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by

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This morning, I'd like to spend a few minutes talking about Interactive Data, specifically XBRL.

By now, you've heard how tagged financial information can benefit investors and analysts by providing easily searchable and retrievable financial information for companies of any size and complexity that can be analyzed in an easily understood format tailored to the specific needs of the investor or analyst. A company's information that is tagged, which can be a value or text, can be compared with other companies in an industry and span many periods; again, based on the specific needs of the user. Robust financial analyses are possible with software tools currently on the market, and I have no doubt the software industry will introduce increasingly sophisticated and user-friendly tools as more enterprises report using XBRL. Alternatively, XBRL data can be downloaded easily onto your own spreadsheets for your own customized analysis. In order to fully realize this lofty goal, we recognized that we needed a truly comprehensive U.S. GAAP-compliant taxonomy. So, I'm going to speak this morning about the taxonomy development effort, and where we go from here.

Let me start by quickly explaining what a taxonomy is. Think of the U.S. GAAP taxonomy as a dictionary of financial reporting concepts. The idea behind XBRL is to associate, or tag, each disclosure item appearing in your

financial statements with one of the concepts from the dictionary. Each of the concepts in the taxonomy is known as an "element," and for each element, the taxonomy gives a label, a definition, and other information about the element.

The ideal taxonomy would contain an element to correspond to each line item and column appearing on a company's balance sheet, statement of income, statement of comprehensive income, statement of cash flows, and statement of owner's equity. It also would include a specific element for each type of footnote, and for detailed facts included within those footnotes.

- What this means is that a company would be able to find the perfect element in the taxonomy to match whatever information or data it wants to tag, be it a line item on its financial statements or information included in its footnotes.
- It also means that each individual element in that taxonomy would be unique to every other element. In other words, no two elements would be exactly alike. There would be one, and only one, element in the taxonomy that matches perfectly the specific data that is desired to be tagged.

Tagging a company's financial statements from such an ideal taxonomy would enable any investor or analyst to search, extract, and analyze that company's product revenues and margins, for example, and compare that data across various reporting periods and various companies. Similarly, pension discount rates, debt terms, and revenue recognition policies can quickly and easily be retrieved and analyzed. Just think how fast and easy it would be to identify companies with unusual interest rates, or companies applying a bill-and-hold model for recognizing revenue.

What if a company wants to tag a piece of information for which an element does not exist in the taxonomy? Well, that's where the "extensibility" notion comes into play. If a company cannot find the appropriate element in the taxonomy, it has the ability to create one. This process is known as "extending" the taxonomy, and the customized element is often referred to as an extension. The benefit to being able to "extend" is that a company can still tag information even though an element fitting that information doesn't exist in the published taxonomy. For example, the particular information may be unique to that company, or it may reflect a reporting practice that just wasn't picked up in the taxonomy. But, there's a downside to the use of customized elements; and that is the inability of analysts to compare that data across companies. Simply put, investors and analysts will search and extract data across companies based on the elements included in the published taxonomy. So obviously, any customized elements a company creates will be excluded from such searches. A key characteristic of an ideal taxonomy is that it contains enough elements so as to minimize or obviate the need for extensions. We often refer to this as a "comprehensive" taxonomy.

This leads me to the Commission's engagement in 2006 of XBRL-US (a non-

profit organization) to take the then-existing U.S. GAAP taxonomies and make them comprehensive — to include sufficient elements to enable a company in any industry to tag its primary financial statements and footnotes whereby that company shouldn't need to create any of its own elements. This was a major undertaking that spanned over 9 intense months. Can you imagine a project of this magnitude where accountants, focusing on financial reporting and disclosure matters, and IT folks, grappling with complex XBRL technology issues, worked hand-in-hand? Somehow they did it. And most of them survived. XBRL-US accountants participating on the development team used a variety of U.S. GAAP and public company disclosure checklists, financial statement illustrations included in various FASB and AICPA publications, and numerous actual financial statements on file with the SEC. They started with a group of taxonomies having about 3,500 elements.

The content development effort was completed in this past September, and the resulting taxonomy includes over 13,000 distinct elements. It includes elements for commonly reported financial statement line items and footnote disclosures, and encompasses elements for tagging text as well as for tagging amounts. A major emphasis of the development effort was directed toward drilling into footnote details, and creating elements for very specific information commonly found in the footnotes, even when that information is often presented in tabular format. This level of detail was missing from the elements included in the initial taxonomies the development team began with.

To accompany the taxonomy, the development team has created a plain-English "XBRL Preparers Guide." This Guide is intended to give financial reporting management and staff responsible for financial statement preparation a thorough understanding of XBRL tagging concepts and practical guidance in order to:

- Help tag a complete set of financial statements, including all the footnotes, in XBRL format;
- Help facilitate a consistent tagging process within a company and across companies; and,
- Help maximize the comparability of tagged data (and, consequently, of data analysis) across companies.

The Preparers Guide covers a broad range of important topics that the preparer of tagged data should find useful in answering a variety of how, what, when, and why questions. For example, some of the general topics include:

- How the taxonomy is organized?
- What information is contained in the taxonomy?
- How to find and select appropriate elements from the taxonomy.
- How to tag the financial statement footnotes, and in what level of detail.
- How to create customized elements.
- When to create customized elements, and when not to.
- How and when to change labels for existing elements.

- How to set up contexts, such as units of measure, decimals, and period information.
- What dimensions are and how to use them. "Dimensions" refers to a particular XBRL architecture for disclosures contained in tables and charts.
- What is validation, and how is it performed.
- What XBRL software applications do, and how they're useful in the tagging and validation process.
- What is an instance document, and how is one created?
- How do taxonomies and instance documents work together?
- How to review the instance document from an accounting and technical perspective. This covers the types of reports that can be generated.
- What is a rendering.
- How to create a simple rendering.
- How to create an advanced rendering, one with tables for example.

Last week, XBRL-US posted on its website the comprehensive US GAAP taxonomy and the XBRL Preparers Guide for public review and comment. Here's your opportunity to test it by trying to tag your entire financial statements using the Preparer's Guide as a tool. See if it's easy to navigate around the taxonomy, if it's easy to find the elements you need, if it's easy to change labels or add elements through extensions. See if the element descriptions are easy to understand. See whether the descriptions and references make it easy to distinguish one element from another. See if the Preparer's Guide provides sufficient practical information. Any feedback you can provide to XBRL-US concerning your experience would be valuable. They are particularly interested in learning about what you believe to be deficiencies in the taxonomy or the Preparers Guide that could present significant obstacles to widespread implementation. They prefer commenters use the web-based forms to register comments. Just go to their website and click on "Public Review: US GAAP Taxonomy."

As Chairman Cox discussed at his September 25th press conference, he has requested the staff of 7 offices within the Agency to make recommendations to the Commission about how to deliver maximum benefit of tagged data to investors, including converting all public company disclosure to interactive data format. Those offices and divisions consist of the Office of the Chief Accountant, the Office of Information Technology, the Office of the General Counsel, the Office of Economic Analysis, the Office of Investor Education and Advocacy, the Division of Investment Management, and the Division of Corporation Finance. The final recommendations are expected to be acted upon by the Commission next spring, with a final rule contemplated later that fall. The staff of these offices have been devoting significant time and resources in thinking about and developing the recommendations requested by Chairman Cox. While it would be premature for me to comment on how those recommendations are shaping up so far, I will share with you some of the questions I'm thinking about from a Corp Fin perspective:

- Should tagged data continue to be provided on some sort of voluntary basis?
- If we recommend mandatory tagged data, how should it be phased in?

By accelerated filer category or in some other fashion? Should it be implemented with a quarterly filing on Form 10-Q, or with the more comprehensive financial statements filed in a 10-K?

- Whether voluntary or mandatory, should the XBRL data be considered filed with full Exchange Act liability, or merely furnished with only Section 10b-5 liability, similar to the voluntary filer program?
- Should registrants be permitted to continue filing their financial statements in the human readable ASCII or HTML format as they currently do, and the XBRL data files could merely supplement those financial statements? Or, should the ASCII or HTML document be replaced entirely by the XBRL-formatted data? Along these lines, if the ASCII or HTML document is to be replaced, should the filing also include a rendered version of the XBRL data so users would continue to see a set of financial statements? How will the auditor's report on the financial statements' compliance with GAAP be affected under these alternatives?
- Should we permit the XBRL data to be filed at some date after the official 10-K or 10-Q is filed, for example under cover of Form 8-K, as currently permitted in the Voluntary Filer Program?
- At what level of detail should footnote disclosures be tagged? How prescriptive should the guidance be? Should the guidance be a recommendation or a hard-and-fast rule?
- Should limitations be established for creating custom tags, or extensions? If so, what should those limitations be?
- Should management be required to certify to such things as whether the registrant selected the appropriate tags from the taxonomy, whether it added elements or changed labels only when necessary, and whether it tagged footnote data at the appropriate level?
- Should third-party assurance on the tagging be required? If so, what would be the scope of that assurance, and what would their report look like?
- Should the auditors' report on the financial statements also be tagged?

I'm unable to give you substantive insight into what the final recommendations will be, mainly because they're still in process of being developed. So stay tuned. In the meantime, I encourage you to seriously consider giving this new technology and new taxonomy a try. I think they're here to stay.

See also: [Slide presentation](#) (PDF)

<http://www.sec.gov/news/speech/2007/spch121107jkl.htm>