured data by making its public data available for bulk download without charge, by allowing SEC economists to use that the SEC’s non-public data for independent research papers published in peer-reviewed journals,⁵⁵ and through other means.

⁵² Advisory Committee Recommendations at 5.

⁵³ Advisory Committee Recommendations at 3.

⁵⁴ Joel Gurin, *OPEN DATA NOW* (2013), p. 24 (“If Open Data is free, how can anyone build a business on it? The answer is that Open Data is the starting point, not the end point, in deriving value from information. In general, governments have focused more on making the data itself available than on developing public-facing applications. The private sector can then add value by taking Open Data and building something great with it”); *see also id.* p. 26 (“The value of government Open Data is that it’s a long-term, permanent resource that innovators can use for decades, developing new ideas and new companies as technology makes them possible”).

⁵⁵ This would require changing or reinterpreting an SEC ethics rule that the agency has interpreted as requiring the Commission to formally approve each use of nonpublic information for an independent research paper, even where the institution providing the data has agreed to allow the use of its data for such papers.

Report to Congress and stakeholders and seek feedback. A unified data strategy would include regular written reports to Congress, the financial industry, and the public. Reports would track the Commission's progress in transforming its disclosure system; analyze the costs and benefits of the use of structured data in corporate disclosure to investors, markets, the Commission, and issuers; and summarize the enforcement actions that result from the use or analysis of structured data collected by the Commission.

Conclusion

The Data Transparency Coalition hopes that the Commission finds its recommendations useful. Through public support, Congressional advocacy, industry collaboration and experimentation, we intend to assist the Commission in every way possible to realize the transformation described in this letter.

Sincerely,

/s/ Hudson Hollister
Executive Director
Data Transparency Coalition