

August 16, 2018

SEC Adopts Inline XBRL Requirements for Operating Companies and Open-End Funds

On June 28, 2018, the SEC voted 4-to-1 to adopt [a final rule](#) to require operating company financial information and fund risk/return summary information in Inline XBRL format. The Inline XBRL format permits filers to embed XBRL data directly into an HTML document, which is both human-readable and machine-readable (i.e., allowing for the automated extraction and analysis of embedded XBRL data). The final rule was adopted substantially in the form in which it was proposed in March 2017, except for several changes that are described below.

The final rule was officially published in the Federal Register on August 16, 2018. As a result, certain technical aspects of the final rule will become effective on September 17, 2018, while the more substantive Inline XBRL requirements will be phased in over time, starting with large accelerated filers for fiscal periods ending on or after June 15, 2019, and for large fund groups (those with net assets of at least \$1 billion) in September 2020. In the near term, however, all filers should begin to consider how the adoption of mandatory Inline XBRL reporting will affect the timing and nature of their filing preparation and review processes.

Existing XBRL Requirements

In general, operating companies are required to submit financial statement information in eXtensible Business Reporting Language, or XBRL, as separate interactive data file exhibits to, and concurrently with, their Exchange Act reports (e.g., Forms 10-Q, 10-K, 20-F, 40-F) and certain Securities Act registration statements.

Open-end investment companies (including ETFs organized as open-end investment companies) (“funds”) are required to submit risk/return summary information in XBRL as exhibits to registration statements on Form N-1A and in prospectuses with risk/return summary information that varies from the effective registration statement. Funds are generally required to submit the XBRL interactive data file within 15 business days of (i) the effective date of the registration statement or post-effective amendment that contains the related information, or (ii) the filing of a form of prospectus filed pursuant to paragraph (c) or (e) of Rule 497. In addition, certain mutual funds, business development companies, and other entities that prepare their financial statements in accordance with Article 6 of Regulation S-X are currently allowed to participate in the SEC’s Interactive Data Voluntary Program with respect to financial statement information (the “2005 XBRL voluntary program”); however, according to the SEC, the program has been “used very infrequently.”

For both operating companies and funds, the XBRL interactive data file currently must also be posted on the filer’s website on the earlier of the calendar day that the data file was submitted, or was required to be submitted, to the SEC. Operating companies must keep interactive data files posted on their websites for at least 12 months, and funds must keep interactive data files posted for as long as the registration statement or post-effective amendment to which the interactive data file relates remains current.

In June 2016, the SEC issued an exemptive order under the Exchange Act to permit operating companies, on a voluntary basis through March 2020, to file structured financial statement data required in their Exchange Act reports using Inline XBRL if they complied with the conditions listed in the order.

Summary of the Amendments

The final rule:

- requires operating companies and funds, on a phased-in basis, to use Inline XBRL for the submission of financial statement information and fund risk/return summary information to the SEC;
- eliminates the 15-business-day XBRL filing period for fund risk/return summaries;
- eliminates the requirement for operating companies and funds to post interactive data files on their websites; and
- terminates the SEC’s 2005 XBRL voluntary program.

Applicability of the Inline XBRL Requirements

The new Inline XBRL requirements will apply to (i) all operating company filers, including smaller reporting companies, emerging growth companies, and foreign private issuers that are required to submit financial statement information in XBRL, and (ii) all fund filers required to submit risk/return summary information in XBRL as exhibits to registration statements and in prospectuses with risk/return summary information that varies from the registration statement.

Inline XBRL Compliance Dates

Operating companies. The new Inline XBRL requirements will be phased in for operating companies, based on filer status, as follows:

Operating Companies	Compliance Date
Large accelerated filers	Fiscal periods ending on or after June 15, 2019
Accelerated filers	Fiscal periods ending on or after June 15, 2020
All other filers	Fiscal periods ending on or after June 15, 2021

In a change from the 2017 proposal, operating companies that file on domestic reporting forms will be required to comply beginning with their first Form 10-Q for a fiscal period ending on or after the applicable compliance date for the respective category of filers, as opposed to the first filing for a fiscal period ending on or after that date, to permit a filer’s first Inline XBRL experience to be with a less complex filing.

Funds. The new Inline XBRL requirements and the elimination of the current 15-business-day XBRL filing period for risk/return summary information will be phased in for funds, based on the net assets of the fund group, as shown in the table below. These changes will apply to such funds that file any initial registration statement (or post-effective amendment that is an annual update to an effective registration statement) that becomes effective on or after the applicable compliance date.

Funds	Compliance Date
Funds within large fund groups (funds that together with other investment companies in the same “group of related investment companies” have <i>net assets of \$1 billion or more</i> as of the end of the most recent fiscal year)	September 17, 2020
Funds within small fund groups (funds that together with other investment companies in the same “group of related investment companies” have <i>net assets of less than \$1 billion</i> as of the end of the most recent fiscal year)	September 17, 2021

All Filers. Filers are permitted to file using Inline XBRL under the final rule amendments prior to the compliance date for each category of filers once the EDGAR system has been modified to accept submissions in Inline XBRL for all forms subject to the amendments (anticipated to be March 2019). Operating companies may also continue to voluntarily file certain Exchange Act reports pursuant to the SEC’s June 2016 exemptive order, which will cease to be operative once voluntary reporting under the final rule amendments is permitted. Otherwise, prior to the applicable compliance date, filers that do not file using Inline XBRL will continue to be required to submit the entire interactive data file as a separate exhibit, as they do currently.

Practical Considerations

The final rule will become effective on September 17, 2018. As noted above, the final rule eliminated the requirement that filers post XBRL interactive data files on their websites. The final rule also contained conforming amendments to the cover pages of certain Exchange Act reports, including Forms 10-Q and 10-K. These changes are effective on September 17, 2018, rather than the compliance dates shown above. Separately, we note that the SEC’s final rule amending the definition of “smaller reporting company” (which we described in a recent Ropes & Gray [Alert](#)) also contained conforming amendments to the cover pages of certain registration statements and Exchange Act reports and becomes effective on September 10, 2018. As a result, a calendar year-end reporting company should update the cover pages of its third quarter 2018 Form 10-Q and 2018 annual report on Form 10-K to remove references to both the website posting of XBRL interactive data files and the parenthetical reference to a smaller reporting company (please see [Appendix A](#)).

While the phase-in periods incorporated in the final rule are expected to give operating companies and funds time to implement the new requirements, all filers should begin to consider how the adoption of Inline XBRL will affect the timing and nature of their filing preparation and review processes, including potential changes to workflow processes and existing reporting software. Filers that currently outsource the preparation of their XBRL interactive data file exhibits should coordinate with their vendors or filing agents to prepare for the new Inline XBRL requirements.

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Please feel free to contact any member of Ropes & Gray’s [securities & public companies](#) or [investment management](#) practice groups or your usual Ropes & Gray contact with any questions about this Alert.

Appendix A

Changes to Cover Pages of SEC Forms 10-Q and 10-K

(Marked to illustrate changes)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-[Q][K]

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Indicate by check mark whether the registrant has submitted electronically ~~and posted on its corporate Web site, if any,~~ every Interactive Data File required to be submitted ~~and posted~~ pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit ~~and post~~ such files).

Yes No

* * * * *

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer ~~(Do not check if a smaller reporting company)~~

Smaller reporting company

Emerging growth company

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(Effective for 3Q 2018 Form 10-Q and 2018 Form 10-K for calendar year-end reporting companies)