

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

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INTERACTIVE DATA ROUNDTABLE:

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CREATING INTERACTIVE DATA TO SERVE INVESTORS

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Monday, March 19, 2007

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10:00 a.m.- 12:30 p.m.

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United States Securities and Exchange Commission

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100 F Street, Northeast

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Washington, D.C.

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P R O C E E D I N G S

CHAIRMAN COX: Good morning. Thank you.

All of us here today are part of a big, new, and exciting enterprise, and I particularly want to welcome all of our panelists. We are going to get to these folks in a moment, but many of them are representing companies that voluntarily are filing their information with the Securities and Exchange Commission in interactive data format. They are early adopters, and we are enormously grateful for them as pioneers because, as a result of their work, we are able to report today on a great deal of progress that is being made for the benefit of, not only America's investors, but investors around the world. So thanks to all of you for joining us.

And welcome to the third in our series of roundtables. We are exploring the potential of interactive data to enhance disclosure for the benefit of all investors.

I would especially like to thank everyone in our audience today who is joining us via the Internet. This is, after all, all about interactivity, and there is no better way to do this than to sign on via the Internet.

And if you are watching this via webcast, I fully expect that you have minimized my picture, so that you can simultaneously keep track of where you are in your office pool with the NCAA brackets, and I fully understand that. I

1 want you to know I am not in the least bit offended. Indeed,
2 some day in the not-too-distant future, it is entirely
3 possible that we, in America, will harness the power of
4 interactive data to make it far easier to understand the
5 reams of data from the NCAA tournament.

6 Interactive data, for our purposes today, is not
7 just going to help bettors in the future, but investors, who
8 after all, mark the difference between gambling and investing
9 by the degree to which they can rely on sound information to
10 make intelligent decisions.

11 Interactive data is going to help investors get the
12 most out of all of the facts and figures that are buried, not
13 just deep within the sports pages, but deep within company
14 prospectuses and mutual fund prospectuses. They will do this
15 by using interactive data comprising hidden computer tags for
16 every bit of information -- every individual number or
17 factoid. The result of this hidden magic is that investors,
18 using standard software, will be able immediately to pull up
19 the information the way they want it, without having to slog
20 through pages and pages of dry text.

21 At our previous roundtable events, we have talked a
22 great deal about how investors and analysts -- who are, after
23 all, the consumers of financial information -- will use
24 interactive data in the future to more quickly and easily
25 evaluate investment opportunities and to compare numbers

1 across companies and across industries.

2 Today, we are going to focus on mutual funds and
3 public companies -- the producers of financial information.
4 And we will begin by considering what they are doing right
5 now, today, with interactive data technology. They are
6 working to test it, to refine it, and to provide markets and
7 investors with better ways of sharing information.

8 At our October roundtable, we talked about how to
9 encourage the development of new interactive data software.
10 Later in this program, we will take a brief look at one
11 result of this effort -- the SEC's prototype software to
12 allow investors to view interactive SEC filings.

13 I have spoken previously about the great potential
14 of technology to serve mutual fund investors by providing a
15 user-friendly way to comparison-shop among funds. The first
16 step toward making this consumer benefit a reality was for
17 the various fund companies to come together to create a
18 standard dictionary of interactive data tags.

19 To its great credit, and to the benefit of every
20 individual investor, the fund industry, through its trade
21 association -- the Investment Company Institute -- has
22 completed this dictionary, so that now we have a taxonomy
23 describing each piece of relevant information that is key to
24 an investor's decision to purchase a mutual fund, including
25 investment objectives, costs, and risks.

1 Now, we are ready to take the next steps. The SEC
2 has recently proposed a rule -- which we intend to consider
3 making final very soon -- to allow funds to include
4 interactive data in their SEC filings, together with a
5 companion initiative that we are undertaking to develop a new
6 streamlined user-friendly disclosure document for mutual
7 funds. This should make it far easier for fund investors to
8 find and compare key facts. And it holds the prospect of
9 freeing them from the lengthy, dense legalese that is all too
10 common in today's mutual fund prospectuses.

11 In a few moments, we will hear from John J. --
12 "Jack" -- Brennan, chairman and CEO of the Vanguard Group, a
13 firm that has played an active role in this effort to make
14 interactive data a reality for mutual fund investors.

15 We will we then hear from the director of the SEC's
16 Division of Corporation Finance, John White, on ways that a
17 public company can create interactive data and then use this
18 valuable information, not simply to inform investors and
19 analysts, but also to help people inside the company to do
20 their jobs.

21 And following John's remarks, Terry Savage, the
22 personal finance columnist for the Chicago Sun-Times, will
23 moderate a discussion with participants in our interactive
24 data test group. These technological pioneers, as I have
25 said, have been furnishing their SEC reports to investors

1 using interactive data as part of a test of this new
2 reporting approach.

3 For any company that is considering whether to
4 upgrade its technology, of course, the key questions are:
5 How much time and money will this take? And, more
6 importantly: Can we actually save money by doing this? Our
7 panelists today will describe their experiences in creating
8 interactive versions of their annual, quarterly, and other
9 filings.

10 As you can see, in the spirit of March madness, the
11 selection committee decided on a very large panel for this
12 discussion. But our guests should be relieved to learn that
13 you cannot be eliminated from this event.

14 Following our outstanding panel, we will hear from
15 our final speaker of the day, Richard Bennett, the CEO of The
16 Corporate Library. He is going to address the significance
17 of interactive data for corporate governance, and we look
18 forward to his presentation, as well.

19 Now, before we hear from our guests, I would like
20 to quickly update you on one important item -- our progress
21 in reinventing the SEC's website for interactive data. And,
22 in that connection, I have an announcement to make.

23 Even before interactive data becomes the norm for
24 reporting companies, we are going to tag the executive
25 compensation data, that they have filed the old way, that the

1 companies are now filing this very proxy season. We are
2 going to put an interactive data web tool on the SEC's site,
3 so that users will be able to slice and dice this executive
4 compensation information any way they like, or do industry
5 comparisons, or even do analyses of particular forms of
6 compensation, such as stock options. We are going to do this
7 for at least several hundred of the largest public companies
8 in America. And we expect to have it available in June.

9 But you won't have to wait until June to check out
10 interactive data. As I said, the panelists to my left
11 represent companies that have been voluntarily participating
12 in our interactive test group and, therefore, they are
13 already submitting their filings using XBRL. These
14 interactive data documents that they have filed are already
15 available on the SEC's website.

16 But, since this is still a relatively new
17 technology, most investors don't have XBRL readers on their
18 computers. And so, since last we met for our roundtable
19 discussion on this topic, the SEC has added prototype reader
20 software, and that will soon be available for free at
21 sec.gov.

22 That software will permit you to display all the
23 interactive filings that the SEC has received from our
24 interactive test group of companies. And this prototype
25 will, in fact, read any documents -- whether they are filed

1 with the SEC or elsewhere -- that are constructed in XBRL.

2 Next month, the SEC will release this software for
3 free to the public in open source, so that software
4 developers can use it and build on it, improve it, enhance it
5 for their own products and projects.

6 The idea is to get this software going in the
7 marketplace because there is no doubt that it is the private
8 market and private software developers who will lead the way
9 in driving innovations in interactive data.

10 The SEC doesn't intend to compete with popular
11 financial websites, nor to become a financial information
12 portal to the Web. The aim is to offer prototypes for the
13 free use of all, with the hope that people outside our
14 building will quickly improve upon our offerings and surpass
15 anything available on sec.gov.

16 Speaking of the private markets and innovation, we
17 are fortunate to have with us today a man with significant
18 experience in serving the individual investor. Jack Brennan
19 is chairman and chief executive of Vanguard, and a member of
20 the board of directors of each of the Vanguard mutual funds.
21 The Vanguard Group is the second largest mutual fund
22 organization in America, with current U.S. mutual fund assets
23 of more than \$1 trillion.

24 Mr. Brennan joined Vanguard in July 1982. He was
25 elected president in 1989, chief executive in 1996, and

1 chairman of the board in 1998. He is a governor of and past
2 chairman of the Investment Company Institute, a governor of
3 the NASD, and a past governor of the United Way of America.

4 He graduated from Dartmouth College and received a
5 master's degree from the Harvard Business School.

6 Prior to his formal business training, Mr. Brennan
7 learned the value of the dollar while shoveling snow and
8 mowing lawns, beginning in first or second grade. The
9 details are sketchy at this point, but it seems very clear
10 that he began saving and investing at a very early age. And
11 it is equally clear that his company is now responsible for
12 the investment dollars of millions of Americans.

13 Mr. Brennan is here to discuss the new software now
14 available to mutual fund companies to create interactive data
15 and the potential for mutual funds and their investors.
16 Please join me in welcoming Jack Brennan.

17 (Applause.)

18 MR. BRENNAN: Thank you, Chairman Cox. I didn't
19 realize, actually, on St. Patrick's Day, I would be shoveling
20 snow again -- and the pay wasn't as good this year.

21 Thank you for the opportunity to be here and to
22 talk about the prospects, as you said, for interactive data
23 and its ability to improve disclosure and reporting to
24 investors. You have exciting initiatives underway. I'll
25 talk about the one perspective for our industry.

1 I want to thank you, too, for leading the way
2 aggressively, Chairman Cox, in this modernization initiative.
3 It's a very important topic for investors and I think, very
4 importantly, an opportunity for all of us in the investment
5 community to do our jobs better and more effectively for the
6 people we serve. This ongoing dialogue, which will go on
7 today, will help ensure that we deliver interactive data to
8 investors the right way.

9 I am pleased to represent Vanguard at this forum,
10 and I am honored to do so among the representatives of the
11 companies in the XBRL pilot project. We had a great chance
12 to chat beforehand. I had a little lesson in how it's going.

13 Our panelists have already made great steps towards
14 making interactive data the new standard of business
15 reporting and, as an investor, we are grateful for that.

16 As applied to financial statements, XBRL can be a
17 valuable tool for analysts, a valuable tool for regulators,
18 and, I hope, as an owner of companies, even for the companies
19 that implement it, as they track their own data more
20 efficiently, make themselves more effective, and then publish
21 it more accurately for those of us who use that data.

22 If Chairman Cox's vision is fully realized, tagged
23 data could even help -- we hope -- reduce the volumes of
24 filings that public companies have to make to the SEC, saving
25 us all -- taxpayers and companies -- a lot of money. It

1 seems to me that that would be a huge leap forward for all of
2 us and all parties concerned.

3 You and your companies -- the panelists -- have
4 already invested so much time and effort to get XBRL up and
5 running in your businesses and, as I said, we are grateful
6 because you have created a pathway which others can follow. I
7 applaud and other investors like me applaud your pioneering
8 efforts to make financial data more open, more standardized,
9 more accessible, more universally and more easily updated. I
10 can tell you that it will make our jobs, as the owners of
11 your company and prospective investors in your companies,
12 more productive and more efficient.

13 I want to thank you, too, privately -- in a public
14 forum -- for the free tutorial in the green room. I learned
15 a lot while listening to Terry get prepared for the panel.
16 There is a lot of knowledge in this panel, and I think you
17 will find -- the members of the audience and the members of
18 the Commission -- will find it to be highly insightful.

19 Now, I want to turn to be able to offer my
20 perspective to our audience and to the Commission on how this
21 new technology might be beneficial to mutual fund investors
22 -- the people I serve -- in the fund evaluation, the fund
23 selection and, very importantly, I think, in the fund
24 monitoring processes.

25 As I said, the public companies in the pilot

1 represented here are leading the effort to improve reporting
2 to their investment communities -- individuals, and
3 institutions like Vanguard, who buy stocks. Your experiences
4 are very valuable lessons for us and, now, we at Vanguard are
5 honored to be invited to be in the leadership position, as
6 the SEC extends XBRL into the mutual fund industry. Again,
7 great progress, I believe.

8 As many of you know, the SEC, and as Chairman Cox
9 just mentioned, has proposed a rule to expand the XBRL
10 initiative to mutual funds. If funds like ours would be able
11 to file the risk and return summaries -- it's a term of art
12 in our business -- from fund prospectuses to XBRL on a
13 voluntary basis, much as the companies here have done, these
14 summaries, which are, essentially, the information that is
15 spelled out in the first few pages of a fund's prospectus,
16 would include tagged data on a fund's objectives, its
17 strategy, its risk characteristics, performance, expenses,
18 and fees.

19 In my view, as someone who goes back to when that
20 summary was first put together, working with the SEC many,
21 many years ago, those are, really, the vital few things that
22 investors should understand well before investing in a fund.

23 If implemented industry-wide, this information
24 would be available for investors to search and sort, slice
25 and dice, allowing them -- we hope -- to make better

1 investment decisions across fund complexes and within fund
2 complexes.

3 With this initiative, the SEC -- obviously, well
4 known as the investor's advocate -- hopes to create a
5 powerful interactive tool for millions of mutual fund
6 investors. A great step forward, as I said.

7 If you all vote to initiate this pilot program for
8 XBRL and mutual fund reporting, I can tell you that Vanguard
9 will be happy to participate -- very happy to participate. In
10 fact, we have already begun early preparations to file
11 risk/return summary data in XBRL and, if we are asked, we
12 will be ready to go, and to do so once the pilot program is
13 underway. We would be pleased to do so.

14 As technology spending goes, implementing XBRL for
15 risk/return summaries would not be that large an investment.
16 It's actually relatively modest. It's a change in practice,
17 but not a huge financial investment.

18 The important question, though, is: Even if it is
19 a relatively modest investment, is it a high return on
20 investment for firms like us to benefit mutual fund
21 shareholders?

22 To provide some context, let me just give you a
23 little background around how we view technology and investing
24 broadly at Vanguard.

25 In the last two decades, technology has

1 revolutionized the world of mutual fund investing. Now,
2 that's not an overstatement. It has revolutionized the world
3 of mutual fund investing. When I think back to how things
4 were 25 years ago, when I first joined Vanguard, it is simply
5 amazing how far our industry and our company has come to
6 serving investors better.

7 More than most organizations, by way of background,
8 Vanguard is a virtual company, with no physical presence
9 anywhere in the country, other than our operations centers.
10 So, in many ways, the toll free number was the first
11 technological innovation in our story. It allowed us to be
12 in every investor's home, if you will. A very important
13 technological innovation.

14 The next big change occurred several years later,
15 with the advent of home computing -- putting a potentially
16 powerful, if, in many ways, crude tool in the hands of
17 millions of investors hoping to make better investment
18 decisions.

19 The 800 number, the personal computer -- big leaps
20 forward in the '70s and '80s for a company like us and for
21 many of our competitors in the mutual fund industry.

22 Given the importance of technology in our early
23 years, you can imagine the incredibly enthusiastic response
24 we had when that next major technology came along in the
25 '90s-- the Internet. And we quickly became a pioneer in its

1 use.

2 Our website, Vanguard.com debuted in 1995. Today,
3 well over 80 percent of our interactions with our investors
4 occur on the Web, rather than on the phone or via the mail,
5 as it did in the '80s and in the '70s. And, last year, the
6 vast majority of our new investors to Vanguard came to us and
7 opened their account on the Web, without ever interacting
8 with a Vanguard crew member.

9 What a powerful change in a short period of time --
10 driven by all sorts of environmental factors, as well as our
11 early adoption and major investment in this very important
12 technology, known as the Internet.

13 As you might imagine from that brief history,
14 technology is a huge part of who we are today and, more
15 importantly, a huge part of how we serve our investors. A
16 quarter century ago, we had a handful of technology
17 professionals working for our company. Today, over 20
18 percent of our crew members are dedicated to IT work, and a
19 very significant percentage of our operating budget is
20 dedicated IT because we view technology as the key to serving
21 our investors well and better and allowing them to make
22 better investment decisions.

23 As you know, there are always new technologies
24 emerging -- and that's the good news. The bad news is that,
25 sadly, many of those new technologies do not make long-term

1 investors better investors. So whenever there are new
2 technologies, our initial question isn't only, "Do we have
3 the have capabilities to do this?" but, "What does this new
4 technology do for the long-term investor?"

5 And the most important question is often that
6 second one -- "How will this new technology benefit
7 investors?" That is what the panel is about today.

8 In general, the answer to that question must
9 satisfy two requirements, from our standpoint. One, it must
10 be useful. And, two, it must be usable.

11 The technology must be useful, meaning it empowers
12 clients and our investors in some way to become better at
13 what their task is -- being a long-term investor. And it
14 must be usable, in our way of thinking, meaning, it can make
15 things easier, it's practical, it's investor-friendly.

16 As you may imagine, these requirements are
17 particularly important for our Web side, which, as I said, is
18 the way most of our clients interact with us each and every
19 day.

20 These are the principles that guide our decision
21 and our assessment about process change in technology
22 internally. Frankly, they were also the two main questions
23 we considered in weighing the cost and benefit of
24 participating in a prospective XBRL pilot program. Does XBRL
25 have the power and the potential to make mutual fund

1 disclosure more useful and more usable for our investors? We
2 believe the answer to those two questions are yes and yes.

3 But if XBRL is to reach its potential as a tool for
4 individual mutual fund investors, it should help provide
5 answers to questions about mutual funds that investors most
6 often ask.

7 Applying XBRL to the risk/return summaries may be
8 the right place to start, but it is certainly not the ending
9 point for this initiative. One of the most important aspects
10 of the SEC's initiatives on XBRL, thus far, has been the
11 acknowledgement by all of us in the investment community that
12 there are many opportunities to improve disclosure to
13 investors -- institutional investors, like us, and
14 individuals investors, like those we serve at Vanguard.

15 That's why I have been encouraged, as was alluded
16 to by Chairman Cox, by the efforts to date on a related
17 initiative, and that is to reform mutual fund disclosure by
18 providing investors with a shorter, more useful form of a
19 prospectus disclosure in the form of a shortened prospectus.

20 I can tell you, too, Chairman Cox and the rest of
21 the Commission members we would enthusiastically support such
22 an initiative for a short form disclosure for the prospectus.

23 A new shorter and straightforward version of a
24 prospectus would contain the key information that investors
25 use most, which they most crucially need -- again, the key to

1 great disclosure. It would replace the current form of
2 prospectus, a primary mutual fund disclosure document. And,
3 importantly, this short form prospectus could be delivered
4 electronically and immediately -- unless, of course, the
5 investor wanted it on paper.

6 Carrying forth with the SEC's vision for
7 interactive data, this information in a short form prospectus
8 could be tagged, making it searchable, sortable, comparable
9 and, we would say, much more helpful to the investor who
10 comes to Vanguard.

11 Like the SEC, we believe that Vanguard, for our
12 entire existence, has been an advocate for the investor. We
13 have been leaders in previous disclosure initiatives --
14 things like the plain English initiative of several years
15 ago, which comported so well with our corporate culture and
16 with our corporate practices and policies.

17 But our interest in interactive data is not just
18 because it's the right thing to do -- which it is. It's
19 because we know a lot about what investors want and how they
20 behave. We have learned a great deal over the years about
21 how investors make decisions. Vanguard's sheer size --
22 managing over a trillion dollars of other people's money --
23 enables us to take advantage of a virtual laboratory of
24 millions of investors who access our site, seeking
25 information.

1 We know how they go about researching funds. We
2 know which information they find most relevant and most
3 useful. And we would welcome the opportunity to share that
4 knowledge that we have collected to contribute to the
5 development of an interactive short form document.

6 One thing is clear: Investors aren't using those
7 lengthy prospectuses for making investment decisions. They
8 use data they find on the Internet and other forums, in which
9 they can quickly and easily compare choices. Think about the
10 subject of today's panel. They select their fund, then,
11 after the fact receive a prospectus in the mail.

12 Now, the prospectus, of course, is an important
13 legal document. It explains the fund's objectives,
14 strategies, risks, fees, expenses, past performance, and so
15 on, but I don't think any of us would contend that it's an
16 investor-friendly tool.

17 We want to help investors be successful. The
18 initiatives that the Chairman laid out in his opening
19 comments will be the right tools to make educated investment
20 decisions -- tools, as I alluded to earlier, that are useful
21 and usable.

22 As an aside, I want to share just a fun fact with
23 you about the difference between the old way of doing things
24 and, prospectively, the new way of doing things. Somebody
25 back in my shop calculated that Vanguard's 20 million

1 prospectuses -- 20 million, which we send out every year --
2 stacked on top of each other would be, roughly, 234 times as
3 tall as the Washington Monument. Think about what we could
4 do for global warming and other things if we were to
5 eliminate most of those prospectuses.

6 Further off in the future, frankly, we see the
7 value of exploring the automation of all mutual fund
8 reporting, which could result in the need to generate and
9 file fewer, but, we would say, much more useful and usable
10 reports to our regulators. And we believe that would be a
11 great step forward in the regulation of our highly regulated
12 industry. It's a very attractive prospect for us. We hope
13 it's a very attractive prospect for the SEC.

14 In the panel discussion to get underway shortly, I
15 expect participants will get into some roll-up-your-sleeves
16 nuts-and-bolts kind of details of their experiences with the
17 XBRL pilot program -- their successes, their frustrations,
18 their cost and benefit of rolling out this new technology for
19 their companies. For those not familiar with XBRL and its
20 processes, the nuts and bolts may seem technical and even a
21 bit tedious, but it is important to share these details and
22 experiences.

23 And, as the panelists are discussing the nuts and
24 bolts, I hope you will bear in mind the broader vision that
25 has been laid out by the Commission -- that you are laying

1 the groundwork for more transparent, more readily available,
2 and more standardized information for all investors --
3 investors like Vanguard, who serve millions of individuals.

4 For mutual fund investors, the two initiatives that
5 I discussed today, and that the Chairman mentioned in his
6 opening remarks, represent vitally important potential
7 reforms.

8 The first -- the filing of the mutual fund
9 risk/return summaries in XBRL -- is a step in the right
10 direction.

11 The second -- creating a shorter version of the
12 prospectus as the primary disclosure document for our
13 industry -- I would say, represents a great leap forward and
14 will ensure that investors get the most relevant and useful
15 information delivered in a user-friendly format. This is a
16 solution that makes sense for everyone involved -- from fund
17 providers, to fund investors, to regulators, and legions of
18 postal carriers in between.

19 On behalf of Vanguard's crew and clients and,
20 frankly, the members of the Commission and all mutual fund
21 investors, I would like to thank you, Chairman Cox, for
22 inviting me and for putting forth these interactive data
23 initiatives to improve disclosure to investors.

24 The key to making sure we are providing investors
25 with the most useful and usable information starts with the

1 information the panelists will share with each other today
2 and at other forums like this one. I wish you all the best
3 for a very interesting morning.

4 Thank you for listening to my comments and, again,
5 thank you for what you are doing, Chairman Cox and members of
6 the Commission, for the people I serve. Thank you very much.

7 (Applause.)

8 CHAIRMAN COX: Thank you very much, Jack. I
9 couldn't help but recall, when he mentioned that, if you
10 stacked all the mutual fund prospectuses one atop the other,
11 they would be so much taller than the Washington Monument,
12 that our Office of Economic Analysis has determined that, if
13 all of the lawyers who wrote all of the prospectuses were
14 laid end to end, it would be a good idea. Now, I don't agree
15 with that, but I just pass it on for what it's worth.

16 I want to thank Jack for his time and for his
17 insightful comments and take this opportunity to introduce
18 the Commissioners who are here with us today -- Commissioner
19 Paul Atkins, Commissioner Roel Campos, and Commissioner Kathy
20 Casey. The Commissioners believe that this is such an
21 important topic that -- notwithstanding, as you can imagine,
22 the extraordinary amount of business that is currently and
23 simultaneously underway in divisions and offices throughout
24 the SEC and around the country -- they want to be here for
25 this very, very important roundtable.

1 Now, I would like to turn from mutual funds to
2 public companies and questions of both internal and external
3 reporting by public companies using interactive data. We are
4 fortunate, for this portion of the program, to have another
5 distinguished speaker, who, like Mr. Brennan, also knows how
6 to shovel snow.

7 John White is the director of the SEC's Division of
8 Corporation Finance. Prior to coming to the SEC in 2006, he
9 was, for 25 years, a partner of the law firm of Cravath,
10 Swaine & Moore, where he represented public companies and
11 their financial advisors. He was involved in hundreds of
12 public financings, including numerous initial public
13 offerings.

14 He has served as vice chairman of Northwestern Law
15 School's Securities Regulation Institute, as a member of the
16 board of directors of Practicing Law Institute, and as --
17 well, you know what? I could go on about John, but I think
18 you all know that we are very, very grateful to have John
19 White, first, serving the public here as director of the
20 Division of Corporation Finance and, second, as our next
21 speaker.

22 (Applause.)

23 MR. WHITE: Thank you, Chairman Cox. I see we got
24 the screen. That was the most important thing. The second
25 thing is I'm glad that I'm not one of those lawyers any

1 longer who is being stacked up on the Washington Monument, or
2 whatever it is. As you can figure out, I used to be one of
3 those.

4 What I'm going to do today is give you two brief
5 demos -- or maybe I should say one demo and one thought
6 exercise. First, I'm going to take some real XBRL data from
7 Microsoft and then, second, I'm going to ask you to
8 extrapolate -- or maybe I'll say use your imagination a
9 little bit as to how interactive data might be used to help a
10 company tackle a disclosure problem about stock option
11 granting. So let's get started.

12 We have heard a lot in these roundtables and
13 elsewhere about the usefulness and the power of interactive
14 data for users of financial reporting. And by "users," I
15 mean investors in the first instance, and also the
16 intermediaries who help investors make their investment
17 decisions -- analysts, credit rating agencies, and the like.

18 But I'm going to approach this this morning from a
19 slightly different angle and talk about how interactive data
20 can be used as an important tool for the preparers of
21 disclosures -- how a company that is filing with us can
22 prepare higher quality, more consistent, and
23 easier-to-understand disclosure documents.

24 So let's go to our first demo, and this one is
25 using real XBRL data.

1 With interactive data, preparers will be able to
2 very easily pull and organize information by topic, so that
3 the preparer can then review that information for consistency
4 and completeness.

5 Now, in the example I've got up on screen, we have
6 chosen a very simple topic -- revenue information. And the
7 template that we are using, we are looking at this category
8 of information -- revenue information. We are looking at the
9 revenue line item in the income statement, first. Second, we
10 are looking at the revenue discussion in MD&A. And, third,
11 we are looking at the revenue recognition policy that is
12 discussed in the footnotes to the financial statements.

13 Of course this kind of template could be used for a
14 whole myriad of topics when you are preparing financial
15 documents. Our example uses Microsoft, who is one of the
16 participants in the Commission's pilot program. And we are
17 actually going to pull information from Microsoft's filings
18 using Rivet software. There are multiple different kinds of
19 software, but we are using their program for this.

20 So now we've got the three categories here. The
21 first thing we will do is populate those three categories
22 with information pulled from Microsoft's second quarter 10-Q
23 from last year. Since this data is all tagged, that happens
24 very quickly, very automatically.

25 And, if you were a preparer here, if those three

1 different categories of disclosure about revenue were not
2 consistent with each other and clear, you would be able to
3 see that very quickly, and you could go about correcting it,
4 revising it before you filed and before others viewed this
5 information. And remember that those others would be viewing
6 it using this very same tool.

7 Now, who might those others be? Those could be
8 analysts, investors, the press, and they could do it
9 instantly after the data was filed. And, of course, don't
10 forget that, later, we have teams of reviewers in Corporation
11 Finance that might also have these same tools and could be
12 doing it also.

13 So let's now look at another tool that would be
14 available to a preparer of this information. The structure
15 of the XBRL taxonomies provides the ability to view the
16 underlying authoritative literature -- whether it's
17 accounting or legal -- associated with each piece of tagged
18 information.

19 So, for example, the literature that underlies the
20 revenue recognition policy, which is the bottom left-hand
21 box, you could, like, do a click on that box, and you would
22 get a description of the underlying literature. And, as you
23 will see -- I realize a lot of this is hard to see on the
24 screen, but if you can see it, you would see that one piece
25 of that literature is codification of the SEC's Staff

1 Accounting Bulletins No. 13.

2 You probably can guess what the next slide is going
3 to be because most of this authoritative literature that is
4 behind each one of these boxes is available somewhere on the
5 Internet, and so you click on the red box, and you would go
6 right to the actual underlying authoritative literature -- in
7 this case, the codification of the Staff Accounting
8 Bulletins, topic 13.

9 Let's just go back to our main slide now. So what
10 we have seen so far is how you can automatically compare
11 information from various sections within a single disclosure
12 document when you are preparing it.

13 What if you wanted to look at the same disclosure
14 in earlier periods by your company to better inform you as
15 you were writing the disclosures for this period? Well, that
16 would just be an easy click (indicating). And what do we
17 have now? We have the same three categories of information
18 from Microsoft's second quarter 10-Q from 2005 lined up
19 against the information from 2006.

20 So, as a preparer, you could study how your
21 disclosures had changed, how a change in your business is
22 reflected in each location this year versus last year. It
23 would let you avoid careless errors. But I guess, most
24 importantly, it would let you see what your investors, your
25 security analysts, and the press will be seeing instantly

1 after you file your documents.

2 I mean, think about this as a tool for senior
3 management, as they are getting ready for the earnings
4 conference call. They will be able to look at their filings
5 and how these comparisons are going to look while there is
6 still time to make revisions, so that when they look at this
7 disclosure and it's inconsistent, confusing, needs
8 clarification, they will be able to make the corrections and
9 the clarifications before they file.

10 It would also highlight questions that they might
11 expect during the earnings conference call -- again,
12 remembering that the analysts will have done this very
13 analysis in pulling up these comparisons.

14 I guess, one other thing -- if you have a little
15 trouble comparing, for example, whether the revenue
16 recognition note for Microsoft changed from one year to
17 another, remember that built into XBRL would be the
18 CompareRite feature from Microsoft Word's program. So you
19 could immediately do a CompareRite between those two
20 footnotes to see how they differ.

21 Again, not only will you want to do this, but,
22 remember, the analysts, the press, your investors will be
23 doing it, and they will be doing it instantly and easily, and
24 you want to be ahead of the curve.

25 Now, you can see Microsoft didn't have very many

1 changes from 2005 to 2006, but had they had them, you would
2 be able to view them very quickly.

3 Okay. Let's go back to our main slide again. What
4 we have just looked at are comparisons across time for a
5 single company. What if you wanted to look at multiple
6 companies as you were preparing Microsoft's disclosures?
7 Perhaps we would want to look at Google and Yahoo!, to just,
8 you know, pick two. So press a button, and we now have
9 Microsoft, Google, and Yahoo! all lined up so you can compare
10 the three companies and what they say on each of these
11 topics.

12 If you step back and think about it, this is just
13 an incredibly powerful tool when you are preparing a
14 disclosure document.

15 And one other thing, when you are looking at this,
16 Google and Yahoo! are not in our pilot program, so they don't
17 have XBRL data that we could use for putting these slides
18 together and pull from EDGAR.

19 So, Jeff Naumann, who is in our Office of Chief
20 Accountant, who actually put this demo together and who is
21 out here in the audience -- he had to actually manually
22 create the fields for Google and Yahoo! on the right-hand
23 side of the screen. Now, fortunately, I have known Jeff for
24 a while, and he's a very careful fellow, as I think we can
25 all attest to. So we can be pretty sure he didn't make any

1 errors here. But we know that manual entry is very error
2 prone.

3 But these companies -- once we have Yahoo! and
4 Google using XBRL, we would be confident that there would not
5 be errors in their data when it came up.

6 So that is the end of the demo using actual tagged
7 XBRL data as an aid to preparing better disclosure documents.
8 We looked at data across three trajectories, at different
9 places within a document, over time, across a company's
10 earlier filings, and across multiple companies.

11 What I want you to do for just a minute now is
12 extrapolate from this real life example that I have shown you
13 and think about using interactive data when facing a more
14 sensitive and volatile issue, such as disclosure of stock
15 option granting practices.

16 Just imagine a hypothetical company that had just
17 found out that it had a problem with its stock option
18 granting practices in some prior periods. Should it make
19 disclosure? What should the disclosure be? When should it
20 make it? As it began to wrestle with those questions, how
21 could it use XBRL?

22 Well, first, it could easily go back very quickly
23 and look at all the past disclosures it made concerning
24 option grants -- what did it say, when did it say them, what
25 did it say on this topic -- by looking at its earlier

1 documents.

2 Second, it could easily and quickly look at what
3 other companies were saying and how they were handling the
4 problem -- when, where, and what they were disclosing.

5 And then, third, when it came to preparation of its
6 own disclosure, it could use the three tools that we just
7 looked at -- those being the three that are on the screen --
8 first, in making sure that its disclosure is complete and
9 consistent in all the places where it would show up.

10 And, if you think about it, it would show up in the
11 financial statements. It would show up in the MD&A. It
12 would show up in the new executive compensation CD&A. It
13 would show up in the litigation section. And you could put
14 all of those four or five difference places up on the screen
15 at the same time and compare it as you were preparing the
16 disclosure. You could click on the litigation section, pull
17 up the underlying authoritative literature -- which happens
18 to be S-K 103. It would be a very useful tool as you were
19 putting it together.

20 Second, if you think about a stock option granting
21 problem, it is probably not over in just a single disclosure.
22 It develops quarter after quarter. So your preparers, as
23 they move forward over the quarters, would be able to go back
24 and look at all these myriad of places that their disclosure
25 was appearing, quarter by quarter, to see how those different

1 disclosures related to each other.

2 And they would know, as they were doing this, that
3 each time -- and I have said this about four times, but I'll
4 say it one more time -- that the investors, the analysts, and
5 the press have this same tool, and they are going to be doing
6 it instantly. Of course, in the stock option example, the
7 investigators would have it also, so you would probably
8 really care to look at it before they see it.

9 So that's the end of the second hypothetical. I
10 hope this helps you imagine how this would be a -- I think a
11 really powerful tool in the preparation of disclosure
12 documents by a company facing a problem, such as the stock
13 option problem, as well as more routine disclosures, such as
14 revenue matters.

15 Thank you for the time. And I think you can figure
16 out I am an enthusiastic supporter of all of this. But I am
17 glad that, you know, I am not one of those guys that are
18 stacked up in the Washington Monument stack. Thank you.

19 (Applause.)

20 CHAIRMAN COX: Thank you very much, John.

21 Now, it's my opportunity to turn the program over
22 to the moderator for this panel, Terry Savage.

23 I think you all know Terry from having moderated
24 the last panel on interactive data. She has been a
25 trailblazer, not just in technology, but in a number of

1 And it not only covers numeric items that people
2 tend to look at -- fundamental information on the facing
3 financial statements -- but there also is these dictionaries
4 of terms for things like the notes to the financials and the
5 non-GAAP type of information.

6 So there are taxonomies available which all the
7 panelists have used to mark up and submit information to the
8 SEC. The project that you are alluding to is making those
9 taxonomies -- those dictionaries -- deeper and more broad,
10 meaning more industry coverage, so that it is, in a sense, a
11 bit easier for companies to participate.

12 So that's taxonomy. Just a dictionary. Think of
13 it as a technical term for saying "dictionary."

14 MS. SAVAGE: So let me just follow up with a
15 question. You know, in every community, when they have the
16 United Way, or whatever it is, they have this big thermometer
17 and it shows the red higher -- how much they have collected.

18 So if we had this United Way thermometer -- that
19 big red sign that says, "We're getting toward our goal" --
20 you know, on a 0 to 100, what percent completed are we? How
21 far are we along that path?

22 MR. BLAKE: I thought you were going to save the
23 hard questions for later -- for these guys.

24 MS. SAVAGE: I set you up.

25 MR. BLAKE: Thanks, Terry.

1 The reality is that any public company that is
2 thinking about participating in the program does not need to
3 wait for these revised taxonomies to come to market. So any
4 industry, anybody out there thinking about doing it -- they
5 can do it today.

6 These new taxonomies -- the broader, deeper
7 taxonomies -- think of it as the end of third
8 quarter-beginning of fourth quarter calendar year of this
9 year is the target date to have those available.

10 And we will be working with companies before then,
11 obviously -- especially the folks here on the panel -- to
12 test those to make sure they hold water, they do what you
13 guys need them to do.

14 So percentage-wise, I can't really comment. Just
15 end of this year.

16 MS. SAVAGE: But what you are saying is that if --
17 these are volunteers, and that any company who wanted to do
18 this now, starting now, based on the experience of these
19 people, has enough to get, at least, their 10-Qs and 10-Qs
20 filed.

21 MR. BLAKE: That's correct. I would definitely --
22 for the people thinking about marking up their core financial
23 statements, which I'll let the panelists either agree or
24 disagree with that -- a very robust set of terms to look at
25 your financials against this dictionary.

1 MS. SAVAGE: Okay. K.R., what was your experience
2 at Ford Motor Credit with getting started, and how long have
3 you been doing it, and what came up in the process?

4 MR. KENT: For both Ford and Ford Credit -- we both
5 are participating in the pilot, so I can talk to both sides.
6 I'm at the credit company myself.

7 For the most part, we worked with an outside firm,
8 CoreFiling. They did a lot of the work for us. But you have
9 to bring it back in to make sure everything is perfect.

10 And it's a different experience in the two
11 companies. Rob talked about taxonomies. It was easier on
12 the Ford Automotive side -- more of a standard balance sheet
13 -- than it was for a captive finance organization.

14 We have created a number of extensions. And when
15 you get into creating your own extensions, you're going to
16 lose standardization until you come across with an
17 industry-wide approach.

18 I will be specific -- we have only done our three
19 main statements. We have not done the notes. We have not
20 done MD&A. That will be lot more work to do those.

21 MS. SAVAGE: In your experience so far, was it
22 taxing on your own employees, in the middle of Sarbanes-Oxley
23 and everything else that the accounting departments have to
24 do?

25 MR. KENT: This was just another added requirement.

1 It wasn't too onerous. I mean, the first time -- as I
2 mentioned before, the first time is harder. It gets easier as
3 you go along. I think when we get to an MD&A or notes, it's
4 going to be much more difficult. The presentation John had,
5 when you start picking up the notes and the MD&A, is really
6 going to be impressive -- that type of analysis -- going
7 forward. But, right now, we only do the basic financial
8 statements.

9 MS. SAVAGE: Okay. Clare, at Pfizer.

10 MS. O'LEARY: Yes. At Pfizer, we, too, only do the
11 basis financial statements in XBRL. And we have been doing
12 the three quarters in 2006, and we are currently working on
13 our annual for 2006.

14 Similar to my panel members, we did not find it
15 actually all that difficult. We did do it completely
16 in-house, with the help of a software provider.

17 And, in terms of the biggest surprise that I
18 personally had since I did it -- you know, representing the
19 accounting side and not having any IT background whatsoever,
20 and going from the theoretical to the practical and actually
21 doing it -- I was surprised that I could do it fairly easily.
22 It was not difficult at all -- except for time commitment,
23 you know, in learning a new software. But for people who
24 don't have an IT background -- which I was a little worried
25 about, personally -- it was very doable.

1 (Applause.)

2 CHAIRMAN COX: I want to thank you very much, not
3 only for the work that you have done today in sharing your
4 experience with the Securities and Exchange Commission and a
5 broad audience that is with us on the Web, but also the work
6 that you have done that we acknowledged earlier in
7 participating in this test program.

8 Your willingness to be leaders is making it almost
9 certainly easier for many, many companies that will follow in
10 your footsteps. So thank you for your leadership.

11 I think we are now set up very nicely for an
12 excellent final portion of today's program. We are fortunate
13 to have an outstanding closer for today's event with us to
14 discuss the value of interactive data in establishing and
15 maintaining good corporate governance -- one other demand
16 that we are going to place on this new technology.

17 Richard Bennett is chief executive officer of The
18 Corporate Library, a leading source for U.S. corporate
19 governance and director/executive compensation information
20 and analysis. He has an extensive background in both
21 politics and government service and in the private sector.

22 On the private side, he has founded and managed
23 several businesses. He worked as director of corporate
24 governance for Lens Investment Management, LLC from 1997 to
25 2002.

