

November 23, 2004

Mr. Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: File Number S7-36-04

Dear Mr. Katz:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Securities and Exchange Commission's (the "SEC") Concept Release: *Enhancing Commission Filings Through the Use of Tagged Data* (the "concept release").

We support the SEC's efforts to assess the benefits of tagged data and its potential for improving the timeliness, accuracy, and analysis of company disclosures in SEC filings, particularly focusing on the application of the eXtensible Business Reporting Language (XBRL). Further, we believe that the voluntary financial reporting program can and will be enhanced by collaboration of market participants, including the SEC, in the development of appropriate taxonomies, software applications, and other tools that will continue to enhance the production, consumption, and analysis of information contained in business reports.

We have provided our answers to the questions included in the concept release and respectfully submit them to the SEC for consideration. We participated in the XBRL-U.S. Adoption Working Group's development of commentary on this topic. The collaborative responses were distributed to the entire XBRL-U.S. Membership. As a result, there may be some common themes as well as language in this response and in the responses of other members of the Working Group.

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the staff may have. Please do not hesitate to contact Jay Hartig (973-236-7248), Mike Willis (813-350-0932), or Virginia S. Benson (973-236-5422) regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

II. TAGGED DATA AS PART OF OUR INITIATIVE TO IMPROVE ANALYSIS AND DISCLOSURE

B. Essential Elements of Data Tagging

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?

We believe the voluntary program should offer filers the maximum amount of flexibility possible so that they can work in conjunction with the market feedback mechanism to make determinations on as many aspects of tagged data characteristics and conventions as possible. Active pairing would best accomplish this because it offers filers more flexibility in presenting data to stakeholders. First, filers can use active pairing to populate a fixed-field form but not vice versa. Second, active pairing focuses on defining the data and how it relates to other data, making it inherently more accessible and re-usable via software programs, whereas the fixed field approach focuses on the placement of data in a presentation form, forcing users to spend time and resources hunting for and gathering, instead of using, the data they want from a report. The automated data re-use of active pairing also enables more targeted data collection because revisions or extensions to the set of tags can be made without requiring revision of forms. The overall consequence is that both producers and consumers have the ability to scale up to a greater variety of terms, level of detail, and disclosure as appropriate to the registrant's situation.

Fixed-field technology certainly does have its place as some SEC information requirements are inherently fixed field. These include requirements meant to record the existence of corporate entities or their permissions and entitlements within a set of regulations. Among the filings listed under the SEC's Form Types Used for Electronic Filing on EDGAR (<http://www.sec.gov/info/edgar/forms/edgform.htm>), we suggest that those associated with the Williams Act (e.g., SC-13D, Rule 144) and the N series of forms under the Investment Company Act (e.g., N1-A, N-2, etc.) may be more suited to a fixed-field approach.

C. Impact on Disclosure

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?

Today, large parts of the market are making investment decisions based on a portion of the information in company reports; tagged data will enable investors to cost effectively base analysis and decision making on far more of the data points disclosed in company reports, including assertions about the taxonomies chosen and management's decisions on the depth and breadth of tagging. At the present time, XBRL filings are not being considered as replacements for the traditional filing format, but as supplements. Therefore, as a supplement for the foreseeable future, offering tagged data cannot be more preferable to the current format. Providing

tagged data offers the market opportunities to develop familiarity and competence in using tagged data.

Would tagged data have an effect on the quality of disclosure in Commission filings?

Yes, tagged data will enhance the quality of information contained within Commission filings over time. In the short term, tagging information is unlikely to noticeably impact information quality; however, over the longer term, we believe there will be four fundamental enhancements to information quality:

- **Reliability.** Putting tags around data will not make the data better; an incorrect number with tags around it is still an incorrect number. However, more efficient automated and integrated systems will likely lead to better data flowing in and more analysis/feedback/correction coming out as the need for manual preparation and processing diminishes.
- **Transparency.** Structuring information can improve quality by making the data more easily available so that more analysts can access and use it to make informed investment decisions. Increased use of XBRL and accessibility to enhanced data would also alleviate some of the issues the Financial Accounting Standards Board (FASB) is addressing in its project on Financial Performance Reporting by Business Enterprises.
- **Comparability.** Comparability of information is assumed today. XBRL may inadvertently imply enhanced comparability; however, the collaborative market development of standard reporting definitional concepts is what will promote comparability.
- **Scope.** The development of a more complete information framework would serve to further enhance filer reports by providing additional structure and standards around more of the information reported such as that included in MD&A. For example, just as the FASB's conceptual framework supports the information contained in accounting standards and ultimately in financial statements, it is important that a framework be developed for the information reported in the MD&A. Preliminary efforts in this area are underway as described at the Enhanced Business Reporting Consortium (<http://www.ebrconsortium.org>).

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?

Development and promulgation of information standards for tagging data is the predominant approach to reliable content extraction from paper-based information filings; there currently is no viable competing methodology. Even search-and-clustering technologies can only, at best, point readers to the most likely match for their queries. If reliable analysis of text based information were currently possible, data aggregators and resellers, such as EDGAR Online, would already be employing it — instead, they employ human readers who extract the information and re-key it

into fixed-field formats, a tedious approach that is slow and potentially highly error prone.

Furthermore, tagging technologies are “platform independent.” Tagged data can be read and processed by a number of different software applications, providing they comply with the XBRL specification. The advantages of a “platform independent” versus a “software specific” solution include:

- Market driven software preferences for building advanced solutions and functionalities as the tagged data market matures;
- Users not dependent on proprietary solutions offers freedom to change software if and when desired; and
- The SEC avoids having to choose specific tools or vendors on behalf of the market.

We believe that tagging of the information by the preparer of the filing — whose motivation is to communicate with the market and the software tools the market uses — is a far superior way for regulators and investors to capture information.

III. XBRL AND XBRL TAGGED DATA

A. Technology Specification

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.

The XBRL specification 2.1 is sufficiently developed to the point at which taxonomies and instances can be exchanged via XBRL enabled software. At this current level of maturity, XBRL is the only existing standard that enables coordination and management of relationships among groups of related XML Schemas in a flexible, extensible way.

Three already-developed U.S. taxonomies appear to provide documentation for about 90% of the industries that file information with the SEC. While additional work is needed to develop taxonomies for the remaining 10%, most of XBRL’s further development would be best achieved in the context of actual market usage as the work involves the definitional and relational meaning of data at the taxonomy level. All of these areas are in active development right now, but market feedback will serve to hone the efforts to accommodate real-life market needs. Specifically, it is better for the marketplace rather than the consortium to devise:

- Improvements to the existing taxonomies for customizable areas of reports, like the footnotes;
- Improvements to enhance XBRL data’s interoperability in terms of business segmentations, like geography, industry, and sector;
- Improvements in contextual information, such as reporting date and information status; and
- Improvements in the ability to express complex formulations for validation as well as other purposes.

With respect to the last point, it is worth noting that the experience of other regulators has been that the introduction of complex validation is important to the overall business process but takes considerable time and change management in the relevant jurisdiction. Any impact of the status of the formula specification on the Commission's voluntary filing program is unlikely for a number of months.

The effectiveness and efficiency of XBRL as a means for tagging information does depend upon factors other than just the base language XBRL, because the maturity of the language is the enabler of two other key factors:

- Coverage and quality of relevant taxonomies; and
- Availability of appropriate tools with all the features needed to provide preparer and consumer benefits.

On both counts, progress has been much more rapid in calendar 2004 than prior to the release of XBRL 2.1. The U.S. Financial Reporting Taxonomy Framework (USFRTF) is based entirely on XBRL 2.1 and both extensions and instances are being created in several products; furthermore, the close integration of mapping, taxonomy extension, and validation that is essential to XBRL instance creation is emerging in more products this quarter.

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?

The primary limitation on freely using the specification has more to do with mindset than with the technology: some developers are still struggling with understanding why XBRL requires richer data structures than other, more typical point-to-point XML software. In addition, there is a residual degree of reluctance to move into a new model of Internet software development which is not based upon proprietary standards but, rather, upon superior implementation of shared standards. This factor is likely to become less significant as familiarity with XML Schema and XML Linking grows.

The establishment of underpinnings for that growth in familiarity has recently begun with the creation of knowledge-sharing forums for software vendors. These knowledge-exchange vehicles will help to ensure that independent software vendors are aware of documented vendor issues that impact XBRL incorporation and implementation. One important example is that XBRL is impacted by errors and deficiencies in various major vendors' implementations of XML, XML Schema, and other open standards.

Although patent limitations may conceivably arise in the future, at the present time XBRL is unencumbered by any significant patent claims. Patent claims previously filed have been so general as to be easily challenged, and other claims related to XBRL either rely on superseded features of XBRL 2.0 or have multiple methods; in any event, the XBRL International's Intellectual Property agreement amongst all XBRL International members presently makes any essential claims licensable at a reasonable and non-discriminatory cost.

B. Taxonomies

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?

We recommend the SEC limit its role to providing oversight and input relative to the taxonomy development process. In this way, the SEC can support the collaborative development efforts that occur in the open market. Taxonomies will be the most effective in meeting capital-market needs under the current process in which all stakeholders have an opportunity to participate in their creation. The established open standards development process includes public review and comment and review by the FASB.

Further, the SEC will need to address how it will store and provide access to taxonomies by filers, investors, and other interested market participants. There may be an assumption that all public companies will leverage the “approved” industry-level taxonomies and extend taxonomies as necessary.

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?

The standard taxonomies will not preclude the use of extensions — nor is it necessarily their goal to do so. A better way to view this question is to consider to what degree the SEC would like to see registrants defer to standard taxonomy definitions and to what extent registrants will agree to a line of demarcation between when they should compromise on their preferences and when they should customize to accurately reflect their own definition. There should be a predisposition toward using existing definitions as much as possible, with customization occurring only after it is determined that the new definition is needed because, for example, the change is material, or the decision not to customize results in reporting an existing paper-paradigm fact inaccurately such that it is materially misleading.

It is probably unrealistic to expand standard taxonomies such that extensions are not needed. Extending taxonomies is not just a question of adding new reporting concepts but recognizing that including tags for every possible alternative phrasing for a label, combination of items to a sub-total, or order of presentation nuance may produce a taxonomy that is too large, too ungainly, and too difficult to use.

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?

XBRL was designed to allow customization via taxonomy extensions for the purpose of providing more detail and information that is better aligned to management’s

messages. Therefore, developing, using, and submitting their own extensions individually (or as part of industry or other groups) is not an advantage or a disadvantage for registrants so much as it is a responsibility to do so.

Extensions are intended to result in better financial reporting by enabling registrants to provide greater detail than would be achievable with the standard taxonomy alone. However, customizing/extending taxonomies presents challenges depending on how registrants determine when an extension is needed.

If customized tags are created with a view to making the XBRL instances strictly conform to the paper paradigm, many of the extensions will add little or no depth to available detail. Volunteers with an insufficient understanding of the standard taxonomies, or who prefer to leave themselves the option of adjusting definitions from period to period for their own unique reporting purposes, might duplicate existing standard-taxonomy concepts (e.g., creating a “fee income” tag rather than accepting the standard taxonomy’s “revenue” tag). Every such duplicate tag introduces risk that investors will be confused or misled if their analytical application fails to find the standard taxonomy’s concept (which would be “revenue” in our example) and does not recognize its replacement concept (in this case, the customized “fee income” tag).

The key issue is whether the paper parallel is so important to the registrant that extensions overwhelm the benefits of “shoehorning” into the standard taxonomy concepts.

C. Presentation and Analysis of Tagged Data

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?

Both the paper paradigm of today and the tagged data of tomorrow can coexist. We believe that, for the foreseeable future, filers will continue to provide a paper representation of their financial statements (e.g., PDF or HTML). These do not have to be “reconstructed” from the tagged data and may be provided independently.

Style sheets, in our view, are more a user than a preparer issue. The question is how users want to look at the tagged data and not how the SEC prefers users to look at it. As a result, we suggest that style sheet development be driven by market forces, rather than by the SEC.

Rendering via commercial off-the-shelf Internet browsers can be applied via standard runtime rendering engines. In principle, one is not limited to XSL and XSLT style sheets but could also employ platform-independent Java applets.

In addition, management will become aware of the flexibility and control XBRL offers for conveying company information and may view a requirement to use “SEC style sheets” as a benefit of XBRL that is being denied to them. This is not to say the SEC should not offer style sheets as a “default” should management need a secure and freely available implementation template for rendering.

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?

We believe the appropriate level of detail should become progressively greater as the use of tagging in the market matures. Initially, the type of filing, the industry, and even the individual company itself will determine the level of detail in the rendered financial statements. Accordingly, there should be no established standards. Style sheets used to render the financial statements may be based upon industry templates and customized by each company.

As time goes on, the SEC could encourage more detailed tagging in rendered financial statements and consider providing guidance for registrants. For example, as a next step, the SEC could encourage companies to provide XBRL filings with the disclosures required by Article 3 and Article 10 of Regulation S-X. After that, the goal should be to have registrants submit the entire filing rendered in XBRL.

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

The scope of analysis in the financial-investment sector, ranging upward from simple credit-rating models to anomaly detection, peer-group analysis, trending and forecasting, encompasses many tools but they all require relatively clean, normalized data, usually for several historical periods.

Existing analytical tools come either with a fixed set of categories for proprietary forms of analysis or a “toolkit” in which users have wide latitude to configure the analysis they want.

Analytical tools supporting fixed categories may be limited by the need to map from the fixed categories to the terms in the published taxonomies. Such fixed category analytical tools may have difficulty efficiently processing XBRL documents with taxonomy extensions.

Conversely, analytical tools providing an XBRL oriented toolkit in which the mapping is configurable by the user and can be saved and carried over to future analyses may provide a considerable advantage in the marketplace.

D. Attestation/Validation of Tagged Data

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?

The supply chain needs to begin discussions now on this issue, establishing consumer expectations, determining what steps are necessary and helpful, and discussing the nature and form of any such attestation. We would be pleased to participate, along with other supply chain participants, to assist regulators in the development of attestation standards as deemed appropriate.

In our view, accountant attestation should be part of the volunteer program. Just as this program provides registrants with an opportunity to test and learn the systems

ahead of such time as XBRL filings may become mandatory, independent auditors need similar experience in developing the methodologies and messages for providing attestations on tagged data.

Including the independent auditors in this process from the beginning would facilitate communication about the maturity of the attest process for the consumer community. This is a vitally important part of moving the supply chain forward and exploring in what ways there is value to the market from the enhanced information structure provided by XBRL.

In terms of the form the attest should take, it must begin with a report of management's decisions about XBRL, including:

- Which taxonomies were chosen and why;
- What approach was used for extension/customization decisions;
- How much depth and breadth of information is being offered; and
- What the consistency is with prior periods, what changes were made, and why.

The auditor then works forward from those decisions and the instances and taxonomies. The form this takes will be an evolutionary one, from paper-paradigm today to one of Internet enabled digital signatures, the SEC EDGAR (and mirror sites) as repositories, and changes from today's annual-report parallel to new options tomorrow.

Additionally, the SEC may also consider that Section 404 of the Sarbanes-Oxley Act is applicable to corporate-reporting processes that generate XBRL filings. Accordingly, management's assertion on the internal-control system and the respective attestation by the independent auditor would also incorporate the processes resulting in XBRL formatted reports. The level of immaturity and expected significant changes to such processes as registrants gain more experience and identify further fields of application for XBRL may represent an additional challenge for management in this context.

IV. INFORMATION FOR AND FILING OF TAGGED DATA

A. Information Appropriate for Data Tagging

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.

Over time, more and more information in SEC filings should be tagged, ultimately reaching the point at which all information is tagged. The development of tools and taxonomies, plus experience and familiarity in using tagged data will make it not only cost effective but desirable from an information reliability standpoint. Structuring data automates information production and consumption processes, pulling time and cost out and increasing the accuracy and reliability of information exchange by creating a “hands off” processing environment in which “cut & paste” is a thing of the past.

While all information in SEC filings is appropriate for tagging, the market should be left to determine the order of priority in which information should be tagged. The order will naturally be driven by the information the market itself uses most heavily, from a starting level in which financial statement tables and then the accompanying notes are tagged; the progression could be to investment management fee schedules, loan covenants, option agreements, officer compensation agreements, Management’s Discussion and Analysis, and other information contained in filings with the Commission.

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

Yes, it will be easier to tag the information contained within filings where industry-specific XBRL taxonomies are available. It is also important to understand that the real question is whether there are industries in which the benefit-to-cost ratio is more compelling. Therefore, there is value to widening the presumption of the question beyond just tagging historical cost accounting financial data. The market should realize that the tags are applied to quantitative data and qualitative information. There are specific industry sectors in which valuations stand at the greatest variance from book value (e.g., pharmaceuticals, software, etc.). These are sectors in which market collaboration will enable convergence on relevant reporting standards (tags) by leveraging the medium of XBRL taxonomies, their extensibility, and the EDGAR system as a readily available distribution medium.

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?

Yes, the SEC should consider the tagging of investment company information, such as prospectus fee tables and tables of sales loads and breakpoints, as well as statements for insurance company separate accounts. The urgency of tagging various types of information is related to its frequency of use in the marketplace. Clearly, inclusion in a financial statement is not the sole test of information’s usefulness and where the SEC recognizes, or the market indicates, demand for tagging of information, every effort should be made to accommodate those information priorities for tagging.

The more tagging of key data from any company filing sooner rather than later, the better the marketplace can evaluate the benefits tagging provides over today's reporting and the more experience can be gained in using the data.

B. Filing of Tagged Data

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?

As XBRL makes information more reliable and easier to prepare for both reporting and analytical purposes, it would be a preferred, and complementary, format over less structured formats, such as HTML, PDF, and ASCII. During the voluntary program, registrants may want to provide their filings in a range of formats (XBRL, PDF, ASCII) for use by the market. Market feedback and commentary on the XBRL format may increase as XBRL enabled tools come into the market for both the production of content in a range of formats and for the consumption and analysis of XBRL tagged content.

In the foreseeable future, we believe that both the structured XBRL and the paper-like formats will continue to coexist.

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 and N-CSR? Should application extend to quarterly filings on Forms 10-Q and N-Q? Aside from periodic reports, should it be applied to information filed or furnished on Form 8-K? Should it be applied to reports by investment companies on Form N-SAR? Should tagged reporting for investment companies be different than for operating companies?

We believe that tagged data should not be limited to certain types of forms in the voluntary program's early stages. After the initial filing rounds, the SEC could encourage registrants to provide voluntary filings for specific financial statement tables and for specific forms. For example, the SEC could indicate that it is looking for registrants to provide the disclosures required by Article 3 and Article 10 of Regulation S-X, at a minimum, in the XBRL format.

Reporting for investment companies may differ from operating companies in that Form N-SAR should be tagged for simple data extraction. Other existing standardized filing forms, some of which may already have XML schema constructs (such as Form 4 and Form 5) and Form 8-K may also be filed using XBRL. As XBRL development and usage grows in the marketplace, the SEC's eventual goal should be to have all registrant filings tagged in XBRL.

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

The implications of using tagged data are lower costs and faster access to information for both creating and using business reports. By replacing manual tasks now needed to prepare information for either reporting or analysis with automated, software-to-software information exchange, we expect tagged data to increase the quality and reliability of information used by all decision makers across the corporate reporting supply chain and to enable routine analysis of more information, whether that means more data points from a particular company report, more coverage for companies in the capital markets, and/or more investors able to perform analysis of information offered in SEC filings.

Companies will be able to communicate more effectively with stakeholders using Internet standards such as XBRL and Web services. These standards enable filers to go beyond today's paper-centric publishing model to a more broadcasting-like model wherein consumers access reported information directly into their analytical models in a very short period of time. Over time, these standards may also impact the frequency of reporting as companies' internal reporting processes leverage these standards.

V. IMPACT ON VARIOUS PARTIES

B. Registrants

Are current accounting or reporting software programs able to tag data? Are the programs able to tag data using XBRL?

It is most appropriate for the software vendors and their customers to answer this specific question. The SEC should be aware that a list of some vendor applications that are XBRL enabled is regularly updated on the XBRL.org site here:

<http://xbrl.org/frontend.aspx?clk=SLK&val=49>

A majority of accounting and reporting software programs support XBRL taxonomies that are valid and can be used to tag data using any taxonomy as a basis. Some programs are in the process of being upgraded to export the latest version of XBRL (2.1), which is the version used for the U.S.-GAAP taxonomy, and these releases are anticipated for calendar 2004.

Those registrants who are most committed to the voluntary filing program and have the intention of filing more than just a "one shot" filing are the ones most likely to benefit from this for 2004 because software upgrades and integration may be needed to leverage these tools and get XBRL reporting efficiencies embedded into their reporting cycle.

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?

During the initial stages of the voluntary program, data tagging will likely result in additional costs:

- First-time tagging will require time from the filer's staff accountants and use of appropriate XBRL enabled software, although subsequent tagging should have a more limited impact. After an initial set up, the impact would be from maintenance to keep the XBRL tagging current with changing reporting requirements and information needs. This work would include modification of taxonomies, extensions, and related mapping. The introduction of enhancements to financial software to allow exporting of XBRL-tagged files will result in a limited repeat of the first-time events as the tagging will need to be performed in the financial software. Using consultants for support the first time through will also add costs, as already indicated in the SEC analysis.
- Enhancements to software may result in additional base software costs and, possibly, higher ongoing maintenance fees. However, these software enhancements may also enable additional process capabilities and efficiencies that are not currently cost effective.
- If assurance is to be provided over the tagged data, this may result in increased auditor work in initial periods, which may result in increased audit fees in initial periods.

The longer-term impact of the application of standards to the corporate-reporting process should be to reduce the overall costs associated with reporting. This will require re-engineering of processes through the internal application of Internet standards such as XBRL, Web services, and other relevant standards. The application of standards to other supply-chain-process activities should result in significant throughput and reduced costs. Registrants should expect to realize similar outcomes in applying standards to their corporate reporting processes.

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?

While it may not yet be obvious to smaller public companies, data tagging offers what could be a very powerful way to increase recognition and attract capital in the marketplace. Of all the companies in the market, relatively few are covered by Wall Street analysts or tracked with any regularity by investors. Generally, this is because of the time and cost associated with data gathering and preparation for analysis and for monitoring events that impact companies day to day. By offering tagged information, smaller companies can make it easier for the marketplace to access and analyze their information, putting opportunity in front of investors that they may not otherwise have even discovered. Therefore, tagging enables small companies to get noticed along with larger, even well known companies that receive a relatively large amount of coverage and helps to improve their competitive positions vis-à-vis competitors of all sizes that do not offer their information in a ready to use form.

Moreover, any initial incremental cost of providing voluntary filings (relative to those already required) is likely to be small because of the reduced complexity of the filing itself. This is particularly the case if the company already relies on an external professional service provider for preparation services; professional preparers can amortize their costs over many clients.

Small companies do have fewer resources internally to devote to financial-statement preparation and, therefore, they may be difficult to convince that participation in the voluntary filing program has short-term benefits for them.

The question of exemption from mandatory tagging seems moot, given the early stage of this voluntary program. We do note however that in the United Kingdom, at least, the focus of the electronic filing and XBRL tagging is in fact on the smaller filers because of the proportionately greater process efficiencies available.

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?

The advantages and disadvantages of requiring foreign private issuers to tag data in their SEC filings would be the same as those for a U.S. filer, in addition to providing the company with increased transparency in the U.S. financial markets. We do not believe the implications would be significantly different other than the fact that analysts would need to adapt their models to handle both U.S.-GAAP taxonomies and foreign-jurisdiction taxonomies. We believe that the filings of foreign companies using non-U.S.-GAAP taxonomies should be exempted in the short term to reduce any added complexity to a new process. However, we recommend there be no exemption for those that file using the U.S.-GAAP taxonomies.

As market adoption of XBRL continues throughout the world, foreign private issuers may also be required to use XBRL for their domestic filings (such as in China, Germany, Japan, the Netherlands, the U.K. et al) and will avoid having to adopt multiple technologies for multiple filing formats and/or processes for a broad range of compliance reports.

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?

No. The advantages to and disadvantages of requiring investment-company registrants to tag the data in their SEC filings would be similar to those of other registrants. All registrants will incur costs to tag their data, particularly for first-time setup costs. Over time, investment companies will benefit from more efficient

preparation of filings and from improved information flow to fund investors. As investors begin to rely on fund-analysis tools based on tagged data, investment companies that do not transition to the use of tagged data may find themselves at a disadvantage in retaining investors.

C. Accountants

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?

Making corporate data more universally accessible should enable auditors, management, and other appropriate parties to apply additional testing and analysis in a cost-effective manner. Tagged data lends itself to automated consumption, analysis, testing, and other reuse. As such, tagged financial statements are one step toward an automated process of agreeing or reconciling underlying accounting records to the financial statements. Additionally, the extension of XBRL financial reporting taxonomies to include reference links to required disclosures would enhance the processes for assessing the existence of such elements in financial statements drafted for submission.

Tagging of only the company reported summary information would significantly limit the value of tagging and not enhance audit quality or reduce the time required to conduct audits and test internal controls to the extent otherwise possible. As companies leverage XBRL within their reporting processes using the XBRL General Ledger Taxonomy to tag data internally at various Ledger levels, audit quality could rise substantially and it would take far less time to conduct audits. Tagging of internal company data using the XBRL GL taxonomy would: speed testing, highlight exceptions requiring follow up, and provide much improved documentation for the audit work papers by:

- Making a generic and integrated audit trail available from the point of the data's initial entry into the organization to its inclusion in reports used by management and those provided to third parties;
- Providing a drill down capability from the highest-level report to the underlying accounting records; and
- Enabling automated collection, assessments, and testing of report level and ledger level data.

In addition, business rules could be represented electronically, improving the analysis of those rules as part of the assessment processes.

D. Other Parties

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

The impact of standardization on any supply chain is that all supply chain participants are affected. XBRL is an information format standard specifically designed for the

Internet. As such, we believe that it will impact a wide range of participants in the corporate reporting supply chain and capital markets such as the following:

- **Intermediaries:** While it may not be immediately apparent to them, XBRL offers business-information distributors and aggregators new potential revenue sources. Even as tagged data is likely to reduce the absolute margins for their current services, it will also substantially drive down the costs to provide these services and, by making it faster and cheaper to access and process raw information, make it possible to create new information services – expanding the business model.
- **Companies:** Companies will have the opportunity to better control how their data is presented to the marketplace. This should trigger a demand from the “analyst marketplace” to receive data in XBRL format, since it allows them to spend their time analyzing instead of re-keying information, reducing the cost of data handling. Consequently, the analyst coverage to each company could be of a much higher quality.
- **Stockholders:** By reducing the high costs of information consumption, XBRL stands to provide stockholders with the most benefit of all business information constituents. Tagged data and off the shelf XBRL analytical tools make for fewer distinctions between investors. Because XBRL levels the playing field among investors, the SEC can promote awareness without being inconsistent with its mission to maintain the integrity of the securities markets.
- **Regulators and Policy Makers:** Like other business information consumers, “upstream” regulators and policy makers will also benefit from greater availability of, and less costly access to, information.

In summary, all stockholders will benefit from not having to re-key information and having data tagged at a more granular level. They will have much higher quality analysis to research and also be able to take advantage of the tools being made available to the laymen for personal analysis.