

## SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-8497; 34-50454; 35-27895; 39-2429; IC-26623; File No. S7-36-04]

### Enhancing Commission Filings Through the Use of Tagged Data

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Concept release.

**SUMMARY:** Data tagging provides a method for searching, retrieving, and analyzing information through automated means. As part of our initiative to improve the filing, information collection and disclosure process, we are seeking to determine the impact and usefulness of tagged data generally and, more specifically, the adequacy and efficacy of Extensible Business Reporting Language (XBRL) as a format for reporting financial information. This concept release seeks comment on the use of tagged data in certain Securities Exchange Act and Investment Company Act filings.

**DATES:** Comments should be received on or before November 15, 2004.

**ADDRESSES:** Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/concept>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number S7-36-04 on the subject line; or
- Use the Federal eRulemaking Portal (<http://www.regulations.gov>). Follow the instructions for submitting comments.

#### Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609.

All submissions should refer to File Number S7-36-04. This file number should be included on the subject line if e-mail is used. To help us process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/concept>). Comments are also available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC 20549. All comments received will be posted without change; we do not edit personal identifying information from

submissions. You should submit only information that you wish to make available publicly.

#### FOR FURTHER INFORMATION CONTACT:

Questions about this release should be referred to Brigitte Lippmann or Steven Hearne, Division of Corporation Finance (202-942-2910), Brian Bullard or Toai Cheng, Division of Investment Management (202-942-0590), or Eric Schuppenhauer, Office of the Chief Accountant (202-942-4400), Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549.

#### SUPPLEMENTARY INFORMATION:

##### Table of Contents

- I. Overview
- II. Tagged Data as Part of Our Initiative To Improve Analysis and Disclosure
  - A. Development of Data Tagging at the Commission
  - B. Essential Elements of Data Tagging
  - C. Impact on Disclosure
- III. XBRL and XBRL Tagged Data
  - A. Technology Specification
  - B. Taxonomies
  - C. Presentation and Analysis of Tagged Data
  - D. Attestation/Validation of Tagged Data
- IV. Information for and Filing of Tagged Data
  - A. Information Appropriate for Data Tagging
  - B. Filing of Tagged Data
- V. Impact on Various Parties
  - A. Investors
  - B. Registrants
  - C. Accountants
  - D. Other Parties
- VI. General Request for Comment

#### I. Overview

On July 22, 2004, we issued a Press Release announcing that the Commission was undertaking an initiative to assess the benefits of tagged data and its potential for improving the timeliness, accuracy, and analysis of financial and other filed information.<sup>1</sup> Data tagging uses standard definitions to translate text-based information, such as information contained in Commission filings, into files that can be retrieved, searched, and analyzed through automated means. Data tags may enable investors and other market participants to more efficiently and effectively analyze data from different sources and automatically exchange financial information across various software platforms, including web services.

Data tagging appears to be gaining prominence as a format for enhancing financial reporting data. Substantial progress has been made in the private sector over the past five years in developing a data tagging language known as eXtensible Business Reporting

Language, or XBRL.<sup>2</sup> XBRL is an open source specification for software that uses tags to identify and describe financial and other information and facilitate the preparation, publication, and analysis of that information.<sup>3</sup> In late 1999, the American Institute of Certified Public Accountants, or AICPA, along with development partners from the accounting, technical, and securities sectors, launched the XBRL initiative.<sup>4</sup> Today, XBRL International, the consortium developed to build the XBRL language and promote and support its adoption, claims more than 250 companies and organizations as members.<sup>5</sup>

Financial regulators have begun to assess the potential of XBRL to improve the timeliness and accuracy of reported financial information as well as the analysis of such information. The Federal Financial Institutions Examination Council, or FFIEC, which is the U.S. interagency bank regulatory standard-setting body, has undertaken a Call Report Modernization Initiative and developed a set of data standards using XBRL for the information that financial institutions must include in their Call Reports.<sup>6</sup> Moreover, in June 2004, the European Commission demonstrated its interest in the development of XBRL by signing a contract with XBRL International to accelerate the development and adoption of XBRL in the European Union.<sup>7</sup>

Since adopting rules to implement the operational phase of our Electronic Data

<sup>2</sup> See <http://www.xbrl.org> for a more detailed description of XBRL.

<sup>3</sup> "Open source" means that the software can be used by anyone without charge and is being developed in an open and collaborative setting. "Closed source" reporting standards are developed for proprietary or private purposes, and the code is not publicly available.

<sup>4</sup> According to <http://www.xbrl.org>, the AICPA hosted the first meeting of the XBRL Steering Committee in October 1999.

<sup>5</sup> XBRL-US is the jurisdiction of XBRL International in the United States. XBRL International is made up of companies, associations, and agencies involved in providing or using business information and XBRL-US is composed of a subset of those organizations active in the United States. See "About the Organization" on <http://www.xbrl.org> for a discussion of the jurisdictions, steering committees and a list of members of XBRL International. XBRL International and its local jurisdictions have funded the development of XBRL through grants and annual fees provided by its members. See <http://www.xbrl.org>.

<sup>6</sup> See <http://www.ffiec.gov/FIND>. The FFIEC originally scheduled roll-out of the new XBRL-based data repository for October 1, 2004. While roll-out has been delayed, the FFIEC is moving forward with the initiative and announced that it will target implementation for one of the first two Call Report periods of 2005. See FDIC Press Release PR-90-2004 (Aug., 2004).

<sup>7</sup> See XBRL Press Release "European Businesses Take Step Closer to Efficient Reporting" (June 24, 2004).

<sup>1</sup> Press Release No. 2004-97 (July 22, 2004).

Gathering, Analysis and Retrieval system, or EDGAR, we have continually sought to make EDGAR more useful to investors. XBRL provides a sophisticated system of data tagging that may offer an opportunity to improve the transparency and enhance the analysis of information filed with us. Throughout this release, we solicit comment on many issues to help us determine whether identifying or tagging specific information would improve the accuracy of, access to, and timely analysis of the information that registrants are required to include in their filings under the federal securities laws. We are seeking comment from investors, registrants, accountants, and any other parties that may be affected by the use of XBRL or other data tagging technologies in Commission filings. Commenters need not respond to all of the questions raised in this release—we welcome comment letters addressing some or all of these questions.

In a companion release also being issued today, we are proposing a voluntary program that would allow registrants to furnish financial information tagged using XBRL as an exhibit to specified Securities Exchange Act of 1934<sup>8</sup> and Investment Company Act of 1940<sup>9</sup> filings, enabling Commission staff to further evaluate the use of XBRL tagged data.<sup>10</sup> If, based on the public comment we receive in response to this release and our experience with the proposed voluntary program, we decide to propose rules relating to data tagging outside of the voluntary program, we will issue a subsequent proposing release that describes the specific requirements and provides an opportunity for public comment.

## II. Tagged Data as Part of Our Initiative To Improve Analysis and Disclosure

Investors, large and small, seek out and analyze information about companies in which they have invested or in which they are considering investing. In response, many registrants, in addition to required filings with us, make information available to the public through dedicated sections of their Web sites, investor conference calls, Web casts, press releases, and earnings releases. Other parties provide services that aggregate and analyze registrant information and disseminate that information via e-mail, specialized software, and the Internet. While electronic media have increased the accessibility of registrant information,

that information is generally not available in a format that investors and other users who wish to perform technical data analyses can easily download and process using software applications or Web services. In order to analyze financial information, these users of the information generally must either copy data from financial documents into spreadsheets or rely upon data that has been copied or otherwise extracted and summarized by third-party sources. In addition, if material financial information is contained in the narrative of a filing, such as in Management's Discussion and Analysis,<sup>11</sup> Management's Discussion of Fund Performance,<sup>12</sup> or in the notes to a registrant's financial statements,<sup>13</sup> users of the information may have to search through filings to retrieve the information they need to perform technical data analyses.<sup>14</sup> These activities may take time, result in additional cost, and cause errors through the inaccurate compilation of data.

We are considering the potential for the use of tagged data in registrants' EDGAR filings to improve the timeliness and accuracy of financial information included in those filings and to facilitate the analysis of such information. As part of our evaluation, we are requesting comment on the essential elements of data tagging, the impact of data tagging on disclosure, and its impact on users of the financial information included in Commission filings, as well as the type of information and specific filings that may be appropriate for data tagging. We are also exploring specific aspects of XBRL as a data tagging technology. While we are not aware of a more developed tagging technology for business and financial information than XBRL, we are requesting information and comments on other tagging technologies that may be used.

<sup>11</sup> Item 303 of Regulation S-K [17 CFR 229.303].

<sup>12</sup> Item 22(b)(7) of Form N-1A [17 CFR 239.15A and 17 CFR 274.11A].

<sup>13</sup> 17 CFR 210 *et seq.* and 17 CFR 229.302.

<sup>14</sup> Examples of these users include, among others, financial analysts, investment advisors, institutional investors, mutual funds, and others who routinely use software and other technical tools to analyze companies, to compare specific companies to indices or peer groups, or to screen groups of companies for specific characteristics. The analyses performed by these users can have a significant impact on the capital markets due to the amount of funds managed by such users and the number of investors who rely on their advice. Making tagged data more accessible to users who perform technical data analyses will affect all investors, large or small, including investors who do not directly use the tagged data.

### A. Development of Data Tagging at the Commission

We have relied upon data tagging to identify and extract information from our EDGAR system since its inception.<sup>15</sup> In 1984, the EDGAR pilot program required registrants to include tagged data in document headers to assist in accurately organizing filings.<sup>16</sup> These tagged headers used SGML, Standard Generalized Markup Language, to segregate data about the filing and the registrant from the underlying text. SGML tagging allowed us to automatically perform basic validations, store tagged data, and process filings. Following our adoption of EDGAR, we required electronic filers to furnish Financial Data Schedules as exhibits to their filings containing financial statements.<sup>17</sup> The Schedules required registrants to provide and tag a specified set of financial information essentially identical to certain items included in registrants' financial statements.<sup>18</sup> We permitted registrants to "furnish" rather than file the tagged financial data included in the Schedules, thereby limiting registrants' liability with regard to the tagged data.<sup>19</sup>

As part of an initiative to modernize and improve EDGAR in the late 1990s, we decided to eliminate the requirement to furnish Financial Data Schedules.<sup>20</sup> While registrants were required to furnish the Schedules until the end of 2000, the requirement was eliminated due to concerns over the reliability and usefulness of the tagged data included in the Schedules. The problems with the reliability of tagged data appeared to result primarily from the fact that data tagging was not fully integrated into the

<sup>15</sup> Release No. 33-6977 (Feb. 23, 1993) [58 FR 14628].

<sup>16</sup> See Release No. 33-6977 and the EDGAR Filer Manual.

<sup>17</sup> *Id.* The Financial Data Schedule requirement initially was to become effective on November 1, 1993. The effective date was delayed, however, until September 1, 1994 to provide additional time to establish the EDGAR system's capacity to accept and process the Schedules. Release No. 33-7072 (July 8, 1994) [59 FR 36258].

<sup>18</sup> Release No. 33-6977.

<sup>19</sup> *Id.* The rules required electronic filers to furnish the Schedules, but did not deem them "filed" under the federal securities laws. Though the Schedules remained subject to the anti-fraud provisions of the federal securities laws, electronic filers that submitted Schedules were not otherwise liable under the federal securities laws to the extent their Schedules contained data accurately extracted from their financial statements and the underlying financial statements were not materially false or misleading.

<sup>20</sup> Initially, Financial Data Schedules were removed from investment company registration forms in 1999. Release No. 33-7684 (May 17, 1999) [64 FR 27888]. The Schedules were subsequently eliminated from all Commission rules and forms, including Form N-SAR, in early 2000. Release No. 33-7855 (Apr. 24, 2000) [65 FR 24788].

<sup>8</sup> 15 U.S.C. 78a *et seq.*

<sup>9</sup> 15 U.S.C. 80a-1 *et seq.*

<sup>10</sup> Release No. 33-8496 (September 27, 2004).

financial reporting process, creating difficulties for some registrants in determining which Financial Data Schedule tags to use for particular financial statement items.<sup>21</sup> In contrast, if, in the future, we required registrants to tag financial information using technology such as XBRL, we expect that such tagged information would become an integral part of the financial reporting process. Further, we anticipate that if we ever required the tagged data to be part of the registrant's official filings, it would become subject to all relevant liability provisions of the federal securities laws.

The initiative to modernize EDGAR was not limited to adjusting the Schedule requirement; it also sought to make better use of improved technology. As part of the initiative, we began to accept filings submitted to EDGAR using HTML, HyperText Markup Language.<sup>22</sup> By 1999, HTML had become a widely accepted standard for tagging data and text to present information on the Internet, and we began accepting filings using HTML with the expectation that HTML would eventually replace ASCII, American Standard Code for Information Interchange, for most filings.<sup>23</sup>

Since the EDGAR modernization initiative in the late 1990s, market participants have further developed and are continuing to improve data tagging technology. Today, data tagging primarily relies on XML, eXtensible Mark-up Language, and other XML-based standards. XML is a versatile, open source standard developed to assist in the automatic processing of data and to define and name data and text through tags.<sup>24</sup> XML tags give data an identity and context and organize it in a format that can be more easily read by software programs and analyzed across multiple companies and time periods.<sup>25</sup> In order to continue and

<sup>21</sup> Release No. 33-7684. In determining to eliminate the Schedules, we also noted that the Schedules were adopted primarily for the staff's use and that the staff increasingly relied on outside sources for the information provided by the Schedules. While acknowledging the concerns of some commenters who used the Schedules to analyze registrants, we determined to eliminate the requirement.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.* HTML provides a superior standard for the presentation of information and promotes the concept of a single-use document, in which filers are able to avoid creating separate documents for dissemination to investors, posting on their Web sites, and submission to the Commission.

<sup>24</sup> See <http://www.w3.org/XML> and <http://www.xml.org>.

<sup>25</sup> Tags are standardized through the development of taxonomies, which are essentially data dictionaries that describe individual pieces of information and mathematical and definitional relationships among the pieces, identify text labels,

expand on the benefits provided by tagged data, the EDGAR system changed document header tagging from SGML to XML in May 2000.<sup>26</sup> Since then, we have increased our use of XML for internal processing as well as for the document headers filed on EDGAR and Section 16(a)<sup>27</sup> beneficial ownership reports.

XML-based standards currently are being developed and used for a variety of data tagging purposes, such as FIXML, Financial Information Exchange Markup Language, to tag transaction-specific data, MDDL, Market Data Definition Language, to exchange market information regarding financial instruments, and XBRL to tag business and financial reporting information. XBRL allows users to prepare, publish in a variety of formats, exchange, and analyze information such as that contained in financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States ("GAAP").<sup>28</sup> XBRL has been developed to allow tagging of all of a company's financial information, allowing it to extend from a standard set of tags to meet its particular reporting needs. The extensions are able to connect back to, and collapse into, the more general, standard tags provided for all registrants, thereby mitigating a concern noted with respect to Financial Data Schedules, that data would be placed under an inappropriate, general tag.<sup>29</sup>

#### B. Essential Elements of Data Tagging

In order to be able to tag and use tagged data for disclosure and analysis, a data tagging system must include:

- The technology to administer the tags—a technology specification that provides the system's core concepts and language;
- Standard definitions to describe the tags—a set of tags agreed upon by users and preparers of information that give data an identity and context by providing an unique label to each specific data element; and
- A means of presenting and analyzing the tagged data—software programs that process the tagged data

and refer to authoritative sources for that information. See discussion in Section III.B. of this release.

<sup>26</sup> EDGAR Release 7.0 marked our initial use of XML to present header information in XFDL, Extensible Forms Description Language, a derivative of XML using certain tags dedicated to screen presentation and validation, rather than SGML format.

<sup>27</sup> 15 U.S.C. 78p(a).

<sup>28</sup> See <http://www.xbrl.org>.

<sup>29</sup> See the discussion of XBRL in Section III.B. where taxonomies and extension taxonomies are more fully discussed.

for presentation and analytical purposes.

Data tags can be applied through fixed field technology or through actively pairing data and tags. Fixed field technology requires preparers of information to provide data in a specialized form or template. Using fixed field technology, preparers fill out a form and each cell within the form is assigned a tag by the filing system. In this way neither preparers nor users actively participate in tagging the data. Our electronic filing system for Section 16(a) beneficial ownership reports relies in part on the use of fixed field technology to tag data.<sup>30</sup> An alternative approach requires preparers of information to actively pair data in a filing with tags, based on standardized definitions that have been agreed upon by both preparers and users of information.<sup>31</sup> This provides preparers with the opportunity to apply a greater degree of professional judgment regarding the items to be tagged. The proposed voluntary program would allow the submission of financial information using XBRL in reliance on an active pairing approach.

#### Questions for Commenters:

- What are the advantages and disadvantages of using the active pairing approach as compared with the fixed field technology approach? Are there Commission filings, in addition to Section 16(a) beneficial ownership reports, that would better rely on fixed field technology? If so, which filings or forms would best use that technology?

#### C. Impact on Disclosure

Investors frequently analyze information reported by registrants when making their investment decisions. We are considering whether and how tagged data would affect registrants' disclosure and the way investors use that disclosure. Until now, data tagging of financial information has generally occurred after a registrant has prepared its disclosure, as was the case with Financial Data Schedules. When third-party financial data providers tag data, the tagging is based on the registrants' reports filed with us. Using data tagging technology, information can be tagged by registrants at the source, improving the efficiency of the financial reporting process. Provision of such tagged data by registrants may

<sup>30</sup> Section 16(a) beneficial ownership reports lend themselves to this type of data tagging since the underlying forms are highly structured. See Release No. 33-8230 (May 7, 2003) [68 FR 25788] (mandating electronic filing and Web site posting of Forms 3, 4, and 5).

<sup>31</sup> In XBRL, these definitions are known as taxonomies.

increase the quality of that disclosure and better facilitate analysis of disclosure. The tagged data may enable registrants, as well as investors and regulators, to more easily examine the component parts of financial statement line items and view elements of the line items that are found in the notes to the financial statements. Registrant tagged data may also generally improve the ability to search for and locate particular data items by simply calling up the specified tags.

While tagged data has the potential to improve transparency and enhance analysis, the use of tagged data could result in investors' receiving less detailed disclosure. Any use of data tagging, no matter how detailed, might have the effect of causing registrants and users to focus on the tagged data and miss information that is not tagged or fail to take into account the aggregate or cumulative effect of the tagged information. Further, if registrants were to prepare and file their financial data based on a set of standard tags, they could limit their disclosure to the classifications under the standard tags, failing to disclose more detailed information that might otherwise have been presented. Data tagging using technology such as XBRL may mitigate this concern because, unlike Financial Data Schedules that were limited to a set of specified tags, XBRL is capable of being extended to provide more detailed information than that provided in a set of standard tags.

#### *Questions for Commenters:*

- What effect would tagged data have on the ability to use and analyze registrants' disclosure? Is the provision of tagged data in Commission filings preferable to the current system?
- Would tagged data have an effect on the quality of disclosure in Commission filings?
- Can the usefulness of disclosure be improved in ways other than the application of tagging technologies? For instance, are there alternative solutions (e.g., software products) that reliably facilitate analysis of the text-based information contained in filings today?

### **III. XBRL and XBRL Tagged data**

XBRL is an XML-based standard for use in business and financial reporting that was developed and is supported by XBRL International.<sup>32</sup> We are aware that XBRL data tagging initiatives are currently underway in a number of regulatory contexts, including initiatives by the FFIEC in the United States, the

Financial Services Authority in the United Kingdom,<sup>33</sup> and the Australian Prudential Regulatory Authority.<sup>34</sup> Our proposed voluntary program to accept data tagged using XBRL as an exhibit to Commission filings would permit us to evaluate the XBRL technology specification, the standard taxonomies, and the types of extension taxonomies used by registrants and assess the feasibility of XBRL tagged data in Commission filings. While the voluntary program would only encompass registrants' financial information, taxonomies also could be developed to include labels for other non-financial information.

Although we are seeking comment on the ability of XBRL to add value to Commission filings, we are interested generally in the ability of data tagging to meet our objectives and are interested in receiving comments on alternative XML-based or other languages that we should consider. When commenting on other languages, please address the same general questions that we have outlined below for XBRL. Specifically, please address whether standard taxonomies have been developed, how they are maintained, who is responsible for updating the taxonomies, and whether extensions or some other mechanism can be used to allow flexibility in providing detailed financial information.

#### *A. Technology Specification*

XBRL International has developed XBRL specification 2.1 using XML and other World Wide Web Consortium specifications.<sup>35</sup> XBRL specification 2.1 was released in December 2003 and is the foundation upon which the consortium and third parties are currently developing software and taxonomies.<sup>36</sup> According to XBRL International, XBRL specification 2.1 will remain current until at least December 2005.<sup>37</sup> XBRL specification 2.1 is an open standard, available on a royalty-free basis allowing software providers to use the technology specification to develop XBRL-enabled

<sup>33</sup> See Financial Services Authority Press Release No. FSA/PN/031/2004 (Mar. 31, 2004) and Policy Statement No. PSO 4/9 (Mar. 2004).

<sup>34</sup> See <http://www.apra.gov.au>.

<sup>35</sup> See XBRL International, "XBRL International White Paper: Improving XBRL Implementation & Interoperability, The Case for XBRL 2.1 Today" (Mar. 23, 2004). According to the Web site, XBRL specification 2.0 was released by XBRL International in December 2001 and subsequently refined based on experience with the specification.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* XBRL International has expressed its intention to develop modules to improve the ability of XBRL to transition data prepared in prior versions of the specification and run more complex validation routines.

products.<sup>38</sup> In the event that the technology specification changes, XBRL International has stated that it would propose changes to the specification and make those proposed changes available for public comment.<sup>39</sup>

#### *Questions for Commenters:*

- Is the XBRL specification 2.1 sufficiently developed to support the tagging of financial information? Explain whether the specification provides an effective and efficient means for tagging data in Commission filings.

- Although XBRL specification 2.1 is an open standard available on a royalty-free basis, are there limitations on the ability of filers, software providers or others to freely use the specification?

#### *B. Taxonomies*

An XBRL taxonomy is a standard description and classification system for business reporting and financial data. Tags consist of:

- Specific financial data, such as the line items presented in the financial statements; and
- Words or labels, such as headers in the notes to the financial statements.

For example, a taxonomy may include a tag for the balance sheet line item "inventory" as well as tags for inventory's component accounts, "raw materials," "work in process," and "finished goods," which often are disclosed in the notes to the financial statements. Any item that is tagged can be retrieved and analyzed across multiple registrants and time periods by using software. In addition to being readily accessible for financial analysis, by using software, tagged information can be retrieved and formatted in any desired presentation, such as a traditional balance sheet and income statement or as a chart or graph.

XBRL-US, the jurisdiction of XBRL International in the United States, has developed the United States Financial Reporting Taxonomy Framework.<sup>40</sup> The taxonomy framework provides the foundation on which others can build taxonomies to meet their specific reporting and analytic needs. On September 20, 2004, using the taxonomy framework and XBRL specification 2.1, XBRL-US proposed for public comment three comprehensive industry-level

<sup>38</sup> See <http://www.xbrl.org/Specification/XBRL-RECOMMENDATION-2003-12-31+Corrected-Errata-2004-04-29.doc> for details relating to the specification.

<sup>39</sup> See <http://www.xbrl.org/Specifications>.

<sup>40</sup> For more information see the discussion on <http://www.xbrl.org> under Technical Information relating to the US Financial Reporting Taxonomy Framework.

<sup>32</sup> We are not a member of XBRL International and have not served in an oversight role over XBRL International or its development of XBRL.

taxonomies for tagging financial information:

- Commercial and industrial companies;
- Banking and savings institutions; and

and

• Insurance companies.<sup>41</sup>

These standard taxonomies were developed by XBRL-US based on input from accounting firms, technology companies, and other participants in XBRL-US that have financial reporting knowledge.<sup>42</sup> Neither the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, nor the Commission participated in the taxonomy development. While the content of the standard taxonomies is based on GAAP and registrant disclosure practices, the taxonomies are not intended to be accounting standards or to require changes to current accounting standards or the content of reported information.<sup>43</sup> In developing the taxonomies, we understand that XBRL-US considered the following:

- Disclosure indicated in various financial reporting checklists prepared by the AICPA and major national accounting firms;
- Disclosure in sample financial statements included in accounting and auditing industry guides published by the AICPA; and
- Disclosure frequently found in financial statements filed by registrants.<sup>44</sup>

XBRL-US also has under development additional industry-specific taxonomies, including taxonomies for investment companies, broker-dealers, and oil and gas companies.<sup>45</sup>

In order for the standard taxonomies to provide the market with useful tagged data, the standard taxonomies must

provide an appropriate level of detail for financial statement presentation and analytic purposes. The taxonomies' tags, definitions, and classifications also must conform to established standards (*i.e.*, GAAP and Commission rules). For example, a taxonomy would contain inaccuracies if "raw materials," "work in process," and "finished goods" were not classified as components of "inventory" or their definitions did not conform to GAAP. If additional tags are needed to satisfy a registrant's specific data requirements, a registrant using XBRL would be able to expand the standard taxonomy through what is known as an extension taxonomy.<sup>46</sup> Extension taxonomies enable any registrant or group of registrants to refine the standard taxonomy by creating additional tags to fit their particular circumstances. If a group of registrants all require similar additional data elements, an extension taxonomy could be created for the group or a new standard taxonomy could be developed.<sup>47</sup> Where a data element does not have a corresponding tag included in the standard or extension taxonomy, that item would not be able to be retrieved, analyzed or separately presented as a line item in the financial statements.

*Questions for Commenters:*

- What should the Commission's role be in taxonomy development? How could the taxonomies be assessed to determine whether they include the disclosures required by GAAP and Commission rules?

- Are the standard taxonomies sufficient for registrants to submit data tagged using XBRL without extensions? If not, should standard taxonomies be expanded to make extensions unnecessary? If standard taxonomies were expanded to make extensions unnecessary, would the standard taxonomies still be manageable, efficient and useful?

- What would be the advantages or disadvantages of permitting registrants (either individually or as part of an industry group) to develop, use, and submit their own extensions? If registrants were permitted to use their own extensions, would it result in better financial reporting with greater detail than reliance solely on standard taxonomies? Is there any potential that investors could be confused or misled by registrant-developed extensions?

<sup>46</sup> See the discussion of Technical Information relating to the US Financial Reporting Taxonomy Framework and the US GAAP Commercial and Industrial extension taxonomy at <http://www.xbrl.org>.

<sup>47</sup> *Id.*

*C. Presentation and Analysis of Tagged Data*

Data tagged using XBRL consists of tags paired with values in a computer readable document, known as an instance document. Software programs are able to read an instance document, analyze and manipulate the data, and display it in a desired format. For example, a style sheet can render an instance document into a traditional balance sheet and income statement or into a chart or graph. Other software programs are able to use the instance document and analyze the data.

*Questions for Commenters:*

- Would it be preferable for registrants to develop and submit their own style sheets to render tagged data into a specific format or for the Commission to provide a standard style sheet? Why or why not?

- What is the appropriate level of detail to be provided in rendered financial statements? What standards should be established to ensure a sufficient level of detail in the rendered financial statements?

- Are software analytical tools sufficiently developed to analyze the data? What are the fundamental features of such tools?

*D. Attestation/Validation of Tagged Data*

Under a tagged reporting system, it is important that filers properly tag items included in the standard and extension taxonomies. If items are not tagged properly, financial information generated from the instance document could be misleading or inaccurate and the ability to perform analysis on the tagged data could be impaired. An example of forms of accountant attestation that can be performed on tagged data is in the AICPA's interpretation to Section 101 of the Statements on Standards for Attestation Engagements titled, "Attest Engagements on Financial Information Included in XBRL Instance Documents."<sup>48</sup> Specifically, this interpretation sets forth procedures an accountant should consider when engaged to examine and report on the accuracy and completeness of an XBRL instance document.

*Questions for Commenters:*

<sup>48</sup> See Interpretation No. 5 of Chapter 1, Attest Engagements, of Statement on Standards for Attestation Engagements (SSAE) No. 10: Attestation Standards: Revision and Recodification (AT Section 101), as amended, available at [http://www.aicpa.org/members/div/auditstd/announce/XBRL\\_09\\_16\\_03\\_FINAL.htm](http://www.aicpa.org/members/div/auditstd/announce/XBRL_09_16_03_FINAL.htm). Its interpretation has not been adopted by the Public Company Accounting Oversight Board as part of their auditing standards.

<sup>41</sup> See <http://www.xbrl.org>.

<sup>42</sup> For more information see the discussion on <http://www.xbrl.org> under Technical Information relating to the United States Taxonomies and the Explanatory Notes to each of the US GAAP taxonomies.

<sup>43</sup> See <http://www.xbrl.org/faq.aspx#33>.

<sup>44</sup> See note 42 above.

<sup>45</sup> According to XBRL-US, standard taxonomies are generally developed by national jurisdictions, such as XBRL-US, and sent to XBRL International for comment. While XBRL International does not have a required notice and comment period and is not bound to consider comments, we understand its practice includes the circulation of a working draft of a standard taxonomy to members of XBRL International for a 30-day comment period and, once revised, the publication of a working draft on its Web site for a 60-day public comment period. While this practice could change, XBRL International has indicated that it will actively publicize and solicit public comment on the specification 2.1 taxonomies. Public comment is solicited on the Web site and comments are made available on request, but are not published. More information is available at its Web site at <http://www.xbrl.org>.

• If we require or accept tagged data in Commission filings, should accountants attest to the accuracy and completeness of the tagged data? If so, what form should such an attestation take?

#### IV. Information for and Filing of Tagged Data

In a companion release, we are proposing a voluntary program to permit certain registrants to furnish financial information using XBRL in order to evaluate data tagging of financial statement information in general and the use of XBRL in particular.<sup>49</sup> In this release, we are considering the more general question of the usefulness of tagged data formats, like XBRL, in electronic filings and reports made by registrants under the federal securities laws. As part of our evaluation, we are considering whether tagged data should supplement text-based filings, currently provided in either ASCII or HTML formats, or replace them. The proposed voluntary program is the first step in evaluating this technology and determining its usefulness to investors. After reviewing the comments on this release and the proposed voluntary program release, we will consider whether to implement the voluntary program to permit electronic filers to furnish financial statement information using XBRL as an exhibit to certain Exchange Act and Investment Company Act filings on EDGAR.

##### A. Information Appropriate for Data Tagging

It is our understanding that it is possible for all information contained in Commission filings to be tagged. We wish to determine which information in those filings is most appropriate for such tagging. Currently, the standard taxonomies developed by XBRL-US provide tags and related definitions for registrants' financial statements, notes to the financial statements, industry guides and certain elements of management's discussion and analysis.<sup>50</sup> In the future, registrants may be able to tag not only particular line items from their financial statements and the notes to the financial statements but also relevant data from the body of a filed document (e.g., executive compensation, fund performance information, beneficial ownership, legal proceedings, and risk factors).

##### Questions for Commenters:

• What information contained in Commission filings would be

appropriate for tagging? Only the financial statements? The financial statements and the notes to the financial statements? Should management's discussion and analysis or management's discussion of fund performance also be included? Should Commission industry guide information be included? Should financial schedules be included? What about other information included in the periodic or current reports or other information collected by the Commission? Please provide an explanation for the information that you believe is appropriate for tagging.

• Are there specific industries for which data tagging would be easier to implement or the tagged data would be more useful?

• Should we consider tagging investment company information other than financial statements, such as the prospectus fee table or the table of sales loads and breakpoints? Should we consider tagging registrant or depositor financial statements for insurance company separate accounts issuing variable insurance products?

##### B. Filing of Tagged Data

If, after reviewing the comments on this release and the proposed voluntary program, we determine that the use of XBRL tagged data in Commission filings is in the interest of investors, we will need to determine how the tagged data should be provided and treated for liability purposes. Under the proposed voluntary program, we are considering whether to permit electronic filers to "furnish" rather than file the exhibit containing their XBRL tagged financial information, providing electronic filers with limited relief from liability under the federal securities laws.<sup>51</sup> We have proposed this limited relief due to the experimental nature of the voluntary program and to encourage registrants to volunteer to provide XBRL tagged data with their filings. We expect that the voluntary program will allow us to gather and analyze data and make conclusions regarding the feasibility and desirability of using XBRL tagged data in Commission filings. Experience with a voluntary program would better enable us to evaluate data tagging and determine whether to propose additional data tagging rules for electronic filers.

Any additional data tagging rules would be developed in a series of steps based upon our experience with the voluntary program. We may determine

to extend the acceptance of voluntary filings of tagged information indefinitely, in which case we would need to determine whether to accept the tagged data as an alternate official filing similar to the approach used in accepting either ASCII or HTML, or to accept documents using tagged data as an unofficial part of the filing, similar to the way we currently accept PDF files.<sup>52</sup> We also may determine to require registrants to file the tagged information as their sole official filing. In any event, we would consider the liability that should attach under the federal securities laws to promote the reliability of tagged information provided by registrants.

##### Questions for Commenters:

• If we were to extend the acceptance of voluntary filings, would it be preferable to accept documents using tagged data as an alternate official filing similar to our current approach of accepting either ASCII or HTML formats? Would it be preferable for us to accept documents using tagged data as an unofficial part of the filing, similar to what is currently done with PDF files?

• Should tagged data be applied to only certain types of forms? If so, which forms? Should tagged data be applied only to periodic reports? If so, should it be applied only to annual reports on Forms 10-K<sup>53</sup> and N-CSR?<sup>54</sup> Should application extend to quarterly filings on Forms 10-Q<sup>55</sup> and N-Q?<sup>56</sup> Aside from periodic reports, should it be applied to information filed or furnished on Form 8-K?<sup>57</sup> Should it be applied to reports by investment companies on Form N-SAR?<sup>58</sup> Should tagged reporting for investment companies be different than for operating companies?

• What are the specific implications for the use of tagged data in filings made pursuant to the Securities Act of 1933?<sup>59</sup> Would using tagged data affect an issuer's ability to access the market or the timing of its offerings? If so, how?

#### V. Impact on Various Parties

We are requesting comments on how various parties may be affected by a decision to pursue data tagging in Commission filings, including the impact on: investors, registrants, accountants, and other parties generally

<sup>52</sup> See Release No. 33-7684 and Release No. 33-7855.

<sup>53</sup> 17 CFR 249.310.

<sup>54</sup> 17 CFR 249.331 and 274.128.

<sup>55</sup> 17 CFR 249.308a.

<sup>56</sup> 17 CFR 249.332 and 274.130.

<sup>57</sup> 17 CFR 249.308.

<sup>58</sup> 17 CFR 249.330 and 274.101.

<sup>59</sup> 15 U.S.C. 77a et seq.

<sup>49</sup> Release No. 33-8496.

<sup>50</sup> See the discussion under Technical Information relating to the United States Taxonomies at <http://www.xbrl.org>.

<sup>51</sup> See Section IV. E. of the XBRL Voluntary Financial Reporting Program on the EDGAR System Proposing Release. Release No. 33-8496.

involved in the financial reporting process.

#### A. Investors

Registrants provide their financial data in EDGAR text filings. As a result, anyone wishing to translate that data into spreadsheet or database software in order to analyze the data must either copy the data into a more usable form or purchase a subscription from a third-party financial data provider that has already tagged the data. If the data is purchased from a third party, the data provided may have been modified from the information filed by the registrant in order to conform it to the third party's database system.

Tagged data provides financial information in a format that is more readily usable for standard quantitative financial analysis. Investors and other parties who are interested in using tagged data to calculate financial ratios, compare companies to peers or indices, or otherwise use software to perform sophisticated technical analyses are likely to prefer tagged data provided directly by the registrant. Even investors that do not use the tagged data may receive better access to registrant information based on the provision of the tagged data to those parties who will undertake the detailed technical analysis and disseminate their results.

##### Questions for Commenters:

- What are the likely impacts of the provision of tagged data by registrants on financial analysts, institutional investors, or individual investors?
- Would the provision of tagged data by registrants result in time and cost savings to investors, such as through reduced data entry or formatting?

#### B. Registrants

In order to create a data tagging system, a registrant likely would incur expenses for software creation or acquisition, software customization and other start-up costs, such as training personnel and hiring consultants. While technology specifications, such as those provided by XBRL, are often in the form of an open standard that is available at minimal or no cost, registrants may need to upgrade their systems to use the new software, customize the open standard, or add extensions. Registrants may, however, benefit from the provision of tagged data to investors by improving the transparency of the information and investors' access to information for analytical purposes. This may, in turn, result in broader

analyst coverage, increased liquidity of registrants' securities, and decreased price volatility.

Further, some registrants already may have acquired internal financial reporting software with data tagging capabilities. According to the Financial Executives Research Foundation, those registrants may be able to use that existing software to improve their internal financial reporting and controls by enhancing transparency of financial information and integrating disparate systems.<sup>60</sup>

##### Questions for Commenters:

- Are current accounting or reporting software programs able to tag data? Are the programs able to tag data using XBRL?
- What impact would data tagging have on a registrant's financial reporting process? What additional costs would a registrant incur to tag their financial reporting data?
- What would be the advantages and disadvantages of requiring small business issuers to tag data in their Commission filings? Should we exempt small business issuers from any data tagging initiatives? Alternatively, should small business issuers be given more time than larger issuers to transition to the use of tagged data?
- What would be the advantages and disadvantages of requiring foreign private issuers to tag data in their Commission filings? Are the implications different if the foreign private issuer reports using home country Generally Accepted Accounting Principles or International Financial Reporting Standards with a reconciliation to U.S. GAAP? Should we exempt foreign private issuers from any data tagging initiatives? Alternatively, should foreign private issuers be given more time to transition to the use of tagged data?
- What would be the advantages and disadvantages of requiring investment companies to tag data in their Commission filings? Are there types of investment companies that should be exempt from any data tagging initiatives? Alternatively, should certain investment companies be given more time than other investment companies to transition to the use of tagged data?

<sup>60</sup> See, e.g., Financial Executives Research Foundation, Inc., *Everything You Wanted to Know About XBRL but Were Afraid to Ask: A CFO's Guide* (2003) and Financial Executives Research Foundation, Inc., *Corporate Reporting and the Internet—Understanding and Using XBRL* (2002).

#### C. Accountants

Data tagging may be integrated with internal accounting software packages, performed by third parties, or performed manually. In order to tag data and audit tagged data technology, internal control procedures and related audit procedures may need to change. Accountants may be affected by such changes due to the types of incremental assurance that they may be required to provide with respect to tagged data included in Commission filings.<sup>61</sup>

##### Question for Commenters:

- What effect, if any, would the use of tagged data have on the quality of and the time required to conduct audits and test internal controls?

#### D. Other Parties

Currently, many registrants use intermediaries, such as financial publishers and filing agents, to assist them in making their EDGAR filings. These intermediaries ensure that the filing is properly formatted and transmitted. Registrants similarly may choose to rely on third parties to assist them with data tagging. Other companies convert EDGAR filings into a database format, offering services to standardize disclosures, calculate financial ratios, filter and sort financial data, as well as provide data in a tagged format. If we were to require the submission of tagged data, the scope and value of the services provided by financial publishers, filing agents, data aggregators, and other parties may be affected.

##### Question for Commenters:

- What effect, if any, would the submission to and availability of tagged data on EDGAR have on other parties?

#### VI. General Request for Comment

Any interested person wishing to submit written comments on any aspect of the concept release, as well as on other matters that might have an impact on our consideration of the use of tagged data in Commission filings, is requested to do so.

By the Commission.

Dated: September 27, 2004.

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 04-22035 Filed 9-30-04; 8:45 am]

**BILLING CODE 8010-01-P**

<sup>61</sup> See also the discussion and questions in Section III.D. of this release.