March 13, 2026

Mr. Jamie Selway
Director, Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Application of Structured Machine-Readable Language to Broker-Dealer and Security-based Swap Dealer Audited Annual Financial Reports and Broker-Dealer Risk Reports (17-H)

Dear Mr. Selway,

The Securities Industry and Financial Markets Association[1] ("SIFMA") is writing to highlight critical concerns about certain requirements included in the U.S. Securities and Exchange Commission's ("SEC" or Commission") Electronic Submission of Certain Material Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report ("Final Rule").[2] Following up discussions with staff, we are providing additional comments related to the submission of broker-dealer ("BD") and securities-based swap dealer ("SBSD") (together, "Covered Entities") audited annual financial reports ("Audited Annual Reports") and BD risk reports ("Risk Reports") (together, "Covered Reports") to highlight significant shortcomings in the Final Rule specific to these reports. We have critical concerns with other requirements, which we have and will continue to comment on via separate submissions and look forward to discussing those concerns with staff and the Commission in due course.[3]

---

1 SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

2 *See* Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report, 90 FR 7250 (Jan. 21, 2025).

3 Most recently SIFMA submitted a letter on the applications of certain requirements to SBSD chief compliance officer annual compliance reports (Feb. 17, 2026), https://www.sifma.org/wp-content/uploads/2026/02/SIFMA-Letter-on-Electronic-Submission-of-CCO-ACR.pdf.

Background

In early 2023 the Commission approved a proposed rulemaking covering a very broad number of different types of forms, filings and submissions that are required to be filed with or submitted to the Commission under the Securities and Exchange Act of 1934 and related rules and regulations thereunder ("Proposed Rule").[4] Among many proposed requirements, the Proposed Rule would require the electronic filing or submission on the Commission's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system, using structured data for certain materials, framed as part of the Commission's effort to modernize its information collection and analysis methods.

In our comment letter submitted on May 22, 2023,[5] SIFMA expressed its support for modernizing the document submission process for broker-dealers, over-the-counter ("OTC") derivatives dealers and SBSDs, and improving the utility and functionality of the forms and their data for the Commission, market participants, and dealers. These included, for example, updates to FOCUS reports which had been the subject of significant and productive discussions between staff and industry aimed at achieving these shared goals.

At the same time, however, we noted strong concerns with several requirements that would impose significant costs and burdens on market participants without providing a clear benefit. Further, we described many cases where there are mechanisms to achieve the Commission's objectives that would be substantially less costly and burdensome for firms than those proposed. In addition, some aspects of the Proposed Rule, such as the requirement to submit fillable web forms on EDGAR in lieu of PDFs, would undermine the Proposed Rule's goals by introducing inefficiencies and opportunities for human error.

On December 16, 2024, the Commission approved, three votes to two, the Final Rule, retaining most of the requirements we urged the Commission to reconsider. The two dissenting Commissioners in their December 16 statement pointed out one of the key themes we raised – that imposing structured data requirements without considering rapid technological advancement runs counter to the stated Commission objectives.[6]

Another key theme we raised is that the evaluation on the costs of mandating structured language requirements cannot be conducted properly without staff providing at least a draft taxonomy, the analysis of which would be the first step in any cost assessment. Since no such taxonomy was produced, it was not possible for anyone to accurately assess costs. Further, because the work necessary to comply with structured language requirements – including mapping report

---

4 *See* Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report, 88 FR 23920 (Apr. 18, 2023).

5 SIFMA letter in response to the Proposed Rule (May 22, 2023), https://www.sifma.org/wp-content/uploads/2023/05/Electronic-Submission-of-Certain-Materials-Under-the-Securities-Exchange-Act-of-1934.pdf ("SIFMA Letter").

6 *See* Commissioner Hester M. Peirce and Commission Mark T. Uyeda, Dissenting Statement on Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934 and Amendments Regarding the FOCUS Report (Dec. 16, 2024) ("Dissenting Statement").

content to taxonomy and any necessary report redesign, as well as technological and operational builds and testing – cannot begin until a final taxonomy is published, we urged the Commission to link compliance deadlines for various reports with the publication of a related final taxonomy. The Final Rule set compliance deadlines for registrants without acknowledging the lead time necessary post-publication of a taxonomy to accomplish compliance. Further, the Final Rule did not set any deadlines for the publication of taxonomies (or deadlines for updating EDGAR functionality for that matter).

By early 2025 there were no published draft, let alone final, taxonomies, and therefore there would not be sufficient time for the implementation of certain of the structured language and EDGAR publication requirements, which would have begun in January 2026. Considering the foregoing, as well as SIFMA's continuing belief that certain requirements in the Final Rule were not fit for purpose, in May 2025 SIFMA wrote to staff requesting an extension of certain compliance dates.[7] In September 2025, the Commission published a final rule extending compliance dates by 12 months.[8]

Since the publication of the Final Rule, there have been other policy developments relevant to reconsideration of its requirements. In early 2025, President Trump issued Executive Orders on deregulation which emphasize, among other criteria, that cost of regulation should not outweigh its benefits.[9] Consistent with that mandate, the Commission, together with the U.S. Commodity Futures Trading Commission ("CFTC") launched a workstream on regulatory harmonization efforts, which were kicked off by an SEC-hosted roundtable on September 29, 2025 and followed up by a joint event hosted by the CFTC on January 29, 2026. Coordination and harmonization were highlighted at both events and by both chairmen. Chairman Atkins noted "…for decades, we have compelled market participants to operate within a maze of overlapping and often inconsistent regulatory frameworks that reflect historical boundaries more than modern realities."[10] This imperative applies as aptly to swaps regulation, and the divergent approaches adopted.

---

7 Letter from Kyle Brandon, Managing Director, SIFMA (May 13, 2025)

8 *See* Extension of Compliance Dates for Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report, 90 FR 43552 (Sept. 10, 2025).

9 *See* Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Deregulatory Initiative, Executive Order 12866 (Feb. 19, 2025).

10 Chairman Paul S, Atkins, Opening Remarks at Join SEC-CFTC Harmonization Event – Project Crypto (Jan. 29, 2026).

Executive Summary

As discussed in greater detail below, the requirement to submit the Covered Reports using structured machine-readable language is flawed in many significant ways. While we highlighted many of these concerns and objections to the requirement to use eXtensible Business Reporting Language ("XBRL") in the SIFMA Letter on the Proposed Rule, we provide further comments below to illustrate the need to revisit this requirement well before the upcoming compliance dates.[11]

We believe the imposition of XBRL requirements is inconsistent with the regulatory policy goals of the Covered Reports. Further, it is contrary to the current, broader SEC goals of modernization, efficiency, cost reduction, clarity and harmonization. Consistent with those goals, the current Commission is carefully evaluating, and where appropriate, alleviating regulatory burdens that are not justified on a cost-benefit basis. We believe the imposition of the requirements described in this letter does not meet this Commission's standards.

The previous Commission did not consider adequately the costs imposed by the Final Rule, nor seriously consider available alternatives to achieve its stated goal of improving the usefulness of the Covered Reports for supervision and/or their very limited public reporting purposes. There is an opportunity for this Commission to correct that oversight and tailor its requirements to facilitate appropriate supervision and public reporting without imposing unnecessary costs.

Below we elaborate on several key themes we believe support our request that the Commission reexamine and consider withdrawing the structured language requirement from the Audited Financial Report and Risk Report sections of the Final Rule.[12] The requirement to apply structured machine-readable language to the Covered Reports:

- Is Inconsistent with the Regulatory and Public Reporting Purpose of these Reports;
- Is Contrary to the SEC's Goals of Modernization, Efficiency and Harmonization;
- Adds Unnecessary Complexity and Liability;
- Imposes Unjustified Costs; and
- Was Finalized Without Due Consideration of Lower-Cost Alternatives.

---

[11] For Audited Annual Reports: Interactive Data File requirements for certain broker-dealer/SBS filings (17 CFR 232.405 (17a-5, 17a-12, 18a-7)) the new compliance date for firms with a minimum fixed dollar net capital requirement ≥ $250,000 as of December 31, 2025 (extended from December 31, 2024): New requirements apply to filings due on or after June 30, 2027 (extended from June 30, 2026). For all other firms: New requirements apply to filings due on or after June 30, 2029 (extended from June 30, 2028). For Risk Reports: Broker-dealer financial/operational reporting requirements including Interactive Data (17 CFR 240.17a-5(d)(6), (k)) For firms with a minimum fixed dollar net capital requirement ≥ $250,000 as of December 31, 2025 (extended from December 31, 2024): New requirements apply to filings due on or after June 30, 2027 (extended from June 30, 2026). For all other firms: New requirements apply to filings due on or after June 30, 2029 (extended from June 30, 2028).

[12] As we mentioned above, we believe reconsideration is also needed in regard to requirements related to the submission of other materials, including structured language requirements for financial and risk reports and EDGAR submission of valuation dispute notices and relying entity notices.

The Requirement to Apply Structured Language to the Covered Reports Is Inconsistent with the Purpose of these Reports

A threshold consideration is that the Commission already receives the most critical supervisory financial data from broker-dealers in structured, machine-readable form through FOCUS filings. Audited annual financial statement formats are diverse across the industry; BDs and SBSDs come in many shapes and sizes, with a broad range of businesses and business structures. SEC staff, however, already have access to structured financial data via the FOCUS and FOCUS Supplemental filings submitted by Covered Entities, and these filings are fully reconciled with the data in the Audited Annual Reports. Further, firms already submit their Audited Annual Reports in machine-readable PDF format. If SEC staff have identified other parts of the Audited Annual Report that would benefit from a more structured format for the purpose of regulatory oversight, staff could explore, starting with discussions with firms, approaches, such as potential naming or format conventions, which could enhance current submissions or doing so via established FOCUS capabilities.

As for public reporting purposes, there is insufficient justification for the cost of implementing XBRL. In most cases the entities submitting Audited Annual Reports are not subject to public financial reporting requirements and therefore at most only small sections of their Audited Annual Reports are made public. This limited public reporting cannot justify the cost of implementing XBRL.

The Risk Reports referenced in the Final Rule is the 17H Material Associated Person ("MAP") quarterly filing which discloses to the SEC which affiliated entities are considered "material" by a BD. For each identified MAP entity, the BD provides a variety of information in various formats, including, for example: organization chart, financial information (balance sheet/income statements), risk management policies, and legal proceedings. The report covers the policies, controls and financial data used to monitor risks that could affect the firm's financial or operational condition. It includes both qualitative and quantitative information such as consolidated GAAP financial statements, funding and liquidity information, trading positions, and off-balance-sheet exposures.

Applying XBRL requirements to such heterogenous reports would be extremely challenging because the information is so diverse across the industry and even among affiliated entities within each firm. If staff are sincerely trying to enhance the usefulness of the information contained in these reports, the starting point should be working with firms to identify and address such challenges, not imposing a costly, unsuitable, and one-size-fits-all requirement. Further, the Risk Reports are not public so there is no public reporting or transparency benefit to justify the cost of implementing XBRL for Risk Reports.

In Summary: While we support the Commission's objective of improving the accessibility and usability of information, "machine-readability" is an outcome, rather than a single technology choice. Mandating a particular technical standard risks locking market participants and regulators into a framework that may become obsolete as data-analysis technologies evolve.

The Requirement to Apply Structured Language to Covered Reports Conflicts with SEC Modernization, Efficiency and Harmonization Goals

As noted by Commissioners Peirce and Uyeda in their dissenting statement, "[I]in an era where large language models and artificial intelligence are rapidly advancing, the possibility that the structured data format may become irrelevant is very real."[13] As firms and regulators focus on the implementation of artificial intelligence tools and analysis, any reporting or submission requirement should at the very least take such capabilities into account when identifying and evaluating how to modernize and enhance oversight.

Further, requiring a specific format can lead to entrenched vendors, creating concentration risk and potentially raising cost, all counter to efficiency aims. Such a rigid requirement is inconsistent with the vast range of entities submitting Covered Reports, which range from very small BDs to global SBSDs. Some of these entities have no other reason to develop XBRL capabilities; others are dually registered with the CFTC, which does not require XBRL for its analogous requirements.

In Summary: The requirement does not comport with the SEC's policy to promote efficiency in regulatory compliance and is contrary to efforts to harmonize requirements and thus reduce the friction and expense of overlapping, yet inconsistent regulatory requirements.

The Requirement to Apply Structured Language to the Covered Reports Introduces Complexity and Liability

Even without a draft taxonomy, because the Covered Reports are not homogeneous, we know that most if not all firms will be required to change the structure of their reports even though there is no demonstrated defect in their reporting. Firms will need to implement additional processes and controls to ensure tagging accuracy, resulting in additional efforts and administrative costs without commensurate benefit. Further, mis-tagging could potentially be considered a material error, necessitating resubmission of reports.

Setting aside potential liability for tagging inaccuracies, the current reporting deadlines for the Covered Reports are already tight. Firms currently work right up until deadlines to get reports in shape for auditors to make the submission deadline. XBRL vendors would need "locked down" audited reports well ahead of current deadlines, forcing even shorter preparation windows. Further, entities that are part of a larger public company have even shorter deadlines as their financial

[13] *See* Dissenting Statement.

reports cannot be considered final until the parent company report is final, leaving even less time between "locking down" reports and the submission deadline.

In Summary: The mandatory use of XBRL creates a separate technical compliance layer (taxonomy mapping/tagging/validation) that can produce filing errors or refiling risk even when the underlying report content is substantively correct. This would require added internal controls, governance, and troubleshooting processes focused on tagging mechanics rather than the report's substance, increasing compliance burdens on firms unrelated to the underlying accuracy of the audited financial statements or the information they represent.

The Requirement to Apply Structured Language to the Covered Reports Imposes Unjustified Costs

The requirement to apply structured language to Audited Annual Reports would apply to all registered BDs, approximately 3,200,[14] most of which do not otherwise maintain XBRL capabilities. According to FINRA, in 2024 the vast majority – nearly 90% – of the total number of BDs were characterized as small, meaning they had 1 to 150 registered representatives. In addition, of the total number of BDs, approximately 200 were also required to submit Risk Reports. Additionally, there were an estimated five to seven OTC derivatives dealers and roughly 20 nonbank SBSDs required to submit Audited Annual Reports, some of which also do not otherwise maintain XBRL capabilities

There are many direct and indirect costs associated with applying a structured machine-readable language such as XBRL to a report. These range from the cost of licensing software, mapping and restructuring a report to align with a new or changing taxonomy, identifying and onboarding a new vendor (subject to third party risk management requirements), setting up of the report in XBRL, and creating and submitting of such reports.

Further, these costs may vary considerably between firms that already have a vendor that will offer XBRL tagging for the Covered Reports and those that do not. Existing vendor relationships may not even be particularly helpful because those relationships would only mitigate onboarding costs, as the direct set up, creation and submission costs would apply to each report for each entity. Based on preliminary discussions with vendors, the range of estimates will vary based on the complexity of the registrant's reports. Also, as noted above, staff have not yet produced a draft taxonomy, hampering the ability of firms or potential vendors to provide cost estimates.

However, from the limited preliminary feedback received the estimated direct cost of initial XBRL per report per filing entity is in the range of $7,500 - $50,000, depending on, for example, the firm's experience with XBRL and the complexity of the organization and therefore the amount of work needed to set up the report. The estimated annual cost per filing entity for creation and submission of each Audited Annual Reports is $7,500 - $32,000 and for the Risk Reports, $7,500

[14] FINRA, 2025 FINRA Industry Snapshot (July 9, 2025) p. 14.

– $15,000. Thus, for BDs subject to both requirements the annual direct cost is an estimated $15,000 – $47,000 per legal entity. It is also worth noting that in addition to these costs being borne by even the smallest BDs, which are relatively less well positioned to absorb them, many larger firms have multiple registered entities so their costs would be multiples of the per entity estimates. Further, even taking the lower end of the range of direct costs per firm, based on the number of firms subject to the requirement described above, SIFMA estimates the total cost to the industry of setting up the Covered Reports would be $26,000,000, and the estimated total cost of creating and submitting the Covered Reports would be $26,000,000, annually.

Indirect costs include the additional resources and time needed to facilitate tagging and review for accuracy, logistics and preparation, as well as the increased risk for error that could result in additional costs associated with re-filing. Some firms may have established workflows for other reports, such as 10-Ks, but many others will have to build such capabilities from scratch just for this requirement. Further, the likelihood of technical tagging errors and additional time needed to resolve such errors would be expected as the existing workflows were not originally designed for BD and SBSD financial statements. Further, firms do not use XBRL for internal analysis, so there isn't even any internal benefit that could help justify the cost.

All these indirect costs could serve to take resources away from more substantive review or checks supporting financial reporting. Financial reporting subject matter experts are better utilized performing their primary tasks, rather than structuring reports to align with a structured language such as XBRL. In addition, mandatory tagging also necessitates enhancements to disclosure controls and procedures, including governance over tagging decisions, review/approval workflows, and error-correction protocols. These control and assurance costs can scale poorly, disproportionately affecting smaller registrants and those with more complex reporting structures.

Further, the Commission's analysis of costs to small BDs was particularly inadequate. In addition to significantly underestimating the direct and indirect costs of this requirement, the analysis demonstrated a lack of understanding about how small these BDs are. Small BDs are significantly smaller than small public companies by headcount, revenue and organizational footprint. Without opining on whether small public companies can easily bear the cost of XBRL requirements, it is fair to assert that much smaller BD firms cannot.

In Summary: Consistent with the Commission's stated emphasis on efficiency and smart, tailored modernization, the incremental benefits of this prescriptive requirement should have been weighed against the incremental costs. As described above, in addition to the substantial direct costs, there are indirect costs that should have been more thoroughly considered. Such consideration must also include an open-minded solicitation and examination of lower cost and potentially superior alternatives, some of which are discussed below.

The Requirement to Apply Structured Language to Covered Reports Was Finalized Without Due Consideration of Lower-Cost Alternatives

Although we raised the above concerns, among others, in our comment letter, to our knowledge, staff did not explore alternative means to achieve their stated goal of improved oversight. Such alternatives could, for example, take the form of:

- Meeting with Covered Entities – individually or through industry groups – to discuss their concerns and how best to address them.
- Improving aggregation and comparability of data across time or across firms by providing guidance on naming conventions or ways to cross reference or cite relevant sections.
- Exploring efficient and modern techniques for data aggregation. Covered Entities currently submit their financial reports via FOCUS filings, which are structured data files, and therefore machine readable. If there are other aspects of the Covered Reports that staff is struggling to aggregate, a discussion with registrants and exploration of less costly and modern techniques should be the favored approach.

Based on discussions with Covered Entities, as well as exploring how fellow U.S. regulators address similar challenges, staff could issue FAQs or guidance to enhance reports and develop queries without requiring the expense and collateral consequences of requiring XBRL.

The types of approaches described above would also have the benefit of flexibility, which the Final Rule lacks. As the content of Covered Reports and technologies evolve, staff can work together with Covered Entities to further enhance and refine the reports and the techniques applied to aggregate and analyze them. Even in the period since this rule was first proposed, off-the-shelf artificial intelligence tools, particularly large language models, are routinely used for the kind of analysis contemplated in this requirement and can accomplish the same analysis on reports with content that is clearly organized and structured to align with the relevant requirements

In Summary: As Commissioner Uyeda recently remarked in a somewhat different context, "SEC rules should remain technology-neutral, focusing on outcomes rather processes, while ensuring appropriate investor protection."[15] XBRL is merely one possible process, not the only process, to facilitate data accessibility and usability. An analysis of costs vs. benefits should distinguish between (i) the general proposition that structured information can facilitate analysis and (ii) the incremental, measurable benefits attributable specifically to a mandatory XBRL requirement as compared to less prescriptive approaches. Assertions about "machine readability" should be accompanied by evidence of (a) investor usage, (b) measurable reductions in search/processing costs, and (c) improvements in regulatory outcomes that are attributable to this mandate rather than other sources of digitization.

---

[15] *See* Commissioner Mark T. Uyeda, Remarks at the Asset Management Derivatives Forum 2026, Austin, TX (February 9, 2026).

* * *

SIFMA and its members greatly appreciate the Commission's ongoing efforts to modernize and make the reporting and submission process more efficient, as well as to streamline and make less burdensome regulatory compliance. We look forward to discussing our comments and collaborating on the best possible outcome for regulatory and compliance oversight. Please do not hesitate to contact the undersigned if you have any questions or require more information.

Sincerely,

Kyle L Brandon
Managing Director, Head of Derivatives Policy
SIFMA

CC: The Hon. Paul S. Atkins, Chairman
The Hon. Hester M. Peirce, Commissioner
The Hon. Mark T. Uyeda, Commissioner