



committee on finance & IT

November 1, 2004

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

Re: File No. S7-35-04

Dear Mr. Katz:

The Committee on Finance and Information Technology ("CFIT") of Financial Executives International ("FEI") would like to thank you for this opportunity to comment on the *XBRL Voluntary Financial Reporting Program on the EDGAR System*. FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CFIT is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CFIT and not necessarily those of FEI.

We are pleased that the SEC has decided to create a voluntary reporting program for XBRL, as we believe that XBRL has the potential to be a valuable tool for filers, investors, auditors and regulatory agencies – in other words, XBRL benefits all members of the financial information supply chain. The integration of XBRL and the EDGAR system will enhance transparency and understanding of the financials of registered companies.

We have provided detailed comments in the pages following this letter. Should you have any questions regarding our comments, please contact Bob Shepler at FEI at 202 626-7806 or [bshepler@fei.org](mailto:bshepler@fei.org).

Sincerely,

Garry Lowenthal  
Chair, Committee on Finance and Information Technology  
Financial Executives International

Taylor Hawes  
Vice Chair, Committee on Finance and Information Technology  
Financial Executives International

**Detailed comments:**

1. Is the proposed rule permitting volunteer filers to furnish financial information in XBRL appropriate?

Yes it is appropriate. The volunteer filing program will allow XBRL to be evaluated and addressed by market participants. Items such as industry sector taxonomies, software (Tools), and other deployment issues will be raised and communicated through the program.

Is there a better way to accomplish testing and analysis of XBRL data?

No, we believe the proposed rule will achieve the desired result of the commission.

2. For purposes of the program, volunteers can furnish in XBRL format, among other types of financial information, a complete set of financial statements. Are there special issues or difficulties raised by providing notes to financial statements in XBRL format?

By allowing companies a wide range of options in submission of supplementary financial information, there is a risk that companies will furnish minimum filings therefore not surfacing potential issues with taxonomies and tools that may arise when the rule is finalized.

Allowing companies to furnish notes to financial statements will ensure XBRL taxonomies evolve to support transparent comprehensive financial statement filings that are most productive to consumers and producers of financial information.

If so, should we permit volunteers to furnish financial statements in XBRL format if they omit the related notes? Should we allow volunteers to furnish in XBRL format some but not all financial statements (e.g., only a balance sheet)?

We recommend that volunteer filers furnish all financial statements in an XBRL tagged data format to enable consumers (the commission) of financial information to have a full set of financial statements for review and analysis. Permitting participants in the voluntary filing program to furnish only the financial statements in XBRL will greatly simplify the amount of effort it would take to support the program.

Should we also allow tagging for other items, such as Management's Discussion and Analysis or Management's Discussion of Fund Performance that are part of existing taxonomies?

Yes, we recommend permitting tagging of other items such as Management's Discussion & Analysis or Management's Discussion of Fund Performance to benefit investors and encourage the market to enhance and improve these taxonomies.

3. Are the standard taxonomies in the voluntary program sufficiently developed? If not, explain what further development would be necessary. Please address taxonomies with respect to specific industries or types of companies if you have information or views on these.

The volunteer filing program is focus on 4 specific industry segments which, based upon XBRL International, cover 90% of the filing needs of companies in a particular industry:

- Commercial and Industrial
- Banking and Savings Institutions
- Insurance
- Investment Companies

The taxonomies available for the above industries cover a large percentage of financial statements.

We respect the need to balance industry specific taxonomies with broad general taxonomies and the repercussion of each approach. The volunteer filing program will expose the need to refine and extend taxonomies, which may include creating additional industry specific taxonomies. This outcome along with a process by XBRL International to collect and assess changes will be essential throughout the voluntary filing program.

Is the taxonomy builder software sufficiently developed that volunteers would be able to create extensions as needed?

There are a number of taxonomy builder software offerings available, however, the market is still relatively immature and offerings difficult and complex to use. Volunteers will likely require internal resources that are experts in XML and accounting concepts to work closely together to create specific extensions. As the volunteering filing program gains momentum, we believe there will be new software offerings that will be much simpler to use.

4. What specific criteria should be applied to determine the adequacy of the standard taxonomies?

Criteria include:

- Benefits - Adequacy of standard taxonomies should be measured against expectations of financial statement transparency, comparability and usability.
- Update process - An ongoing review and update process should be established to assess extensions, reporting and disclosure requirements.
- Clear ownership – Taxonomies should have clear owners in the market who manage them over time.
- Authoritativeness – Registrants should be able to rely on taxonomies, as well-formed, accurate, up-to-date, and comprehensive.

5. Should we include other standard taxonomies in the voluntary program? If so, specify which ones and explain why you believe such taxonomies are sufficiently developed.

We are not aware of any other standard XBRL taxonomies available for use across a broad range of reporting entities.

6. Should we allow foreign private issuers or foreign governments who use non-U.S. GAAP standard taxonomies to participate in the voluntary program? If so, how should this be implemented? What adaptations, if any, would be needed? How would U.S. GAAP reconciliations be handled in a voluntary XBRL submission?

XBRL International is an international consortium with foreign sub-groups focused on country specific taxonomies. We support allowing foreign private issuers or foreign governments to furnish non-U.S GAAP financial statements in the voluntary filing program, the Commission will subject foreign taxonomies to the same rigor as the U.S. GAAP taxonomies.

7. We plan to permit all filers to furnish XBRL data as an exhibit to Exchange Act and Investment Company Act filings so long as they use one of the specified standard taxonomies and form types. Should we further limit participation, such as by size or specific industry?

We agree with the proposed guideline limiting filers to furnish XBRL data using only one of the specified standard taxonomies and form types. Participation in the voluntary filing program should not be limited in order to maximize the number of participants. Participation may be naturally limited for companies:

- 1.) Who do not have the necessary expertise in XML
- 2.) Through industries not covered by specific taxonomies

Should we allow volunteers to furnish XBRL data with Securities Act filings?

Yes, volunteers should be allowed to furnish XBRL data with Security Act Filings. The proposed rule as written is broad enough to allow meaningful results, without providing an undue burden to preparers and consumers of financial information.

8. We have proposed that XBRL data furnished by volunteers must be the same financial information as in the corresponding portion of the HTML or ASCII version. Should we allow volunteers to present less detailed financial information in their XBRL data?

The Commission should allow some level of flexibility in allowing volunteers to present less detailed financial information in their XBRL data. At a minimum we recommend that volunteer's filers furnish all financial statements in an XBRL data format to enable consumers (the commission) of financial information to have a full set of financial statements for review and analysis. However, the Commission should allow companies to include a complete set of financial statements, footnotes, MD&A, certifications & opinions as (10K/10Q) currently filed in HTML or ASCII to assess the completeness of taxonomies and ease of creation and support.

9. In order for the XBRL version of the financial statements to have the same level of detail as the HTML or ASCII version, we expect most companies would file extensions to the standard taxonomy. If you expect that companies would file extensions to the standard taxonomy, explain why extensions would be necessary. Would there be some companies that do not expect to file extensions? If not, explain why. Would the use of extensions harm the comparability that otherwise would exist among volunteers that use the same standard taxonomy?

Companies may choose to create file extensions based upon their specific financial statement presentation. Extension may be necessary when the application of financial reporting concepts is not found in the base taxonomy. Depending on presentation, a company may make a decision to create specific labels, calculations or modify their presentation to more accurately represent their results. For specific industries where reporting practices are regulated and more consistent (i.e. banking, insurance) extensions may not be required. Same would apply for small public companies that are relatively simple.

The broader question around comparability of extensions and how they impact the standard taxonomy will be raised through the voluntary filing program. The Commission should consider the role of technology in creating, storing and comparing extension over time. We believe this will be a critical issue that will need to be addressed.

10. Are there any confidentiality concerns regarding submitting extensions? If so, what are they?

No, companies can determine the level of detail included in their respective extensions. Concerns may be raised if a company used their XBRL taxonomy with numerous extensions for both internal and external reporting. All companies participating in the volunteer filing program can control which taxonomies are available for use and can separate the internal and external taxonomies with extensions.

11. We are contemplating allowing volunteers to submit XBRL data as an amendment to their filings or with a Form 8-K or Form 6-K that references the filing that contains the financial information to which the XBRL data relates. Should we require volunteers to submit XBRL data at the same time or within a specified number of days from the time they submit their official filing? Would this present difficulty for volunteers? Should we require volunteers to submit XBRL data only as an exhibit to the filing to which the XBRL data relates (i.e., remove the option to submit the XBRL data as an exhibit to an otherwise unrelated Form 8-K or Form 6-K)?

We believe that once a company has implemented and has begun using XBRL, any 8-K filings, amendments to filings or Form 6-K can be provided concurrently or within a specified number of days from the official filing. While the tools and knowledge necessary to file XBRL documents are in early stages, once a company establishes the necessary infrastructure to file in XBRL the additional effort would be nominal.

12. We plan to develop and provide via our website an application for a standard template to render the XBRL information in human readable form. What are the advantages and disadvantages of our requiring the use of such a standard template? For example, could a standard template prevent a volunteer from presenting its XBRL data in as much detail as, and in a manner substantially similar to, the financial statements in its official filing?

Should we only develop standard templates for certain industries?

Creating and proving a standard template to render XBRL data into human readable form may be challenging depending on how pervasive taxonomy extensions are in company submissions. We recommend providing a wizard that enables users to import Company's taxonomy and instance documents to render the XML into a human readable form. As stated earlier, this may be less of an issue where industries are more regulated and presentations more standardized.

Instead, should we allow each volunteer to submit its own template for rendering the XBRL data?

The Commission should not allow volunteers to submit their own templates for rendering XBRL data, it would defeat the point of using XBRL and ubiquity of tagged data.

13. As to the voluntary program, we propose to exclude XBRL-Related Documents from the certification requirements of Rules 13a-14 and 15d-14 under the Exchange Act and Rule 30a-2 under the Investment Company Act and we state that the XBRL-Related Documents should omit audit opinions and review reports. For purposes of the voluntary program, should officers of the company certify the XBRL data? If so, what should the certification criteria be? Should auditors be required to attest to the data? If so, what should their attestation requirements be? What are the advantages and disadvantages of requiring certification and attestation? What complications would arise if a volunteer presented an audit or review report in its XBRL-Related Documents?

We believe the intent of the volunteer filing program is to assess the viability of using XBRL data as an acceptable filing form to Edgar. Requiring companies to certify XBRL data would impose an additional burden beyond the intent of determining the viability of XBRL. Initially we support not requiring certification and audit of XBRL data furnished with filings, however, would support expanding the volunteer filing program to include certifications and audits once the taxonomy becomes more mature, includes footnotes, comprehensive MD&A and full financials

14. Should the XBRL data be considered filed or furnished for purposes of the voluntary program? Why? Would filers be more or less likely to participate in the voluntary program if the information were deemed filed? To encourage participation in the voluntary program, should liability protections be increased beyond that proposed? For the protection of investors, should liability protection be decreased from that proposed? Is there any reason to provide liability protections under the Securities Act if, as proposed, volunteers cannot submit XBRL data with Securities Act filings and XBRL data is deemed not incorporated by reference?

The voluntary program is designed to assess the benefits and viability of XBRL as a filing method. To encourage filers to participate in the program we recommend that XBRL data consider "furnished". This will provide the least overhead and risk to filers, yet achieve the intentions of the program. Companies should be afforded the liability protection as described in the proposed release, which minimizes risks for XBRL data being furnished in error. As the program matures and the commission begins to evaluate changing from furnished reports to filings, liability protection should be conformed to the same standards as other filings in ASCII and HTML.

15. As proposed, the liability protection provisions require that information in the XBRL-Related Documents be the same as the corresponding information in the official filing and that information in the official filing not be materially false or misleading. Also as proposed, to the extent information in the XBRL-Related Documents differs, it would be deemed the same if the volunteer had made a good faith and reasonable attempt to make it the same and, as soon as reasonably practicable after the volunteer becomes aware of the difference, the volunteer amends the XBRL-Related Documents to make the information the same. Is it appropriate to deem the information the same under these conditions? Under what, if any, conditions should the information be deemed the same?

We believe the approach in the proposed rule is fair.

16. How should we determine how useful the tagged data is to users of the information?

The promise of XBRL is that it has the potential of providing efficiencies and value throughout the entire reporting supply chain. The feedback and assessment should come from 4 specific groups:

- 1.) Report preparers - Should improve efficiency and ability to prepare filings. Information can be improved through an ability to link footnotes to the financial statements and validation of numbers. Enhanced controls in the financial reporting process should enable companies to improve their respective control environments with respect to financial filings
- 2.) The Commission - Its ability to comply with section 409 of S-OX and quickly review, compare and analyze registrant filings. XBRL should enable internal cost savings.
- 3.) Financial analysts, regulators, department of commerce and users of financial information - Through speed of capture and more in-depth repeatable analysis and understanding.
- 4.) Individual investors – Access to financial statements with similar level of analysis and speed concurrent with other consumers.

17. What specific steps can we take to encourage registrants to participate in the voluntary program?

The Commission should provide periodic feedback to XBRL International, ACIPA, FEI and other industry associations to identify and help train companies who elect to participate in the program.