Record of Proceedings

SEC ADVISORY COMMITTEE ON
IMPROVEMENTS TO FINANCIAL REPORTING
Open Meeting

Friday, March 14, 2008
8:01 a.m. to 10:58 a.m.

Laurel Heights Conference Center
Sublevel 1 Auditorium
University of California - San Francisco
San Francisco, CA
COMMITTEE MEMBERS PRESENT:

Robert C. Pozen, Committee Chairman
Susan Schmidt Bies
J. Michael Cook
Jeffrey J. Diermeier
Scott C. Evans
Linda L. Griggs
Gregory J. Jonas
William H. Mann, III
G. Edward McClammy
Edward E. Nusbaum
David H. Sidwell
Peter J. Wallison
Thomas Weatherford

COMMITTEE MEMBERS ABSENT:

Dennis R. Beresford
Joseph A. Grundfest
Christopher Liddell
James H. Quigley

OFFICIAL OBSERVERS PRESENT:

Dan Goelzer for Mark Olson
OFFICIAL OBSERVERS ABSENT:

Robert Herz
Charles Holm
Kristen E. Jaconi
Philip Laskawy

SEC AND COMMITTEE STAFF PRESENT:

Conrad Hewitt, SEC Chief Accountant
James Kroeker, SEC Deputy Chief Accountant
Jeffrey Minton, SEC Office of the Chief Accountant
Wayne Carnall, SEC Chief Accountant, Division of Corporation Finance
Shelley Parratt, SEC Deputy Director, Division of Corporation Finance
Russell Golden, FASB Senior Advisor to Committee Chairman

PANELISTS:

Steven Bochner
Jeff Bodner
Mark Bolgiano
Randy Fletchall
Gregory Hanson
Christopher Montano
John Turner
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MR. POZEN: Good morning. Welcome. Let me begin by again thanking the staff for bringing us this sunny California day so we don't feel bad about being inside. And I think we would like to just have the people introduce themselves who have been kind enough to come before the committee. And just say your name and your affiliation.

MR. TURNER: John Turner, CoreFiling, from Oxford in the U.K.

MR. MONTANO: My name is Christopher Montano. I am currently a member of CFA Institute's working committee.

MR. HANSON: I'm Greg Hanson. I'm the chief financial officer of ADVENTRX Pharmaceuticals, a small public company.

MR. FLETCHALL: Randy Fletchall, with Ernst & Young. I'm also associated with the American Institute of CPAs; and I'm a member of the executive committee of the Center for Audit Quality.

MR. BODNER: Jeff Bodner, Intel Corporation.

MR. BOCHNER: Steven E. Bochner, partner with Wilson Sonsini Goodrich & Rosati. Thank you for having me back today.

MR. POZEN: Thank you.

Let me just have the committee introduce ourselves quickly, starting with Scott.
MR. EVANS: Scott Evans, TIAA-CREF.
MR. SIDWELL: David Sidwell, CFO, Morgan Stanley.
MR. NUSBAUM: Ed Nusbaum, Grant Thornton.
MS. GRIGGS: Linda Griggs, Morgan Lewis & Bockius.
MR. JONAS: Greg Jonas from Moody's Corporation.
MR. COOK: Michael Cook.
MR. DIERMIER: Jeff Diermier, CFA Institute.
MR. MANN: Bill Mann, with the Motley Fool.
MR. WEATHERFORD: Tom Weatherford, independent board member.
MR. MCCLAMMY: Ed McClammy, CFO, Varian, Inc.
MS. BIES: Sue Bies, representing bank regulators.

PANEL THREE - XBRL AND DISCUSSION OF DEVELOPED PROPOSAL 4.1

MR. POZEN: Well, thank you again for joining us today. As you know, we put out a lengthy report -- the interim or progress report. And the objective of this meeting and then a meeting in May in Chicago is to get feedback on the report. This is in the nature of a draft report -- progress report. And we very much welcome the input of experts like yourself. It may be the case that we didn't communicate our views clearly enough. And may be the case that we were under a misimpression. It may be the case that there are things that we should have considered that we didn't consider.
So we're hoping that we can have a format in which we'll have each of you make a short statement -- and I would appreciate it if it was short. We do have the submissions of those of you who have made written submissions, so it's not necessary to read them. If you want to summarize the points, that's okay. Then we will ask the committee members to engage you in conversation and follow-up questions to see if we can't understand better the nature of your concerns or the nature of your support.

So without further ado, I'm going to turn to John Turner from CoreFiling. And, John, if you could speak at the mike in front of you, it may be easiest for all of us. So thank you, John.

MR. TURNER: Thanks very much, Mr. Chairman and ladies and gentlemen. It's a privilege to be invited to attend this meeting.

As I said, I run CoreFiling. We're headquartered in Oxford in the U.K., one of the relatively few XBRL vendors. We concentrate on provision of systems and services associated with better modeling in XBRL. Significantly, we're part-owned by Business Wire, a Berkshire Hathaway company, which are a group that understand the impact that XBRL is having on financial disclosures of all sorts right around the world.

I'm also honored to play a part in the development
and guidance of the XBRL international consortium as a member-at-large of the consortium's international steering committee and as the chair of the XBRL international standards board. We're the group of technologists and business people charged with prioritizing and managing the ongoing development of technical specifications to support the standard. In that capacity I also serve on the board of XBRL International.

MR. POZEN: Some us don't know exactly what CoreFiling does. Maybe you could just say.

MR. TURNER: So we are a software vendor that supports the XBRL -- focuses entirely on the XBRL specification and we're mostly involved in the definition of data items, for instance --

MR. POZEN: Are you located in London?

MR. TURNER: We are in Oxford, just outside of London.

MR. POZEN: Very nice place.

MR. TURNER: It is a nice place. And we operate around the world and support many environments, including XBRL US, who have been working on the taxonomies for the U.S. GAAP.

MR. POZEN: Thank you.

MR. TURNER: But I should say that my views are my own. They don't represent particularly XBRL International or
the standards board or indeed those of my company. We're a
diverse group.

So I assume that everybody understands about XBRL
International. We're a not-for-profit 501(c) Delaware
corporation. We're charged with the development,
maintenance, and support of the technical XBRL
specifications. You're going to hear later this morning from
Michael Bolgiano, who's responsible in large part -- the head
of the national level. Well, there's lots of national levels
of XBRL; and at a national level, folk are modeling
concepts -- or financial-reporting or performance-reporting
concepts that are relevant to that country. That can only
work and can only be comparable if we have a set of
international standards that everybody uses. So the
international consortium is a vital part of this process and
we work around the world.

The members of XBRL International -- there's more
than 550 of us across 19 countries -- range from accounting
firms and national accounting representatives through
standard-setters through regulators through government
agencies, preparer corporations, intermediaries, analysts,
investment firms, and software vendors, large and small.

The Internet's based on standards like HTML and
XML. And to a very large extent, you can think of XBRL as
the opportunity to bring out the advantages in terms of
access to information and opening the doors for
cost-saving in the same way that things like HTML did for
consumers. In this case XBRL is focused entirely, or very
substantially, on investors.

The international consortium has well and surely
shifted from a development phase, which took a long time. We
are now focused on an environment where we need to support
the implementation of XBRL around the world via the
development and ongoing support of high-quality interoperable
specifications as well as clear guidance about the best
practices for the use of those things. The idea to transform
financial reporting from a paper-based paradigm to one that
allows computer systems to define, disseminate, and consume
performance reports is clearly an important one.

And why shouldn't it be? I picked up a
new analogy last week from a fellow Australian, a guy called
Pete Williams from Deloitte in Melbourne. You can think of
the shift from today's performance-reporting environment to a
digital one to one of interactive data in the same way as you
can think about the near-ubiquitous shift from film
photography to digital photography. For all those that are
interested in the status quo, the 29th of Feb, Polaroid
closed their last factory. They went from 15,000 employees
in Massachusetts alone down to around, I think 150. I guess
the important thing about that is that there
are -- obviously, there's been a big explosion of alternative jobs associated with digital photography; and a lot of those things ten years ago we probably could have guessed at. A bunch more we wouldn't have had a clue about what they were; and this standard has a similar set of opportunities.

Ladies and gentlemen, you probably are aware about the things that are happening internationally. Let me just very briefly cover some of the activities. Countries, including Japan, Singapore, and China have already moved to mandatory filing of XBRL by listed companies with a very clear intention to make it easier and safer for international and national capital flows to find efficient opportunities in their economies. In the Netherlands and Australia, looking at this from a slightly different perspective, they have embraced the opportunities that the standard represents in terms of reducing red tape, largely by trying to ensure that agencies across the agencies of state are all defining information in the same way so that businesses have got one set of definitions to use. The potential savings in that environment are quite phenomenal.

The U.K., Denmark, Spain, and Belgium have all brought their small businesses into the fold. They've got full financial statements being supplied in XBRL format instead of paper with new efficiencies and information insights in terms of credit assessment and credit-risk management, relevant to
at least one member of the panel today, an offer for suppliers as well as for national institution.

Now, this is a trend that particularly appears to be sweeping across Europe. There was more than 100,000 XBRL filings on a purely voluntary basis in the U.K. last year. We're heading for 300,000 on a mandatory basis in Belgium this year. So this is something that's impacting small businesses as well as large.

Let me briefly comment on the proposals associated with XBRL adoption made by this committee. Largely, I think that they are spot-on. Largely, to me, they look like textbook management. You thought about that carefully, I know.

The main issues associated with SEC implementation of XBRL relates to education. You need some time for companies to come to grips with the standard. You need some time, although not all that -- nothing really seems to move faster than an investor with new information -- but you need time to allow investors to come to grips with using and getting best value out of the information -- this new source of information. I mean this is information straight from the horse's mouth, so it's very attractive to investors.

You also need time for the audit firms, who, with great respect, are conservative in nature that in the U.S. face some really quite nasty risks whenever they do anything
new; so they need time to come to grips with this change and this standard. You obviously will also need time for the SEC to adapt to taking best advantage of the standard so as to help close that expectations gap. But I do agree with Peter that there is -- that a phase-in with a rather -- a somewhat fuzzy set of horizons is really probably more latitude than the American enterprise needs. U.S. business remains among the most flexible and adaptable on the planet. Perhaps the SEC will consider that environmental advantage in couching its implementation of your recommendations.

So then very briefly in support of perhaps a crisper set of timelines I'd like to plug the newest standard that the XBRL consortium has been working on; and this is the idea of in-line XBRL; and this involves co-locating the XBRL and the HTML in a single document. Basically that means that every tagged concept, whether it's a block of text or whether it's a number, is bracketed by the XBRL tags; and yet that appears in an HTML page. That means that the filings can look exactly the way the EDGAR filings look today. There will be no difference as far as companies are concerned, getting over a relatively substantial concern that many preparers have. It also means that systems can extract XBRL straight out of those documents. In-line XBRL itself lends itself to Internet search, so if you've got a bunch of Web pages with XBRL embedded on it, it's really very much just
around the corner before you can start mastering some fairly sophisticated questions, especially of your Web-searching engines.

However, to be clear, it will still be necessary for management and eventually for auditors to understand what's in the XBRL. They will need to know and satisfy themselves that the tags that are behind the disclosures are accurate and sensible and whether there's an extension concept, that that's a sensible extension, though I don't see that as a terribly difficult or terribly time-consuming thing, but I'm sure we will talk about that this morning.

Finally, let me just update the committee on developments within the international consortium, which itself, under the leadership of Michael Ohata from KPMG and our CEO Tony Fragnitto, is undergoing some substantial changes, really in order to better respond to the just extraordinary uptick in demand for XBRL information and expertise. The consortium is part-way through a major reorganization in terms of governance and structure, looking to continue to professionalize its operations. The changes will make the consortium more agile and better able to respond to this new environment, where an enormous amount of people are using this standard. So among other things we've recently formed a best-practices board; and the board has also instigated a new fund-raising program to help inject new sources of cash into
the execution of a number of new initiatives that will support the best-practices efforts as well as standards setting efforts of the consortium.

Thank you very much, Mr. Chairman.

MR. POZEN: Thank you. Appreciate it.

Christopher.

MR. MONTANO: Thank you, members of the committee.

As I said, my name is Chris Montano; and I'm a member of the CFA Institute's XBRL working group. In addition to that, I am also currently a director of product management for a small Internet-based startup that's attempting to do some of the things that John had just mentioned, including exercising search upon financial information. So I have the unique privilege of being able to sit, having come from an investment background, now sitting in a technology company addressing this new emerging standard that my company has the pain of trying to implement ahead of the standards completion.

So my interest, or the CFA Institute's interest in XBRL primarily comes from its close ties with the advocacy efforts to represent the investment and financial community. Also, we think as a group that it holds a potential to significantly improve the transparency of global capital markets. And, also, we work very hard in the investment industry, as everyone else does, and we are always looking
for new ways of productivity and we see this offered in XBRL.

So what have we done in this group to try and
represent the interests of investors, specifically in XBRL
and its potential implementation? Well, the things we have
done have been threefold: One, we conducted a survey of our
global membership about what sort of elements it would like
in XBRL. One of the very interesting findings that came out
that when you say XBRL to an investment professional, they'll
say, Really? XBRL? What exchange is that traded on and
what's the P/E ratio? So there's certainly a lot of
education ahead of us in this standard.

Two, we wanted to provide some detailed feedback to
regulators in a very crisp and thorough fashion. And,
secondly, to draft a position paper representing our views
and perspectives and what we found as we've interacted with
our large constituency on this. We come up, I think, five key
principles that I would like to share. You may have seen
these before, but I that it was worth repeating here. We
thing that the core taxonomy or structure of elements should
follow GAAP and other regulatory requirements. At this stage
we support the taxonomy extensibility that maintains the
level of data comparability as defined by GAAP and other
regulatory requirements. We think ultimately companies can
deliver financial reports to regulators using the established
XBRL framework; and we also think the general public should
have broad and equal access to the XBRL-tagged information; and we also would like regulators to develop the necessary infrastructure and protocols to ensure the timely updating of the established XBRL as outlined in the preceding four principals.

Now, in terms of the topic I was asked to address, which was XBRL from an investor perspective, I just want to maybe go over a couple of the results of our survey in the brief five minutes or two minutes I have left; and then maybe salt them with some perspectives that I have from my background. What we found that investors are really interested in is financial and business information. That is the business of the investment industry.

And we think that XBRL at its core is about the central issue, so this resonates deep with the process, the practices and the heart and soul of the investor research process. Our constituents in response to our survey, when we asked what is it that you are interested about in financial information, said that reliability, the ability of the data and its label, really represents the required financial reporting standards and definitions. They said that was the very highest issue to them. They think consistency is very important. They need to know that data is reliable; and it's very difficult for an analyst to make recommendations or analyze companies or sectors or industries when data varies
from quarter to quarter, period to period, or year to year. It just is difficult for comparisons to happen.

Timeliness. Obviously, the market moves quickly. And the last thing most investors want is to be breaking left when the market has broken right. Comparability -- that's part of the consistency issue, but that's also near and dear to their hearts. And then lastly, as somewhat of a contrast to comparability, there's always a dynamic tension with granularity. So granularity -- the very specific intimate details of a company that can often add information that makes a difference between a good investment decision or a poor investment decision. Granularity is usually specific to a company, so it's also very difficult to be comparable across companies.

So those are the five key issues that's really on the minds of investment community about financial information. And we see that XBRL is uniquely suited to meet these five needs and help our constituency be better analysts, to make better investment decisions, and to understand the companies and the industries that they work among in a much more detailed and better way.

The last point I'll make is that it turns out in our survey we found that a total of about 82 percent of investors use either third-party data providers exclusively or a mixture of their own primary research with third-party
information providers. So really the majority of the market is using in some fashion a third-party information provider. So the reason for this: It takes too much time to do individual modeling. That's very difficult and sometimes information providers can give this to either a sell-side or a data service; and some may not have the know-how, patience, or time to untangle the financial reporting issues they confront.

So if you look at the structure of the financial information provider market it really is somewhat of a classical oligopoly; and I believe as of next month or the month after, there will really be two major providers that service 82 percent of the financial community.

And I guess -- and this is a personal opinion -- it does not reflect the CFA Institute -- but having two providers servicing 82 percent of the financial world and investment community hardly seems like an efficient or fertile ground for innovation and price competition and lowering barriers to entry or increasing the access to information to the broader world of the investment research.

So we see XBRL meets many of the needs of investors in their fundamental research and also in the practical elements of accessing data and information.

With that, I think I'll stop; and we can discuss more if there's other additional questions.
MR. DIERMIER: The two providers -- they're providing what?

MR. MONTANO: I'm talking about mostly financial-data information -- the vendors --

MR. DIERMIER: The data itself?

MR. MONTANO: The data itself, yes.

MR. POZEN: Greg.

MR. HANSON: Thank you. I'd like to thank the members of the committee for giving me these opportunities to speak before you today. And what's particularly encouraging to me is that several of the members have expressed concern about the small business preparer and the benefits and burdens of the small business preparer. And I would like to compliment, first of all, the committee's latest progress report. It starts to take into consideration some of the impact on the small-business preparer. This is important to me and I'm sure it's important to many of the other companies that don't know what's going to hit them yet.

I had the opportunity to speak before the subcommittee back in December. And at that point in time I raised a series of ten questions; and these are questions on how I'm trying to measure progress with regard to the implementation of XBRL. And what I'd like to do today is give an update on that. But before I go further, I want to make sure that everybody understands that my comments today
represent my own personal comments and are not representative of perhaps the views of my company.

I'm currently employed by a small biopharmaceutical company. It's a public company engaged in the treatment of cancer and presently none of the products are approved. So everything that we do is on the spending side of things; and so where the costs are incurred is important to the company; and the company's interests are primarily in terms of driving forward the programs; and so what I'm faced with is what can I from my side of things to help make sure that we're doing everything that we need to do from a financial reporting standpoint.

My background is -- I've got over 30 years of experience in reporting for both large and small companies, whether it's automotive, heavy equipment, finance, energy conservation, and now in technology. So I feel like at this point in my life I have opinions and my opinions sometimes become pretty strong. I want to show, first of all, that I am very much in favor of implementing XBRL. I'm really excited about it. I think it's the right thing to do, but I have had some concerns and on how it gets implemented and when it's going to be required for small companies.

My company only has a staff of 32 people and my accounting staff is 4 people. I feel fortunate to have the 4 people that I do. But we are an accelerated filer based from
our market cap from a year ago, so we have to meet some tight
timelines on a quarterly basis with the filings that we do.

So in terms of where I am at and in terms of my
evaluation, I still look at the questions that I raised to
the subcommittee and I'm happy to be able to present kind of
where I'm at for the full committee here.

And I'll keep this short in terms of my answers;
and if there's more interest to go further in some of the
things I have to say, then I'm happy to go into more detail.

But the ten questions that I have -- number one is XBRL being
developed in a thoughtful manner to ease implementation by
small public companies without incurring wasteful costs?

And my feeling on this is I think that what
progress has been made has been really great in terms of the
taxonomies and how that's been set up in the instruction
manual that is in place. But I am concerned about the
infrastructure; and I think you've made the point also,
Christopher, about the infrastructure that's in place to
support what's about to happen. Based on my records and
looking at the SEC's Web site, there's about 9,400
filers -- 5,000 are microcap and 2,400 are small cap. So I'm
among the larger majority in terms of the size of the company
and the number of people that I have on my staff to implement
this. So my concern is on whether there is sufficient
infrastructure to put in place the XBRL tagging software;
whether there's sufficient service providers that are out there. There's not that many. And I can tell you that the work they are doing in the Southern California area, I hear that each one of these service providers they have got two or three companies that have investigated and maybe even filed once. There's a few that are volunteers. It seems like the volunteers are pretty much at a kind of steady state, from what I'm seeing. But they tried maybe one or two in the Los Angeles area. Then there's a few in San Diego that try it. Then they set it aside. They say, We'll wait and see. Let's see what's going to happen? When I have to do it, that's when I'm going to do it.

Well, it's a small company. I'm sitting here and I look to the larger companies to take the step to move forward so that we have somebody that we can go to, either as a user group and to be able to sit down and find out what's going right, what's going wrong, figure out what are the best practices on this. So I am cornered about the infrastructure, even though I've seen great progress in what's come together so far.

Secondly is when will XBRL be required for small public filers? And, what I've seen as a lot of respect out of the SEC in terms of -- first of all, I think it's great that we have a volunteer program. I think that in and of itself is a thoughtful manner for
implementation. But, I'll put in my plug as a request that the small public companies be given at least an additional year before they would have to implement this or perhaps until we know that the benefits exceed the cost. And I can talk more about that later.

Number three is how will we implement it, perhaps, with the limited staff that we have? And in particular with what changes are going to be taking place -- you know, adapting to international accounting standards. With, again, a small staff of four people, I've got a lot on my plate. I've got to -- my people are going to have to go out and learn IFRS. We've got fair-value accounting. We've got -- FIN 48 is what we did last year. In the year before that was implementing Sox, so there is constant change that is coming on a small staff.

I want the committee to be sure to recognize this as well the SEC recognize that the constant change is something that we have to be prepared to do. And so, you know, implementing something in a timely manner for some and giving some grace period for others would be great.

Number four is what is the fully aggregated cost of implementing XBRL? Now, I've heard figures. I've seen figures in the reports and if the CFO perhaps makes a comment that it was pretty easy, we just spent eight or ten hours to do this. Did he do it? Again, he's got a
staff -- he or she's got a staff that's substantially larger. And when we have such a small staff that we have, then there's a lot, really, that goes into this; and people need to understand, for example, the kinds of costs that go into this. It's evaluating the software. It's documenting how it's going to be done in putting together the maintenance agreements and scheduling and doing the training sessions. The putting together -- this is a new requirement for the financial closing schedule. Testing and verification performance. Remediation, retesting. Preparing the financial statements. Reviewing the tagged financial statements. And then, together with the assurance services, which we're going to have an outside firm do our internal control over SOX, but then there's an outside audit assurance that still has to be established.

Number five is what about the future changes in financial statement format and presentation? And I already mentioned the IFRS standards that we expect will be merged together with GAAP.

Number six is -- and this is important to me -- which is what SEC regulations and filing requirements will be eased to offset the costs and labor of implementation and maintenance of XBRL? Again, as I said, I think XBRL is great. We learned how to use the EDGAR system, but I think there needs to be some merging together. I see that there
are plans there, but here's another service provider that I
have to go to now to file or furnish an XBRL.

Number six is -- that was number six of the SEC
regulations that would perhaps be eased to offset the cost.
I don't have the answer there.

I don't know whether at this point that I could
recommend to where the burden could be reduced on small
companies. That's where I turn to the committee; I turn to
the SEC; and I see that this committee, which is working on
some great things for improving financial reporting, is what
other things can we do to relieve the burden on small
companies at the same time so that the balance of work can
pretty much still remain the same?

So it's a matter of priorities, because number seven
is I have to explain to my company that it's worthwhile to
pursue XBRL on a volunteer basis. I want to do this and I
have done it. I've gone through several demonstrations. We
had loaded our information into XBRL. We have not furnished
it yet, but we've gone through that process. It's great. I
love it. But what's going to go away on the other side?

Number eight -- what are the perceived benefits and
are they real for small companies? And I'm happy to go into
the benefits later, as I think there are many; and I see a
number of them are addressed in the report. But there also
are inherent risks in the implementation.
And I think, frankly, one of the risks is I don't think people understand this is going to be more work than what it appears to be. When I look at the basics, I can come up with a pretty basic structure on how I think it should be done -- all my internal controls and things like that. But things go wrong, things happen. And I think we're going to really need to look in the risks of implementation, particularly the small business preparer, because I expect the large companies to move forward on the committee's recommendations that the large companies move forward with XBRL and the SEC moves forward with implementation of XBRL, putting time lines out, that I will be able to turn to those large companies and to learn from whatever's going on, learn from the mistakes of that.

And so that leads to my final. Number ten is, once we've wrestled with these, again, where do we create and how do we create more champions? I haven't seen the champions step up from the preparers' side yet. There's a few. There's a few, but not enough. And in order for us to make this thing happen at all levels, at all sizes of companies, we have to have more champions.

Thank you.

MR. POZEN: Thank you very much, Greg.

Randy.

MR. FLETCHALL: Let me start in the same way that I
did yesterday by thanking you for the opportunity to appear
before the committee and indicate that, while I am active in
various organizations, the views that I express today are my
own.

Many people recognize the potential benefits of
XBRL. I think there's also an appreciation for the
challenges they have in the rationale for the committee's
observation that full implementation of XBRL may not be
possible until certain preconditions are met. I think much
has been accomplished already. The pace of development has
certainly accelerated this past year, but there's still more
to do. I believe the committee's phased-in approach is
reasonable and prudent, given the uncertainties inherent in
adopting emerging technologies and the relative immaturity of
today's software, especially for an application as
significant as public financial reporting. I wholeheartedly
agree with the committee that during this period the SEC and
PCAOB should seek input from companies, investors, and other
market participants as to the experience of such persons in
preparing and using the XBRL-tagged financial statements.

I think, as Greg expressed, the lessons learned
from those involved in the earlier phases are very important to
the eventual successful, effective, and efficient
implementation by all. Frankly, I do believe that one of the
difficulties in trying to gauge just how quickly the SEC
might appropriately require the use of XBRL and unlock the benefits of interactive data is the general level of unfamiliarity still on the part of many, despite the SEC's conduct of a voluntary filer program for the last three years and opportunities to get engaged with the U.S. GAAP taxonomy-related materials. There remains a lack of awareness and generally informed understanding in the marketplace. As a result there do seem to a wide range of views as to the benefits to be derived from XBRL tagging and the associated costs.

As to cost, I've heard descriptions of the time, effort, and cost ranging from trivial and insignificant at one end to, at the other extreme, an undertaking that rivals the implementation of Section 404, the Sarbanes-Oxley Act. I certainly don't believe that the latter is accurate. On the other hand, I don't believe that right now at the current state the cost to implement will be trivial or insignificant to all companies across the range of issuers, especially for the smaller public companies.

I realize that the vast majority of public companies will be approaching XBRL-tagged financial statements from a standing start. As a result I am supportive of the overall phased-in approach to implementation, starting with the larger domestic public companies. In our written comment letter, I'm sure we will
likely have some observations and suggestions on certain aspects of the committee's developed proposal.

Let me turn to the topic of assurance. Along with thousands and thousands of other CPAs, I certainly believe in the value of objective independent assurance. And the XBRL documents would no doubt add value by increasing reliability and enhancing public confidence in financial reporting, just as it does today. While the extent and subject matter of potential auditor assurance still need to be determined, the comments that I made earlier regarding time, effort, and cost of XBRL-tagged financial statements apply equally to assurance on them. Some of the fears about the cost of assurance are exaggerated, but it doesn't seem likely that right now, particularly assurance in any form that would be meaningful and add real value would be trivial to all U.S. registrants. Again, there's likely to be a disproportionate cost burden to the smaller public companies just to do that fixed-cost component of an assurance engagement.

The auditing profession is sensitive to the committee's concerns regarding the cost of assurance. I understand and appreciate the committee's recommendations to not require any assurance during the phased-in period; and I can support that position, despite my unwavering belief in the value of independent assurance. The cost of assurance is a function of a number of factors, including the nature of
the assurance, the frequency with which it's provided, and the extent of that assurance. Assurance is not necessarily an on/off switch where you have it or you don't. Instead, it's more accurate to look at the sliding scale of possibilities of all assurance. For example, at the low end -- the lower end of a spectrum, both in terms of costs and confidence, an auditor might provide negative assurance, like a quarterly review, where the amounts and captions reflect an XBRL-rendered document. This approach would involve the comparison of that document to a source -- a pretagged source document. While that might give some confidence in the rendering of tagged data, it would not be sufficient to duck all of the errors that might occur, such as labeling errors or unnecessary or incorrect extensions, and wouldn't really provide value or assurance on the machine-readable data, which is really at the heart of the value of XBRL. A higher level of assurance might involve all XBRL-related documents and incorporating and assessing the accuracy of the tags, including matters such as use of the proper taxonomy, the fair presentation of tags included in the instant document. Assurance might also be given on matters such as the reasonableness of extensions. With a higher level of assurance, comes more costs and more effort. There are a number of over-arching factors that I believe require consideration. One is the potential that
XBRL has to fundamentally alter the application of such long-standing principles such as materiality and sampling. For example, materiality is concurrently assessed upon the financial statement taken as a whole and not individual data elements; but tagging occurs at the individual-data-element level. A cost-effective approach to assurance would need to retain, I think, the long-standing tenets of materiality and taken as a whole.

Another factor to consider is the subject matter. Currently no assurance has provided much of the information included in SEC filings and positive assurance is only provided on the annual financial statements and footnotes. If assurance is sought on more data, the cost and effort will increase. As mentioned, the level of granularity will also affect costs. During the phase-in period, the committee has recommended that individual notes be tagged as a block of data. And this changes the focus on individual elements; then obviously there will be more time incurred to tag that data and more time to render assurance on them.

Another consideration would be the extend to which assurance should cover XBRL technical specifications. Now, I don't intend to suggest by raising these several issues surrounding assurance on XBRL-related assertions to suggest that they're insurmountable. Members of an AICPA/XBRL assurance task force and several others in the profession
have been thinking through these issues and discussing preliminary thoughts with the staff of the SEC and the PCAOB. Even without mandated assurance, the profession's work will continue, because there will be some companies that voluntarily engage auditors for issuance on their XBRL-related assertions. I think the profession stands ready to meet market demands and engage in a collaborative process with the SEC and the PCAOB to help define an appropriate assurance framework that provides meaningful value at an appropriate cost. Collaborating on a well-defined assurance service would be important to complete prior to the initiation of a formal pilot program, should such an undertaking be desired.

Thank you very much.

MR. POZEN: Thank you very much, Randy.

Mark?

MR. BOLGIANO: Good morning, Mr. Chairman and the committee. Thank you for letting me participate in this panel. I think I'll take your suggestion, Mr. Chairman, and just attempt to summarize rather than read the remarks that I submitted several days ago.

MR. POZEN: Thank you. They were good remarks.

MR. BOLGIANO: Thank you.

In those remarks, there's a general description about how XBRL U.S., which is the national jurisdiction of
the global standards consortium that John represents here at the table -- you see examples of how we have been advancing the standard, raising the awareness, and facilitating the development of better software tools for users and analysts and auditors to use. Similar to this committee, we work by bringing together many different interests and constituencies together to develop, test, maintain, and support the XBRL standard. We're an independent nonprofit and we've been following these discussions of the committee. Been very helpful, given that we are fully committed to understanding those interests that we hear around the table and some of the concerns that are expressed around the table. And we hope to, through good governance and a good management regimen, to not only assure the quality and the consistency and the interoperability of the standard as it's implemented in the U.S. but also to assure that an open and well-defined process for making decisions is employed when it affects the process of advancing the standard, supporting it, and maintaining the taxonomies that are being discussed here -- the U.S. GAAP taxonomies.

We're also very much a supportive, active, participant in the global standard and we see that as a huge value of XBRL; so while our focus is a national one, we do not ever leave that international context. With that, I refer you to my remarks --
MR. POZEN: Would you give us -- I think that's a point that's important and one that the committee has not -- at least, I would say I'm not fully conversant with. How actually does the U.S. group interrelate to the international group? And are the standards that are being done in the United States the same as the international group or not?

MR. BOLGIANO: Yes. The short answer is they are the same spec, which makes it XBRL, that it's global. We are a --

MR. POZEN: You mean something. I can tell something specific.

MR. BOLGIANO: Very specific. XML uses a very -- applies a very technical definition to the word "specification," Which it's very easy to tell whether you implement XML per that specific or not. So we share the same spec with China, with the U.K., with the E.U., the Basel 2, COREP and FINREP implementations. I've often explained it to people who are not XML experts as saying, "We've agreed on an alphabet." The U.S. GAAP taxonomy is a dictionary, but we all use the same alphabets; and that alphabet -- that is what enables Chinese computers to consume American data, where for an American investor to be able to automatically switch a Korean financial statement into English.

MR. POZEN: Well, let me ask you -- let's say from
Greg's point of view, he goes through and makes his U.S.
financials XBRL-compliant. Then three or four years later
together, we go to IFRS. What will happen there in terms of
the conversion? How much will he be able to use what he has
there in IFRS?

MR. BOLGIANO: Well, I should probably defer to the
technical answer to an accountant. I'm not an accountant,
but I think --

MR. POZEN: Neither am I.

MR. BOLGIANO: -- you're really talking about two
different conversions. One is a technical conversion; and
that one can be accomplished because it uses the same spec
and if -- and I understand this is not the case -- you could
map Concept A prime to A second between IFRS and GAAP you
could automate that conversion; but I don't think there's
one-for-one correspondence on the concept, so if you're an
accounting --

MR. MCCLAMMY: I guess the fundamental question to
me is if I look at the E.U. or the U.K., why is there a
need for a different dictionary? Why stop at the alphabet?

MR. BOLGIANO: I'll defer, actually, to the
standards board chair. The accounting standards are
different.

MR. SIDWELL: You could tag something of interest
and if it's defined differently under different accounting
rules --

MR. NUSBAUM: It gets back to Bob's question if there is a convergence or if we adopt IFRS people will have to go back to the tagging exercise.

MR. TURNER: That process will either require that it is redone or in certain circumstances, this is the same as this and therefore --

MR. POZEN: That's what I was going to ask you. Let's assume theoretically that 75 percent of IFRS is quite similar, though not exactly, to U.S. GAAP, 25 percent is different. Following up on Ed's question, do we have comfort that to the extent that there is the same substantive rule and we know that FASB in many areas is trying to do that, that those will have -- not just XBRL spec, because I know that's sort of like a minimal carrot, but that actually will be --

MR. TURNER: So today they're two different words in two different dictionaries. By the time the convergence comes about, it may well be the case; and there is active discussions going on between the IFRS guys and the U.S. GAAP guys to work out whether they can be the same words in the same dictionary, but it's still relatively early days.

MR. SIDWELL: To the extent that the standards are unified between international under the convergence project, by definition that will help the dictionary become the same
MR. TURNER: Precisely.

MR. POZEN: But I think we are hearing that, unless the standards were the same before, then there would have to be conversion.

MR. WEATHERFORD: Let me ask the question a different way. The tags -- are they the same definition, whether you're in U.S. GAAP, IFRS, or are there different definitions for the tags?

MR. TURNER: Cash -- on the face of it fairly similar concepts; actually slightly different concepts. But nonetheless you'll have two concepts. One will say cash; the other one will say cash. One will have a prefix IFRS. Another one will have the prefix "U.S. GAAP." And they will point to the relevant authoritative literature, the IFRS framework, and the U.S. GAAP framework.

MR. WEATHERFORD: As I understand it, there are today 13,000 tags, which are quite a lot. And since I'm on the committee about resolving complexity, it seems like a lot of tags. And I know that after having talked to a large software company, they usually only use 192 of those tags.

So my question is, if you implement this under U.S. GAAP and then move to IFRS, do you have to go back and redefine your tags? I'll get later to my question about why so many tags. But the question there is, is there a
conversion issue in terms of the tags? And I know cash is
cash, but are the tags the same?

MR. TURNER: The tags only model the accounting
framework. They don't try to replace it. So to the extent
that there is different accounting frameworks, which today
there are, you will need to redo things.

MR. MCCLAMMY: Let me ask it differently, if the
accounting is the same --

MR. TURNER: Then there will be only one set of
tags.

MR. MCCLAMMY: There is one -- but currently
between the U.S. and -- do you coordinate between the two?
Make sure the definition is the same if the accounting is the
same? Or are you going to get it independently from each
other?

MR. TURNER: Those discussions are at an early
stage.

MR. WEATHERFORD: But the reality is that not every
accounting standard is the same, so there will be difference
in tags, there will be difference in conversions, and you
will have to convert U.S. GAAP to IFRS; there will be some
conversion.

MR. POZEN: You say you're in the process of
discussion. I just try to get -- even for those standards
that are the same, how long would it take before you would
feel comfortable saying that you could use the
same tag, for those that have same standard? Obviously, if
it's a different type of pension accounting, it shouldn't. I
mean, are we talking about six months? Are we talking about
two or three years? Just to get a ballpark estimate.

MR. BOLGIANO: The way I would answer would be very
much predicated on what happens with the respective
accounting standards before they came to us. Right now it
seems to be a moving target.

MR. POZEN: But what I'm saying is I have to assume
that this process of harmonization of the substance is going
to take a while. I mean, it's just a difficult process. So
we are saying today we know that Standard X is the same
between IFRS and U.S. GAAP, so how long will it take before
we can get comfortable -- the CFOs can get comfortable about
that part of the 10-K that they can just shift it over?

MR. TURNER: Let me answer it a slightly different
way. It is the hope; and the hope involves the ongoing
cooperation between U.S. authorities and international
authorities. But the hope is that the XBRL conversion
process will actually help facilitate that convergence so
that if today I've got two different definitions for cash the
subject-matter experts, because XBRL is such a way of defining
those definitions -- what we call semantics -- the
subject-matter experts will be able to use those definitions
in helping themselves to determine whether they are the same, so -- for the overall convergence process. So -- and to the extent that they are, then that can literally be mapped between the two. This is the same concept and we can end up with one.

MR. POZEN: You're right in theory, but I'm not sure that FASB and IFRS are proceeding that way. They're proceeding from a more -- a higher level. They're not proceeding from a bottoms-up --

MR. SIDWELL: There are two separate initiatives - the U.S. initiative and then the initiative being done by the IASB around XBRL; and I think there are some efforts to pull that together. But I'd say at this point in time, Bob, to answer your question specifically, it isn't that there's one effort that is ensuring that if it has the same definition it is tagged exactly the same way.

MR. POZEN: So this is a process what we hope will get more developed over time.

Okay. I want to make sure that Jeff and Steve have a chance to give their presentations.

MR. BODNER: Good morning. I'd like to thank the committee for the opportunity to participate in this morning's XBRL roundtable.

I'd like to focus my comments on the following areas: One, benefits to the investor; two, this bolt-on
versus integrated approach; three, block-tagging of footnotes; and, four, the effort to convert internal costs -- internal value and costs to the registrant.

First, the benefits to the investor. We are generally supportive of XBRL as a means to disseminate financial information to investors and analysts. However, we believe that, before there is a requirement to furnish or file financial information using XBRL, several factors should be considered.

Software to tag financial information as well as to view XBRL financial information is still in the early stages of development. Typically, market requirements developed over time, which ultimately leads to enhanced software to address the market demands. Today, we have a regulatory environment pushing software development. Accordingly, the availability of robust software is lagging. For investors to get the full benefits of XBRL, investors must have access to XBRL readers; and those readers must present the information similar to printed versions of the filings so that readers can easily analyze the data. While supportive of blocked tagging of footnotes, existing software does not present this information in an easy-to-read format.

Bolt-on versus integrated approach. I want to spend a few minutes discussing the bolt-on versus integrated approach. It is clear that for many years to come the
bolt-on approach is the only viable approach for most registrants. Accordingly, the XBRL initiative is incremental work for each registrant. We recognize that over time the incremental work will decrease as experience is gained; however, it will involve more time and resources. Given the current efforts to require sequential and additional processing in order to complete the tagging and submission of XBRL information, we believe each registrant should be afforded extra time after the filing of 34 Act financial statements in order to properly prepare XBRL financial information. For example, assuming a registrant's Form 10-K is due 60 days after you're in, the XBRL financial information will be required, say, 70 days after you're in.

Whenever XBRL is discussed in forums and the press, there is significant focus on how XBRL allows an integrated approach to financial reporting and reduced time and effort to produce financial information or financial statements. While this may be a good long-term goal, we are not sure this is a reality for many registrants. We also believe it is important to note that there is no reduction in effort today. The concept of push-the-button financial statements would require significant enhancements to existing enterprise software solutions and many more core business processes for registrants. For example, I'm currently not aware of any registrant that is able to get a hundred percent of the data
needed for its financial information from the current
enterprise software systems directly.

My belief is that Intel is like many other Fortune
500 companies in that they must download, sort, and review a
fair amount of detail required for today's financial
reporting. Accordingly, integrated financial reporting would
require a substantial change in business processes used
today. This would be a significant task and a
resource-intensive project.

Block-tagging of footnotes. We agree that tagging
footnotes beyond block-tagging would be a significant effort
and therefore appropriate that block-tagging of footnotes is
appropriate. However, currently rendering software is not
capable of viewing a block-tagged footnote that consists of
tables and text. Before block-tagging of footnotes is
required, we believe the rendering software should be
enhanced to be capable of viewing footnotes with numeric
tables and text in a similar format to that of an EDGAR
filing. Anything less would be of little benefit to the
investor.

Efforts to convert. For us to assess existing
software alternatives, learn that software, and take each
financial statement line item by critically assessing all of
the available tags as well as management review of the tags
and creating internal processes and controls, we believe
would incur between 150 and 200 hours. Using the new
taxonomy, we have 118 tags and 23 custom tags. For many
years to come, registrants will use the bolt-on approach,
which has little value for the registrant and will not save
time in the financial statement preparation process.

I would like to conclude by saying we support the
provision of the Development Proposal 4.1; however, we
believe much work is needed before the proposal can be
implemented to get the full benefit from XBRL financial
information and the full support of registrants and
investors. It is important to fully develop and resolve all
of the preconditions before requiring mandatory filing of
XBRL financial information.

Lastly, I will encourage everyone involved in this
area to spend a few minutes with the existing XBRL reader.
In particular, I would encourage you to view block-tagging
and critically assess whether in its current form this
provides the investor with better data than an EDGAR filing.

Thank you again for the opportunity to participate
today.

MR. POZEN: Thank you, Jeff. That was very
specific and we appreciate the detail.

Steve.

MR. BOCHNER: Thank you, Mr. Chairman and committee
members and members from the SEC, for having me back again
today.

One of the good things about going last is that you realize that a lot of what you were going to say has been said and, I think, said better in some cases. I was hoping to invoke some empathy for the plight of the smaller business issuer in making sure that the costs are aligned with the benefits. And I think Mr. Hanson and others have done a much better job of that I was going to do.

I'm going be very brief here. I basically want to support the proposals outlined in your progress report to adopt a more measured and cautious approach with respect to liability and assurance as you contemplate moving towards recommending how the SEC approaches the mandatory XBRL regime. I think a phased-in approach with respect to larger companies going first is appropriate. Where the cost benefits are uncertain, we should obtain data, not make assumptions with respect to the potential costs.

And I think the dialogue that you just heard I think indicates just how far away we seem to be from this truly being efficient, where the costs exceed benefits for smaller public companies. The taxonomies don't sound like they're fully developed. The approaches for tagging data are still being debated. Third-party vendors and software service are still, I understand, a work in progress. I think all of that needs to be sorted out before we impose
additional costs on smaller public companies.

A phased transaction period has also been used, I think appropriately and successfully by the SEC in other situations such as the phase-in for the periodic reporting deadlines, when we moved those up a couple of years ago.

404 -- I think the phased 404 implementation and then pushing back the effective date for smaller public companies was hugely important for these smaller public companies; and I think that approach ought to be strongly considered here.

I think starting with a system in the mandatory phase where the data is furnished not filed is the right way to go. Furnished documents are subject to 10b-5 liability and subject to oversight responsibilities of the audit committee and board. And they're also subject to disclosure controls and procedures and CEO and CFO certifications.

And I do think we should, in the mandatory phase, move toward an approach where disclosure controls -- and I have no doubt this is what's intended -- but move where the disclosure control provisions are applicable to even furnish XBRL data. I think that's appropriate. And when that happens issuers will be responsible for putting in place the right procedures, deciding what role their auditors play, and so on.

I do think we should move cautiously, also, in mandating auditor assurance. Requiring auditor third-party
involvement will substantially increase costs before they're fully known; and those will be borne disproportionately by smaller public companies; and that would be moving exactly in the opposite direction from the work on our early SEC advisory committee trying to reduce costs of reporting and disclosure while not impairing investor protection for smaller public companies.

I hesitate, but I'm going to invoke 404 here, not because I think it's on the same scale but because I think it is a good lesson for implementing regulation where the costs are uncertain; and I think that that experience should suggest that, particularly when we don't have everything fully baked here, as I'm hearing again today, we should proceed cautiously, particularly with respect to smaller public companies. So your sensitivity in the progress report is appropriate and that concern's well founded.

Thank you.

MR. POZEN:  Okay. Let's -- thank you very much for all your presentations. They're very useful; and we're going to ask various members of the committee to ask you question and engage in discussion. I'm going to go just right down the left and starting all around. So starting with Mr. Diermier.

MR. DIERMIER: Thank you, Bob.

A lot of different questions, but after listening
to all of you talk, there may be one starter question that
would put things in perspective that would be helpful.

Chris, you mentioned -- and this question is for
Chris and for Jeff -- Chris, you mentioned that reliability
is critical. You've seen the proposal that talks about
holding back on assurance. And yet, as part of the CFA
Institute working group, the CFA Institute working group
supports the proposal, even though it's top of your list.

Jeff, you indicate for many years we won't have
integrated approaches, that basically it will be bolt-on,
there will be dead-weight cost initially. But still you
support the proposal moving forward, and you're generally
supportive.

Why are you generally supportive if you, you know,
some of your costs are going up and if your top priority is
not being met?

MR. MONTANO: The top priority was reliability.

MR. DIERMIER: I'm sorry.

MR. MONTANO: It was reliability.

MR. DIERMIER: Yeah, reliability. That's right.

MR. MONTANO: But people are talking about
assurance; and I would like to say from a practical
perspective -- and perhaps may not be representing the CFA
Institute -- but representing Chris Montano's experience,
reliability may be very different than an audited financial
statement; and I would like to suggest that both WorldCom and Enron had audited financial statements prior to what happened to them. So reliability assurance in the classical sense isn't necessarily reliability. Reliability, in fact, may come from being able to exercise more rigorous analysis of the data on a historic time series basis. And so from an investor perspective, there may be ways to meet this enhanced reliability need without a formal assurance process being met. So I would encourage the perspective of maybe separating the formal assurance standard from the concept of investor reliability of information.

MR. DIERMIER: Thank you.

Jeff?

MR. BODNER: We are supportive of what XBRL can do to get financial information disseminated to the investor. We are supportive of the initiatives. We also think some of the preconditions that the committee has laid out need to take place before it's required. So making sure that, you know, if you're going to view block-tagging, it makes sense that you're going to get the information that you need. I think it's important to realize that we all know that we need to get financial information out to investors; and getting that information from our core financial statements out sooner is not necessarily that difficult. Where it gets more difficult is where you go to the footnotes -- one, starting
with block-tagging. And, second of all, if you get too
detailed in the footnotes, I think that would get to be
extremely costly; and I'm not sure there's a benefit there.
But the benefit can be achieved initially with just the core
financial statements.

MR. DIERMIER: Thank you.

MR. MANN: You know, I am charged with representing
individual investors on this committee; and the people that I
am speaking with are very encouraged by XBRL, as our
constituency has perhaps the lowest level of band-width for
analyzing financial statements -- the lowest access to
sophisticated tools. So we want XBRL to be implemented as
fast as possible but no faster. We are also sensitive to
costs, particularly to the small companies, because these
costs also directly impact shareholders. I think that we
have an interesting set of learnings already coming from
Europe. You mentioned there were 300,000 different filings
in Belgium and other places.

So I guess this question is to Mark and also to
John: What are some of the key learnings that we have now
from the experience in Europe and other markets with XBRL,
particularly as it pertains to cost to implement?

MR. TURNER: Thanks. So the approach in a number
of other countries is often assisted by a relatively small
economy -- in particular, a relatively low reliance on a
broad range of software vendors. In the U.K. there are a half dozen account preparation packages which need to be converted to produce XBRL materials for small business, largely in terms of the bulk of the market. In Belgium, there is a couple of dominant vendors. And in both cases, for very small companies the regulators have made it available essentially as an overgrown form. So the process is much simpler. Japan also, where you've got in many respects a vastly more ambitious project than what's going on here, in the -- there's more than a million tax filings from small businesses to come in over the next eighteen months or so. It appears there are essentially two dominant software vendors; and they've done the work. They make that process relatively simple. And they have a long history of collaboration. I think that collaboration aspect is what's very important.

There's been perfectly accurate comments about the relative maturity of software. There's some great technologies out there. There's some very good software that's already available, but it is very early days in the United States. Why? Because there is no market. What have we got? 68 voluntary filers. That ain't a market. No one wants to spend money on preparing high-quality software in that environment.

It's not even the need for the market to be here
today. It's the need for certainty about the fact that there
is a market that will get people to invest in terms of the
preparation of high-quality software in this country that
will meet the more diverse needs of this economy.

MR. POZEN: Do you see any plans to use it in tax
filings -- XBRL?

MR. TURNER: In the U.S.? Not as far as I'm aware.

MR. POZEN: Why was the decision made in Japan?

MR. TURNER: In Japan, it's all set to be mandatory
in 2011. In the U.K., it's to be mandatory -- I'm
sorry -- it's the only electronic-filing process being
offered in the Netherlands.

The decision was brought about because the
specification fits the purpose; and those environments had
relatively small electronic-filing frameworks in place
already. So contrast that with the U.S. environment, where
you have had electronic filing for your tax authorities for
many years. So that there was a time advantage for certain
tax regulators in other countries. Equally, there is an
enormous amount of information that goes to tax authorities;
and there are moves afoot in every jurisdiction -- I think
also in this one -- for certain information to arrive in an
XBRL format. So we'll see how that goes.

MR. MANN: Well, listening to Greg, I guess my
question -- that's part of it. It's a little bit different,
but what are you finding from filers in terms of the time it's taking them to do the filings? I mean he has four folks on his staff. I know companies who have one; and that's -- I think that's a big burden. So I'm just wondering about the limits in terms of has it sped things up over time?

MR. TURNER: It's -- to take the U.K. experience, it's too early to understand exactly whether it's speeding things up, except that for small companies where the account preparation is typically done by accounting firms. Here's my shoebox or here's my Quicken files; here's my Sage files; and please prepare my accounts.

MR. MANN: Mine's a shoebox.

MR. TURNER: Yeah. That process is on a voluntary basis, going at a very rapid clip; and the reason is that it's not just the fact that spitting some XBRL out is a straightforward exercise. It's taking away some of the overhead associated with posting things around and getting eleven signatures on a document. That process is helping, certainly in the U.K., and just reducing some of the burden of that aspect. But we're talking about just reducing the burden associated with some of that aspect. But we're talking about different environments. Those are small companies. Listing companies in Japan, they are mandatory I think from the 8th of April this year. So perhaps start looking for some comments in the middle of the year.
MR. POZEN: Peter?

MR. WALLISON: Thank you, Mr. Chairman. I actually have questions for a number of the panelists, so I'd like to ask them sort of seriatim. I should mention in starting that I am supposed to be the representative of the XBRL community on this committee, so I have spent most of my time working on this subject and learning about it. And there are still some things that I have to learn.

But let me start with you, John, if I may. You talked about the possibility of single document in which there is both the XBRL material and what we might call a human-readable output of an audited financial statement. As you know, the committee has recommended furnishing the XBRL material and filing the human-readable material. Is it possible to comply with what the committee has recommended, that is, a furnished XBRL with a file in the same document? Is there any way that the two can be made consistent?

MR. TURNER: I think that's probably a legal question, because from a technical perspective it's an almost trivial exercise to, once you've got one of these in-line XBRL documents which includes potentially the EDGAR filing the way you see it today. If you go to the SEC Web site and download any EDGAR filing, it's laid out the way you're all familiar with, right? They would look exactly the same as that, but XBRL would be embedded in it.
The additional complexity associated with producing an in-line XBRL document versus an XBRL document is very small; and our feeling is that the benefits to preparers in particular so they have that confidence about look and feel is helpful in terms of the change process.

Once you've got one of those things, it's a trivial exercise to take the XBRL out and throw it away or to take the HTML out and throw it away, leaving just the XBRL document or just the HTML document. So it would be certainly feasible to file the HTML and then file the in-line XBRL document with HTML and XBRL embedded. Whether you could do one submission to the SEC and have the HTML part considered a filing and the XBRL part, considering the furnishing, I'll leave that to the attorneys.

MR. WALLISON: Okay. Thanks. But as a technical matter, they would be combined?

MR. TURNER: Yes.

MR. WALLISON: Let me ask you about the block-tagging, because one of the questions is whether block-tagging works for footnotes that have tables and that sort of thing. Do you have a view on that?

MR. TURNER: In-line XBRL helps you get around the problem that was being referred to earlier in terms of it being a mess. The blocked HTML is just the way it appears today with tails and materials intact. But the only point to
block-tagging notes is to facilitate search. And then pulling up the data -- you could probably do that in the HTML the way the company had expected it to look, unless you were doing things like a regulator client of mine does, which is look for the words "pending lawsuit" in a block of text and when it comes up go and read that block of text very carefully.

MR. WALLISON: But it is -- if I understand you correctly, it is possible, if you're block-tagging a footnote, it's a search feature. It's nothing more than that. So there's nothing -- unless I am mistaken, there's nothing about a table or anything else that would make it difficult to block-tag?

MR. TURNER: In an in-line context, that's exactly right.

MR. WALLISON: Please define "in-line."

MR. TURNER: Pardon me. So the in-line is this combination of HTML and XBRL all in one. It's the human-readable version of the materials with essentially a tag at the beginning of it and a tag at the end of it.

(Simultaneous discussion.)

MR. MCCLAMMY: Is that available currently or is that something that's going to happen in the future?

MR. TURNER: There's software out in beta at this point. There's a number of software companies that are working to develop it. There are others that are considering
their options on that front.

MR. WALLISON: Now, if we were to use bolt-on -- and everyone's talking about using bolt-on -- that is the way the committee was assuming it would be done -- does bolt-on in your view add substantially to the cost? It is incremental as people say, but does it add substantially to the cost in any way?

MR. TURNER: Let me answer it in a slightly different way. I think the answer to when the -- when we get the straight-through production of XBRL materials it is entirely market-driven. This committee can't really drive it. Corporates need to show the ROI. And when there is a decent ROI, everyone will do it as quickly as that ROI makes sense to them.

As far as bolt-on, I can't disagree that that's an additional cost. But if, as you know, that evidence appears -- and certainly our experience with producing voluntary program filings would support it. We are talking about a couple of hundred concepts and a hundred or so of those would be the ones that everybody uses out of the 13,000, then that's not a huge exercise. It's how fast it goes depends largely on people's understanding and the utility of their software.

MR. WALLISON: Okay. Greg, can I turn to you, if you wouldn't mind?
In this -- in the records of the committee -- and I guess at the SEC also -- is a letter from EDGAR Online which said that they convert -- have been involved in the voluntary filing program -- and they convert for about 40 percent of the participants in the voluntary filing program. They convert automatically or are using their automatic system in about ten hours on average, that is they are furnished with the financial statement and they convert that automatically into both a financial statement and a bolted-on set of XBRL materials. I also understand that the cost of that would be about $10,000 a year. That is for four different reports. It's in existence today and it's being used.

Would it -- in your view, would something like that be excessive for a small business company?

MR. HANSON: That's a good question. And I did discussions both with RR Donneley, which is partnered with EDGAR Online, and I also had discussions with Bowne in terms of getting estimates. And they did explain to me that, Oh, we already have that. Everything that you've done already has been converted to XBRL. So I don't disagree with you in terms of what they would say that their third-party costs are in terms of providing XBRL documents. And so they may have an advantage over other service providers, you know, from that.

The other third-party quotes that I had were in the
range of about $20,000 to provide that service. Then I would
to have add on top of that my cost. I would have to review
all of the numbers that had been done by EDGAR Online; for
example, in your case that you've asked me, we're a
developmental-stage company. I've got 12 years of statement
of change and stockholder equity. I've got more than just
300 line items. I've got a lot of line items that I'm going
to have to check, unless we only have to furnish the last
five years, which is the way I got my estimate of $20,000.
So the 10,000 that you say and the 20,000 from somebody
else -- that would be the third-party cost of relying on
somebody else's service.

There's the other costs internally in terms of what
we would have to do, which would be to review each of the
numbers, make sure they look properly tagged. We'd have to
go through, still, our own training to learn the system;
understand the tags; and make sure there's more than one
person that's able to do this; document our process -- again,
gets into a lot of the assurance. What is expected on
assurance.

And I thought the discussion this morning was
really a good one on that, because to the extent of the
assurance requirements, it's going to drive a lot of what we
have to do in terms of documenting our processes. And when I
talked with the service providers, I would expect to be able
to get a SAS 70 report from them if they're going to be providing that kind of service in this important a type of function. This is more just taking an EDGAR document and previewing it and saying, Oh, so this looks like my Word document. You can go through and you check the paragraphs and stuff; and we have gained confidence in that area with regard to EDGAR-ization. But with tagging we have to have software now at our location to be able to review the software. That's in terms of their providing information to us, so I have to see the tags. I understand they'll give me a spreadsheet with a bunch of columns on it; and I can go through each number that's identified. There's a comment area -- there's -- this is the one that you're referring to -- comment area. There's a definition; and then there's a tag description. Then I have the ability to go through and change each of them. So whether it's three hundred or whether it's a thousand tags, my staff of four is going to have to do that.

So the cost -- I'm estimating the cost on top of whatever it is -- the 10 or 20,000 from the third-party. My costs are probably still going to be -- I think they're probably going to be about $20,000 on top of that.

MR. WALLISON: How many line items are there in your facing financial statements?

MR. HANSON: On the --
MR. WALLISON: Let's assume you have 50 footnotes, but how many line items are there in the financial statement? Just an estimate. You don't have to look at it.

MR. HANSON: Can I come back to you?

MR. WALLISON: Of course you can come back. You know that you would only be tagging the facing financial statements plus the block-tagged footnotes.

MR. HANSON: So there's four -- you've got the balance sheet, statement of operations, statement of changes in cash flow, and then the statement of changes in stockholders' equity; and as a development-stage company I have an extra column on there. And that extra column goes all the way back to 1995. Now, according to EDGAR Online, they have already done all of those numbers for me. All I have to do is review them. There's a lot of history there.

MR. WALLISON: The cost that you were talking --

MR. POZEN: The materiality standard that -- Randy, maybe you can help me -- it sort of goes through the whole document. But here it seems what is being asked for is almost is each tag okay. So even if you say to a user like myself, there's no material difference, it doesn't seem to get there. That's what I'm trying to understand.

MR. FLETCHALL: I think that is one of the issues that really needs to be resolved around a form of assurance, because we're used to materiality, we're used to sampling,
we're used to financial statements taken as a whole. When you start talking about tags on individual elements, including extensions that might be created uniquely for a particular issuer, you're in a completely different level. So I've heard people say, "You shouldn't have to, say, tick and tie every single tag." But right now there is no concept around, well, if that's what people want to use, those individual tagged pieces of data, how do you go about giving an assurance, say, an examination-type opinion? It is one of the very tough issues I think we have to come to grips with. What does "taken as a whole mean" when you're tagging individual elements of data?

MR. COOK: Randy, the concept of "taken as a whole" is pretty well understood in supplemental information and other places. It's a matter of -- I think I would suggest -- of bringing it here, explaining it, and seeing if people agree that's an adequate level of coverage; but the idea that this comes from the audited financial statement that it's a component of, it's part of an overall presentation wouldn't be new and different, but it would have to be agreed upon as being relevant for this purpose.

MR. FLETCHALL: I completely agree. That's why I think this takes a collaborative -- collectively, people have to come together and say -- and I know this is in the committee's recommendation -- what is it that users really
need and will benefit from? What's the cost of doing that?

There are so many different solutions, so many alternatives, that to pinpoint any one and say, Well, this is the software today, this is the scope of the procedures today, here's what it would cost. It's all over the map and all sorts of possibilities. And I think that's why people need to come together and figure out what that scope ought to look like. And then you could actually pilot it and come up with some decent ideas of what it might cost and all.

MR. WALLISON: And that is I just wanted to know the estimates that you had gotten from various providers. Those were first-year estimates? First-year costs? And did they indicate that subsequent years would be less expensive?

MR. HANSON: No, I didn't get that impression, that they would basically work with us and that the annual cost would be about $20,000 for the --

MR. WALLISON: Ongoing?

MR. HANSON: Ongoing.

MR. WALLISON: Year after year?

MR. HANSON: Yes. That's an outside cost. And in answer to your other question, forty on the balance sheet, a hundred on the statement of operations, because I have the extra column. And a hundred on the statement of cash flows. And then I got to tell you, twelve years of statement of changes in stockholders' equity, when
you have convertible preferred A, B -- there's an extra thousand right there. So there's a lot of numbers. Again, furnishing is going to be really only for the last five years.

MR. WALLISON: Okay. Thank you. Thank you for your indulgence, Mr. Chairman. I have one more person I'd like to ask some questions of; and that is Randy Fletchall, if that's okay.

And that is, the elements of assurance -- I mean, obviously, one of the big issues that the committee dealt with was this question of assurance; and that's been a matter of concern to me. We've never been able to identify what assurance really involves; but you talked about a high level or a low level of assurance. And what would be a high level of assurance, in your thinking about this subject? What would you be looking at if you were providing a company with a high level of assurance?

MR. FLETCHALL: I think -- I tried to say in my comments, Peter, that I tried to contrast, say, a review-level service with an examination level. The examination level could well include the tagging of particular elements. Look at the instance document -- could run through the appropriateness of extensions, could run to the technical specifications and some of the emerging technical standards. But that's one of the difficulties.
When you say it's a "higher," clearly it is an examination level. But kind of the ranges of where that might fall in terms of what's within footnotes, with the particular management assertions that you would attest to, is kind of all over the map. So I think, clearly, I can answer examination versus review versus agreed-upon procedures is to the high end, but the particular assertions that you would give assurance to is where I think a lot of the difficulties are.

MR. WALLISON: How long has the AICPA been working on this question?

MR. FLETCHALL: You know, I'm not sure how long the particular task force has been engaged. I know I've been following their developments over the last several months. And I think they've made some progress. I'd say they've raised a lot of questions which we have taken to the staff of the AICPA and answer the desired solution and then we can try to work to, okay, what are the principles? What are the standards around that one solution?

I think where we're at right now there are so many alternatives and everything keeps changing in technology and software, it's hard to light and say this is what people want; now let's build some guidance around that; but I think we're getting close. We're going to have to do that, because I think for those who will voluntarily want something we do
have to figure out for our members and for our clients, okay, if this is the level of service you want, here's what we think would be the right procedure, the right standard.

MR. WALLISON: So you are reviewing this with the accounting staff at the SEC and perhaps other members of staffs of other departments?

MR. FLETCHALL: Pardon?

MR. WALLISON: So you are reviewing these procedures with the accounting staff at the SEC --

MR. FLETCHALL: I would say we've had a couple of discussions around here are various issues, overarching factors, the notion of materiality, the notion of sampling. We've had a couple of discussions maybe a couple of times with both the staffs of the SEC and the other, either jointly or separately. We will continue to do those efforts.

MR. WALLISON: Okay. One more question then. And this is my last one for anyone.

And that is this issue of tagging and how it relates to the financial statement as a whole. Is there any reason in accounting why you could not add to your certification a statement that the tagging of the audited financial statements is to be viewed as taken as a whole and not individually, not an assertion or a certification as to any individual tag?

And the reason I ask that question is that, of
course, when you do an audit and you look at each individual item in a GAAP financial statement, you are looking at the -- I won't use the word "accuracy" -- but you're looking at the correctness from the point of view of management of each individual item. Then you say at the end we're not standing behind each individual item. We're talking about the financial statement taken as a whole. Why is not the same concept applicable to the tagging of financial statements?

MR. FLETCHALL: I think, clearly, the form of the report is one of the things still to be worked out. And obviously needs some language to try to explain, say, in the same, maybe, report or accompanying report the difference between the scope of the examination of the financials and footnotes, as you say, and then the tagging of that same data. I think the concern is what you put in the report is certainly subject to people not understanding what you did. And so I think -- excuse me -- the dilemma we have is, if tagging is at a data-element level; and that's how analysts and investor-users want to use it, that's far different from than how someone typically uses one note, one number within a note within a financial statement. We're not saying when we issue an opinion on financial statements that any particular number in Footnote B is materially correct within the financial statement as a whole. The whole concept of tagging, though, is that number is what someone wants to pull
out, disaggregate it from the financial statements, and use
in their analysis. So how you communicate that is one of the
things that --

MR. MCCLAMMY: I don't see that it's any different
from the way analysts use financial information today.
They're not looking at this overall P&L statement or
balance-sheet line item. They're picking line items out of
that and doing analysis on it. So I think in some ways we're
getting a little overboard of saying now we need to have
these numbers because they're in XBRL, we're reporting on
those individual numbers. I think we need to keep the
concept that we're reporting on the financial statements.
EDGAR is probably a good example. To currently convert to
EDGAR, but because we do that we don't all of a sudden say
we've got to opine on individual numbers in EDGAR.

MR. FLETCHALL: I completely agree with you. And,
again, I think if we don't keep the concept of materiality
and take it as a whole, then this would always be too costly.
It doesn't make sense.

MR. COOK: Maybe they don't meet the needs of the
users, so you don't end up there. But today there's not an
absolute need for assurance. I mean you can label this
information "unaudited." People label information
"unaudited." That just means it's there. There are certain
responsibilities by being associated with that, but you could
give negative assurance, if you chose. You could give what
people call the silent assurance of other information,
umaudited information. Seems to me a pretty wide range,
depending on what the judgment is about the needs of users.
But assurance can accommodate cost considerations,
practicality considerations. It doesn't necessarily drive
anyone to something where you're starting to give assurance
on a line-item basis and driving the cost of this through the
roof and making it essentially unacceptable.

MR. FLETCHALL: I would agree with that. John
labeled us as conservative auditors in the U.S., I think,
earlier. And we have things like the process, the assurance
that you might give on tagged data, whether it's in a
quarterly report or an annual report. It wouldn't be much
different, perhaps, even though the level of assurance you
render on the financial statement is quite different from
negative assurance -- and would people understand this?

So some of this is just making sure there is a
clear communication and that we don't create, while we're
going through this wonderful change, some new expectation gap
that people don't really understand what you're doing. And
the first time someone uses a tagged element that was wrong
and causes their analysis to be wrong, they'll say, “Wait a
second. How come you didn't catch the fact that this
unreliability was categorized as a vendor payable?” Those are
things we're just trying to work through.

    MR. POZEN: We have David and Ed and then Greg.
    David.

    MR. SIDWELL: One of the questions I have: Our recommendation is that there is a phased-in approach. And many of you referred to that. Do you think by this focus on the largest companies first that many of the questions you've raised, i.e., the facilitating software for the preparer, clarity around what is the attestation requirement that investors are going to have -- do you think that phased-in approach facilitates getting very quick, easy solutions for the smaller companies? Do you -- I'd like to understand -- do you think that a phased-in approach is actually going to make it much easier for small companies when it comes to their time, because a lot of the questions that you've raised and that we've discussed today will have answers to them.

    MR. FLETCHALL: I certainly do, because I do believe the approach of learning from the larger issuers will help all of us again. Again, from an assurance standpoint, the nature of the assurance, the scope -- and I would hope that would then be transferable to make sure we're more efficient and effective when all companies have to adopt it. I think that is a very wise approach.

    MR. SIDWELL: Does anyone else have a view?
MR. BOCHNER: I would also add that I think it can only help the maturity of the tools and the choices that smaller companies would have in terms of software tools to use.

MR. TURNER: I agree with that. High-quality, intuitive, bolt-on software. It's not that different for a big company than a little company, so let's get it out there.

MR. POZEN: Ed.

MR. NUSBAUM: I was wondering if the phased-in approach -- one of the problems that Greg stated was whether or not there was sufficient infrastructure or sufficient providers and whether this phased-in approach would just add to the infrastructure and providers to allow the smaller companies to do it.

And the second quick question, to follow up to the assurance discussion, I was just curious if there was any resistance to the assurance, other than costs? Is it all about cost of assurance? Or is there something else that's causing some of the resistance?

MR. FLETCHALL: I'll answer the last one. I think the cost is certainly something we are aware of. I think there is no one who wants to be associated with assurance that we don't think provides meaningful value to people that can be done the right way, that the scope of work is such that when you've finished doing your work you feel like
you've provided a service. So I think that's an issue.

If there's another one -- I'll just say

this -- uncertainty of the technology's changing, the

software's changing. We haven't done it before. We are

concerned about the risk of misunderstanding,

miscommunication. And with anything new there's a desire to

get it right the first time rather than I'll say learn too

much from an expensive lesson. So I think there is that

element of let's make sure we know what we're doing before we

really jump in with both feet. You know, cost is an issue to

us. We understand cost will be an issue if we can't deliver

it in a cost-efficient manner; and that's what we want to do.

MR. SIDWELL: Surely today, providers like FactSet

and others are aggregating this data anyway. Doesn't this

ultimately facilitate for all the companies that, you know,

small or any size, the access of investors to having

aggregated data to allow them to make investment choices? So

isn't this more a question of timing, as opposed to one of

should we?

MR. WALLISON: If I can add something here on this

question of assurance. Cost is one factor, of course, but if

I understand correctly how XBRL is supposed to work, the

accountants are supposed to exercise some judgment in the

question of whether a company is justified in adding a tag

that is not in the taxonomy already. And the reason for that
is that adding tags -- extensions -- can reduce the
comparability of financial statements; and so one of the
things that has to be balanced here is the question of how
useful XBRL will be if companies are allowed without any
third-party oversight of what they are doing to simply add
tags. It would mean that companies that don't want to be
compared to others in their industry would be inclined to do
that. So that they are not compared -- comparable. So
that's one of the factors that has to be considered.

MR. POZEN: Greg.

MR. HANSON: I'll shortly address the cost issue on
assurance, because we're impacted, because we're the ones
that pay the bills on that. This is a key issue that I think
that the committee -- it's worthwhile that the committee
spend time addressing this particular item, because if you
step back and look at what happened with SOX.

A few years ago I was with a company about the same
size. To implement SOX that year was 12 percent of my selling,
general and administrative budget. It was a million
dollars. $8 million was my total SG&A. My outside costs
were a million dollars for the auditors, because everything
was critical control. There were 17 processes. It was one
process out of that, so that was huge. That was the cost,
you know.

So we really need to address what is going to be
the assurance aspect of this, because to the extent the
assurance is required, the costs are going to go up far more
than what the cost of my reviewing of the numbers internally
would be with EDGAR Online.

Secondly, it's really interesting as you think
about what can happen with software and where this thing can
go with 11, 12, 13,000 tags. I can just imagine even
whatever we decide on assurance, think about what's going to
be within the access of the SEC. They're going to have all
of these tags. They're going run their computer program
across all the companies; and let's say -- and they're going
to print out this exception list. Here's the companies that
are doing it this way. Here's the companies that are tagging
this way. And then we'll get the question -- we'll get the
letter on our review. Why did you tag such and such?

I'm just envisioning down the road when they run
their exception report across fifty biotech companies and
three show up did it this way; and the other forty-seven did
it this way. I think from some aspects that's good from the
SEC standpoint. It gets everybody in line with the way they
want financial reporting to be. But with so many thousands of
tags we're going to be looking at and the assurance, that's
still unknown. I think those are the key issues.

MR. POZEN: I think we have questions from Linda
and Greg.
Linda.

MS. GRIGGS: I just wanted to follow up on, I guess, the question of assurance. I hadn't understood until Peter asked about the extensions and the implication of extensions. And if you were going to have an assurance on these extensions, that would be a totally different type of attestation service than an audit, it seems to me, Randy. Do you have any way to judge how that would -- what that would cost?

MR. FLETCHALL: No, but I think it's actually not that unusual. I would say it's more comparable to an audit than they're just tagging. It is running to the reasonableness of the extension. Does it make sense? But that is a judgment of qualitative as opposed to other parts of this, where we'll talk about why something shouldn't cost much is viewed more as this is very simple, this is just something did you tag something correctly. But as opposed to a more qualitative decision, clearly that affects cost, to the extent to which the assurance engagement runs to the appropriateness of extensions.

MS. GRIGGS: Yeah, because it wouldn't be based on the overall financial statements as a whole. It would be looking at a particular extension.

MR. FLETCHALL: That's exactly the issue to get into: Are you focused now on just those -- those instances
where there's an extension? And then how do you deal with
that in terms of taking it as a whole? Now you're just
focused on a particular item. Those are the kind of things,
like I say, that we're still wrestling with.

MS. GRIGGS: Could I have one more?

MR. POZEN: Sure.

MS. GRIGGS: I just had a question for Steve.

Based on the experience with 404 and based on some
of the questions we've been talking about this morning, would
you be an advocate of a cost-benefit study like the one the
commission is going through now on 404, before XBRL was
imposed on small companies?

MR. BOCHNER: You know, I would. I think the
commission -- the members of the SEC -- have said publicly
that they're going to do more cost-benefit analysis in the
future. I've got them behind me here, so they can disagree
with me if that's not right, but I think they've said that
publicly. I think it's a good idea. I think, to me, it
would be great, before we implement this for -- even go
mandatory for smaller public companies -- if someone, if some
group -- the SEC's economic analysis or some third-party
group could get us close to a number that would say, This is
what it is for a typical public company to implement. Now
that we've got the integrated approach working, if that
happens to me; and we've got third-party vendors and EDGAR
1 automatically does it and here's what it is; and then I think
2 we can have -- you know, you can talk to people like Mr.
3 Hanson and then get an assessment of whether the costs -- the
4 costs versus the benefits makes sense.
5 I think now the benefits -- we all kind of see the
6 benefits of better analysis and the use of technology -- the
7 cost doesn't seem like we've got our hands around.
8 So, yeah, I think to just make an intelligent
9 decision, it would be great to have the music stop and the
10 deck chairs remain stable and actually get data as to what
11 it's going to -- what it's going to ultimately cost for a
12 smaller company to do this. And I didn't hear that level of
13 certainty. I didn't think it existed before I came here; and
14 I certainly haven't heard it expressed today.
15 MR. POZEN: Greg and Scott.
16 MR. JONAS: Two questions: the first to Randy
17 about level of assurance.
18 I've managed to convince myself that the issue of
19 what level of assurance do we need on tags is actually pretty
20 clear to me. But I've been accused of being hopelessly naive
21 in the recent past, so let me see if indeed I am hopelessly
22 naive here or whether you would agree with this fairly simple
23 analysis.
24 Today in hard-copy financial statements on the
25 display of classification of information we give the highest
level of assurance -- an examination level of assurance, right? And we in the audit business work hard to make sure that the display of classification is right. Electronic tagging is exactly that same thing. It just is done in electronic format, so the user downloads the data into databases and we run with it. So if the tags are wrong it's just as if we have an error on the face of the financial statements in the display of classification of information.

What that tells me is that having any lower level of assurance about the tags is effectively fumbling the ball on the goal line here because we work hard as heck to make sure that the display of classification is right in the hard copy; and then we fumble it in the electronic download; and if this is as successful as we all hope it will be, most users are going to be dealing with electronic downloads. They aren't even going to look at hard copy. So it just seemed to be intuitively obvious that, of course, we need the same level of assurance on the tags as we do in the hard-copy financial statement.

Let me stop there before I go to my second question. Hopelessly naive or --

MR. FLETCHALL: I would not disagree with that. But as you know, the highest level of service will require the most effort and the most judgment and the highest cost. That, I think, is one of the issues we wrestle with.
MR. JONAS: Okay. Second question is the proliferation of tags. And this runs to a point that Peter made just a couple of minutes ago. I've noted with almost a badge of honor that various XBRL regimes talk about, with great pride, the number of tags. Well, we've got 15,000 tags. Yeah, well, I got 20,000 tags. And it seems to me that from a user's perspective, the whole purpose of downloading data and creating databases is comparability to Peter's point. And there's a tension here, right?

The proliferation of tags -- the good news is it allows the -- each company to tell their story in their own way. So I can accommodate every company's terminology, classification -- you name it. But it defeats the very purpose for which we have tags, which is the downloading of comparable information. So wouldn't it be good to have companies be able to tell their story through the EDGAR system in the way that they want; but the tagging level, we tag like in the federal regime for banks.

And I'm going to say this and everybody's going to cringe: The notion of a standard chart of accounts, but the concept -- somewhere between 20,000 tags in a standard chart of accounts is something that strikes me as being a reasonable level of comparability, that somehow 20,000 tags is just defeating.

So can those involved in tending that 20,000 tags
kind of educate me whether they're really necessary or
whether there's something I'm missing?

MR. POZEN: John is going to answer that. Maybe

Chris. John?

MR. TURNER: Just briefly before Chris covers -- I
think there's a very simple answer that your committee's a
few years too late. You're coming along to try and simplify
accounting that's been 400 years of making accounting more
complicated.

Again, the XBRL tagging or the taxonomy development
process nearly models the different disclosures that you can
find out there in financial reporting today. If that process
gets simplified -- and I would hope that it doesn't get down
to a standardized chart of accounts, but if that gets
simplified the number of tags will fall. But if you want to
link that point to the question that David was raising
earlier, which is that the -- is it the same as -- is it just
a question of timing, given that FactSet and others provide
this information to the buy side and sell side today? No, it
isn't. And the reason it isn't is because things that are
different about Mr. Hanson's company against one of his
competitors are the things that should be differentiated with
those extension concepts. Those extension concepts are the
things that hopefully that flags to investors, These guys are
interesting. And in an environment where the number of
analysts covering -- and number of companies that are being
covered -- has shrunk dramatically in this country and in
Europe, that should be welcomed. And that's the real issue.

So, yes, there needs to be a shrinking of the
number of tags; and I suspect that it will all come down to
it being generally accepted use of a few hundred or the ones
that people will be expecting and the markets will expect and
that's where the pressure will come. But there are plenty of
specialized financial operations. There are plenty of
specialized disclosures. That's why there is that many tags.

And, they haven't made them up. They've got out and
found them there in the practice of companies today.

MR. MONTANO: With respect to -- I certainly concur
with, as being a part of an organization that is doing its
own tagging and is leveraging XBRL as much as it can, what we
found is a couple things: One, most of the tags that
exist -- it's a very small amount that's used on a regular
basis. And so there's a fairly large, long tail that you
deal with; so when you say there's 20,000 tags, to take the
largest case you mentioned, Greg -- the worst-case
scenario -- probably just several hundred, maybe a thousand,
1,500 of those will be used on 80 percent of cases.

So -- and complexity is reflecting what companies report. So
as companies simplify the reporting, that will be reflected
in the tags. So it's really an accounting issue more than an
XBRL taxonomy issue.

And then the second point was that comparability really can be a function of standardized data. So what standardized date is currently now a lot of the data vendors that were mentioned by David will go and they will run through on a manual basis all of the as-reported data that comes through in our current system. And by common-sense judgment on an XBRL spreadsheet, about 80 percent of those vendors will reduce those into standardized data sets. I suggest that standardized data will be much easier. And it's been our experience within my organization that standardized data is much easier to develop with a computerized, richer set of data itself than a taxonomy-based format.

MR. BOLGIANO: Chris very effectively made the core of the point that I wanted to, which is that while there is a lot of talk about the number of tags, I would make the argument that the 12,000 tags versus the 1,500 currently being used in that group is actually a move for simplification.

And I would cite the Microsoft case. In the smaller taxonomy Microsoft had to create several hundred -- I believe four to five hundred custom extensions that have no comparability, that don't correspond to anything, even though they're part of GAAP. In the 12,000-element taxonomy, they had to create 12 custom tags. And I think the use of the
concept of the long tail, while it does apply here.

But our team, when we created the 12,000 tags, we actually inventoried what's in practice. And I know as you get down farther and farther, the frequency that's found in the filings goes down. But, in effect, it means fewer companies are creating custom tags. Which means it's a positive effect on cost because the extension step is a complication and a cost for the company. It's an increase in comparability, because they're relying on the standard tag that exists in the taxonomy rather than creating their own for their own purposes; and that I don't think we should get too hung up on the number of tags that are available if we are confident it reflects what the real world is.

MR. POZEN: We have time for three more questions: Scott, Susan and -- four -- Tom and Ed.

Okay, Scott.

MR. EVANS: To briefly go back to the burden on preparers, and in answer to David's questions, there seem to be consensus among the panel that it made sense to put that burden on large preparers first and that many of the unanswered questions -- the technical things that needed to be resolved, et cetera, would go away after a large group of users tackle them.

But Jeff in his testimony, even though he supports the recommendation had some real questions about the pace and
the expectation and so on on the largest users here, your company being one of the largest preparers out there. You mentioned in follow-up that the tagging of footnotes is one of the issues you thought ought to be phased a little bit further back.

Could you comment? Are there other things -- other suggestions that you have for us in terms of the time table by which we would lay out the expectation for large preparers?

MR. BODNER: Sure. So I think -- the first focus being the core financials or the facing financials should be the first priority. I think that's a relatively easy exercise.

When you go back to the footnotes, again, I think it's more and more complex. And before we go to block-tagging, I think there needs to be an image scroll-back software so that you can view that footnote and actually make sense of it. Today when we put our footnote into a block, or various footnotes into a block format, you can't necessarily, if there's a table, make any sense what's in that table. And I think we need to have that before we move to block-tagging.

So if and when that comes about, if it's in the next six months, we have software that works and we can do that, then, yeah, then you can accelerate the phase-in of that. But if it's three years out, I don't think we should
force this block-tagging where you really can't read it,
because we have the initiative to get the block-tagging --

MR. EVANS: So there's no need for too much of a
delay at all for the core financials. Block-tagging --
wouldn't we be able to effectively deal with it just by
announcing that at some period in the future, you'd be
expected to have more sophisticated tagging? And then the
software companies would have a ready market, so it's just a
question of a slight delay to give them --

MR. BODNER: Yeah. And not to force the
block-tagging before we actually have it right --

MR. JONAS: Then other than that, you're -- you
support the phased rollout?

MR. BODNER: Yes.

MR. POZEN: Susan.

MS. BIES: I'm involved with the point Scott was
just making. From a bank regulators' perspective, when we
implemented XBRL, we actually found that the biggest burden
of implementation was on the mid and largest banks, because
they tended to customize most of their GLs and application
systems; whereas the smaller banks tended to outsource it.
And, in fact, by putting a firm date out there, which did
slip, as most IT projects do slip a few quarters, one of the
things we got an advantage was by saying everybody's going to
this in a relatively short window.
We worked with all of the providers of the smaller companies; and a lot of the input that that gave us in designing XBRL was very helpful, not only to us in terms of requirement definitions, but in terms of some of the larger companies, too, because these folks -- that was their main job.

And so I'd like to play back some of this to think about. My idea is that while you may want to have final date implemented faster for the big guys, there shouldn't be much of a slippage at all. It should go very quickly.

In some of Peter's comments, I feel very strongly with it. We can learn a lot from each other, but when you have vendors who do this for a living and are preparing things and we begin to see a lot of these tags automatically coming through GL systems and other software systems quickly, that the faster it gets integrated into the core application systems, the lower the costs are anyway and the greater reliability of the data that's coming out. And I just wanted to see if my observations from the banks' XBRL implementation does not carry over to the general population.

Am I thinking about this in the wrong way?

MR. TURNER: Perhaps there's one difference. In the FFIEC context there was an expectation, particularly from the larger companies, that it would be provided on a straight-through basis, out of core systems into XBRL format.
I think I'm right in saying that a large number of the smaller banks are keying in forms. But that probably is different in the sense that, whether they're small or large, the likelihood today is that companies will produce this as an add-on rather than as a straight-through process. But other than that, I think the experience that FFIEC had absolutely thinks that the rest of the economy should be learning from.

MS. BIES: The other question and -- Jeff -- you made this comment about needing longer to file the XBRLs than the financials. One of the things, again, we found is that as soon as XBRL was implemented we saw a marked improvement in data integrity, because again in small banks it was going through vendors; but, also, all the bank regulators go through a review process in all quarterly reports before it's released to the public. And all four -- or all three regulators -- were able to drop our review time by several weeks because we could automate a lot of these. In fact, we found that banks who did it as one closing process could, through XBRL, improve edit checks on what they were doing, particularly where it isn't double-entry bookkeeping. So a lot of the information that requires regulators, which was schedules of maturities and a lot of supplemental things -- footnotes that you'd have in financial statements -- we caught a lot of errors, because you could do it both against
the same company prior period and against other companies.

So we actually found that doing them as an integrated process
rather than sequentially we think is part of the reason to
move ahead.

And, again, any observations? But that's what the
bank regulators learned.

MR. BODNER: Sounds like it's more of an integrated
approach on the banking side. If you think about it here, I
think it's going to be all this add-on software. So
companies are going to focus on getting their financial
statements filed; and then they're going to switch gears and
go to, Okay, if it's just the facing pages, I've got to get
those now in Excel format and I've got to tag those and I've
got to get them filed. It's not like you can tag your Excel
and figure out your tags for XBRL and you're going to find an
error in your financial statements. I don't think that
that's the case. I think that will be highly unlikely if it
is add-on, and it's something that will be done after you get
your financials --

MS. BIES: But once your tags are set up, though,
you're going to follow that same process, unless you have a
major change in your chart of accounts or something --

MR. BODNER: But it's not going to come out of the
chart of accounts, right? It's all add-on software. It's all
after the fact. You have a Word document with your financial
statements. That's what gets filed. You then can't take that Word document -- or it's not the easiest way -- to take the Word document and tag it. You'll then have to take the financial statements, put them in Excel, tag those financial statements, and then get those filed under XBRL. It's a sequential process. It's not at the same time.

MR. POZEN: I think we have time for just two more questions, Tom and Ed.

MR. MCCLAMMY: One follow-up to what Sue just said is that I think another reason for doing this in a sequential basis is what I call the battle for the attention of consultants.

I think as we went through 404, one of the realizations was whether software providers or third parties that are helping implement, the larger the company the more attention they get. The smaller the company, the more you scramble for their attention. And if we roll all this out at one time,, the midsized companies would be scrambling to get that attention. The small companies wouldn't have a prayer.

My question, I think, is actually to Jeff. I think that's something that we really haven't focused that much on; and that's on the user side. You mentioned the need for better readers. That was a concept I wasn't familiar with; and it raised the question to me, how are the users getting the information? And is it something that we're ready to,
even if we implement, that we are ready to deliver to them in an easy-to-use format?

MR. BODNER: That is a good question. I know the FFIEC has a reader that you can use, but we just use from our software package the reader that comes with it. So as far as -- I don't think there's that many developed readers out there. People are not familiar. When you use a reader right now, you can only call up one company. It's not like you could say, I want these five companies. I want the revenue for these five companies. Show those to me.

It's, I can get the revenue for one company; and that's it.

So there is some, I think, development that needs to take place. It would be much more beneficial to say, I want these five companies' revenue or even an income statement for these five companies. Can you put them comparatively and have those five pop up? Today you can't do that.

MR. POZEN: John, you wanted to answer that, too?

MR. TURNER: Yeah. I just wanted to point out -- and I think that preparers will benefit from this as well -- often times when you're working with institutional investors that are looking to use this information, it doesn't stay in XBRL for very long. It's like a telegraph message into a database. It goes into a database and it gets
used and it gets analyzed, just the way it does today.

Sorry. Analysts don't look at the financial statements as financial statements. They look at them in the way they want to look at them. And XBRL facilitates that.

MR. MCCLAMMY: But does it do that directly or does it do that, again, through third-party reporting groups that you're currently relying on?

MR. TURNER: Well, it can go directly --

MR. MCCLAMMY: So it's not going to take that group out of the loop if they can.

(Simultaneous discussion.)

MR. TURNER: Yeah, let's contrast the difference between an intermediary preparer, if you're getting data from FactSet, and your ability to acquire it directly from the SEC and consume it into your own database. This facilitates the latter, but it doesn't make the former go away, because they're going to add value. They are going to have to add value in order to stay relevant.

MR. POZEN: We have time for one last question, Tom.

MR. WEATHERFORD: Okay. Two questions. One for you, Christopher, related to the number of tags.

There's 13,000, but I've heard that Intel uses a little bit over a hundred. I know Microsoft uses about 192. At least, that's what they told me a couple of weeks ago.
Are you concerned? One of the benefits of XBRL is the comparability of financial results. Aren't you concerned with so many tags that the companies that use will abuse those tags and have their own customized tags so that analysts can't really do the comparability they expect to do?

MR. MONTANO: I think that's a very valid question and concern, but I also don't see that as any different than the current status today, because the tags --

MR. WEATHERFORD: Right. But it's not going to improve the situation. In fact, with 13,000 tags, it could possibly magnify the problem.

MR. MONTANO: I'm not sure I necessarily agree with that perspective. The perspective that I would come from is that you have a known defined set of tags that you're working out of; and it's pretty clear that most of the companies are using a very small subset of that very large group of tags.

The exceptions: One will be it will be easier to identify; two, the concept of standardizing the information is a much easier process.

And I think this goes a little bit to what -- thinking about the data flow that you will have. So currently the data flow is a Word document gets uploaded to the system now and you have an HTML kind of document there. And then what's the data flow there? How does it get from there into an investor analysis? So they have to either pay
a data vendor to do that transformation for them and bring it into their Excel or whatever spreadsheet they use or a database as a hold; or they have to do it themselves manually. And you'd be surprised how many analysts' offices you walk into on Wall Street and they have a stack of 10-Ks this high, right? And they're going through it on a time-series basis, trying to find comparable data to compare a company. So they're doing manual standardization themselves. XBRL -- what can happen there is there will be XBRL information inside the SEC database that can be read directly into databases. It's machine-readable, right? It's a very different process and that machine-readable can then be put into your own resident database and thereby cutting out the entire third-party vendor if you so choose. So it offers easier access to data; a much easier set to reduce to standardized data; and, lastly, I think you're going to have a very known body of tags to work with. So I think in that sense it's much easier than the current status today.

MR. WEATHERFORD: So it begs the question why the 13,000 tags today if they're not going to all be used? Why not go to 200 consistent tags, tell a company you're not any different than your peer group, et cetera? Analysts can really use the data in a very valid way.

MR. MONTANO: Well, that's a great question. I
think the difference there lies in basic market efficiency. So if all the companies reported in the same manner, how would you discern the very subtle differences that enabled you to make a better selection between two reasonably equal financial assets?

MR. WEATHERFORD: But isn't that one of the issues today, that it's hard to compare companies because they all say they're a little bit different or it doesn't matter to us; it matters to us, et cetera? I mean it's kind of a -- it's tough, very complex, but if you go to the small companies, they're very straightforward.

MR. MONTANO: They are actually very straightforward.

MR. WEATHERFORD: They could probably use seven tags and that's be enough for you to get by with.

MR. MONTANO: If you ask me on a personal basis, I modeled smaller companies in detail as well as I did larger companies. In fact, I thought there's more chance to find the subtle differences in the smaller companies than the larger companies many times.

I think that that whole issue of comparability and granularity is a dynamic tension that exists apart from XBRL; and that's just the function and nature of the market. And so any time you do complete comparability, you have to abstract a little bit. Every time you go down to deathly
detail of the line item granularity, then you're going to have to make a judgment about the comparability among companies. So I don't think XBRL is the issue there. I think that's just a tension of stock analysis and market dynamics; and it makes the difference between very successful investors and otherwise -- the investors that don't do so well.

MR. WEATHERFORD: Okay. And then my last question for John.

John, one of the big questions in the debate is around the cost -- the implementation cost, the time to implement the assurance cost. You mentioned about five or six countries that are implementing it in different stages. So surely there must be some data out there today on what the costs are to implement this and if the other countries are acquiring assurance costs or not.

MR. TURNER: There is some information, but as I said earlier, largely that information is confined to the small-business sector, which I don't think is directly comparable. But we will be able to get some good data out of Japan shortly.

But the suggestion -- I don't want to break the bubble of any -- any of the folk out there that think that they might be able to charge a very large amount to companies every year, year on year, but that's -- market economics will
get in the way of that. But the hardest part of XBRL work is
to do it the first time. After that you're only dealing with
the deltas. You're dealing with the changes from last period
to this period. And, yeah, you've got to get it into the
same format, but even with an add-on approach, you -- the
relative cost of producing an XBRL document, once you've
already done it once, is a small fraction of the initial
effort.

MR. WEATHERFORD: But the reality of it today is
that we don't know what the costs are?

MR. TURNER: Well, we've got some ranges. And we
also have some promising -- promising environments where it
may well prove -- I mean -- Mr. Hanson gave the example of
his staff going through line by line and deciding whether or
not something that is being prepared by a third party was
reasonable. There's software in the offing that allows that
analysis to be done in such a fashion as to create the XBRL
documents. They only have to do it once. And that process
should use relatively cheap software.

(Simultaneous discussion.)

MR. FLETCHALL: John, I believe in those countries
where filings are required there is no requirement for
auditor assurance, so that piece of it we really don't have
anything to draw on right now.

MR. POZEN: Thank you very much for this excellent
discussion. We learned a lot. And we appreciate your coming.

And we're going to take a ten-minute break here; and then we're going to meet as a committee to go over -- I think we're going to ask every subcommittee to report what their agenda is for between now and the end of the year.

Thank you very much.

(Break from 10:14 to 10:24 a.m.)

NEXT STEPS AND FUTURE TIMETABLE

MR. POZEN: Let me thank the staff for putting together this organization -- this forum; and then also the one we are going -- the roundtable that we're going to Chicago -- just so that everyone is clear on the date, we were given quite a firm deadline of August 1st to get this thing in. Maybe August 2nd. That's about the leeway we have.

So we have scheduled on everyone's calendar for Wednesday or afternoon -- I think it's Thursday afternoon, July 31st. Everyone has agreed that we do it at one o'clock. That will be the final go-through. And it is Thursday, July 31st. And so we will start at one o'clock.

And we will have our meeting -- just backing up -- our meeting in New York, which is now scheduled for the 11th. Maybe the case -- people ought to look at their calendars -- whether we should start on the 10th later on,
partly because people come in and partly because that meeting is the meeting where we're going to have to really go through the report in great depth; and the 31st is really going through all the edits. And so we are going to make all the substantive decisions on the 10th -- excuse me, the 11th. We are going -- so we'll have substantive memos, make all decisions -- both on revisions of developed proposals and new proposals. Then we will again have an editing committee and people will get materials in advance of the 31st, hopefully by Monday of that day -- of that week. And so we're on a pretty fast track here; and that means essentially that all the subcommittees have two more meetings. They have meetings in April and meetings in June. And I think all those have been scheduled. At the May meeting --

So here's the schedule: In April you'll have subcommittee meetings. In May we will have another public forum in Chicago. At that public forum we are giving Subcommittee 1 in the morning and Subcommittee 2 in the afternoon -- pretty much, I would say, maximum four hours' -- if you need it -- time to have your panels. You can either have three shorter panels or two longer panels -- whatever you want to do. And so that will be a long day. But I think that most of the people from Panel 1 -- from Subcommittee 1 -- will be coming the night before; so we start pretty promptly; and if we go from eight to twelve,
take a break, and go from one to five. I mean if you're there, we might as well do whatever we need to do.

MR. SIDWELL: It would make sense to do it in D.C. again, just because it's not exactly as though we filled the auditorium here. It seems like most of the people who testified came from the other coast.

MR. POZEN: I guess I would say your point is very well taken, but I think from a point of view of PR and process, it's important that we have some geographic dispersion here. I think -- I quite understand what you mean. But -- and, you know -- and I think it's realistic, but I do think the meeting in -- every other meeting is in New York or Washington. And so I just think as a courtesy that we should do that.

So that's in May in Chicago. June our subcommittee meetings. And again -- now the June subcommittee meetings need to be -- to gear to actually present -- by the July 11th meeting -- to present detailed memorandum on decision-making; and the closer they are to the actual draft the better. But if they're in the form they were last time, of decision-making, that will be okay. But we will need those drafts essentially by the end of June in order for the staff to go through them and vet it and -- you have July 4th -- to get it to people a few days before. And then --

Yes, David.
MR. SIDWELL: The look and feel you want to be consistent with the report that we discussed at that time, right?

MR. POZEN: Absolutely.

MR. SIDWELL: So we sort of understand format.

MR. POZEN: Correct.

MR. KROEKER: Bob, were you planning time at the May meeting, if subcommittees had proposals that they wanted to --

MR. POZEN: I think that's a good point. And I do think that Subcommittee 1, especially, is going to try to get out some paper that will be posted on some of its proposals so we can have some real discussion on that.

I think Subcommittee 2 already has most of its proposals, except what we will talk about in IFRS. But I believe that what happened in the last day here -- I'm sure Mike would agree -- is very useful for us to get this sort of feedback. It shows us a lot about how we may not be communicating the way we want; and people do raise valid points. And I think it just makes the quality of our product better.

I think that what we need to do, Jim, is focus on those proposals that have not seen the light of day before. And I think, too, the extent that we can get those out before the May meeting -- and I think there are three significant
proposals that would be in Subcommittee 1 that's important.

And if we can't do that, if there are certain things coming
out of Subcommittee 4 or 3 that might take longer, we should
at least try to get something on the Web before the July
meeting.

We do need input; and, if necessary, we
could use part of the July 11 meeting or even have some
testimony on the 10th.

MR. KROEKER: We have some progress reports that we
can get in front of the full committee --

MR. POZEN: Yeah, correct.

MR. KROEKER: -- so that people have direction.

MR. POZEN: Correct. The more we can have earlier
and the more we can have new proposals flushed out, the
better off everyone will be. We can decide -- and we will
ask Dana to check this -- we can decide whether people can
come in the afternoon of the 10th, so that if necessary, if
there are new proposals that have not been exposed to the
public, that we could have at least some public testimony
there before we devote the 11th. So you wouldn't have to
have the full committee, but at least if there is a new
proposal we would want to have some public vetting of that.
And then the 11th will be devoted -- the whole day -- to
actually making decisions and getting a final report.

I think we have learned the hard way how long it
takes to get from that decision-making day to an actual report. And I think we had tremendous help from people like Denny Beresford and Linda, but it's a lot of time and effort; and there's a lot of back and forth. And we've learned, I guess, again just exactly the way things are put makes a big difference.

So, Jim, do you have anymore to say on that? Russ?

REPORTS FROM SUBCOMMITTEES AND DISCUSSION

So I think what we'd like to do now is go through each subcommittee and have the subcommittee chair tell us what their agenda is and their time frame between now and the end of the report.

Sue, you want to begin?

MS. BIES: Well, you've already seen in the packet that you have got for this meeting that we're pretty far along on drafting the positions on alternative accounting policies and industry guidance.

And the bright lines we've spent a lot of time on, too. And we're moving in the direction of proportionality. I think a lot of the lessons about all the off-balance-sheet exposures and things like that were some things we are trying to incorporate into the bright lines. So those we are pretty far along on.

What we're going to be doing in our April meeting
is trying to really flesh out in more detail the mixed attribute. And I think there's a couple ways that we're looking at this that sort of expand on what you've seen. Part of this is realizing that, while there's some energy in some sectors to move to full fair value, this clearly would add tremendously to complexity; and implementation would be quite an undertaking. There are some of us who may think that historic costs or amortized costs is actually more appropriate disclosure and recognition for a lot of the financial statements.

We also, as we look at this, are trying to look at why people are focusing on fair value versus this amortized-costs kind of concept and realizing that part of it is the fact is the cash-flow statements and the income statements are very different to align today. So that going to full fair value, especially for someone who's a lender, for example, you don't know what's realized and unrealized. You don't know what the real cash flows are from an operating perspective.

And so we have been spending quite a bit of time looking at the FASB proposal. As you know, we initially called this our "chunking project." And so we are still looking at that, where we would sort of find a way to align the income -- comprehensive income/cash flow -- in a much better way, but also align it more in terms of core operation
earnings versus financing and investing so that you have a
better understanding of where all of this is coming from.
And if someone liked fair value better than they liked
amortized costs, they could see how these line up and know
how much is just a mark-to-market and how much is actually
realized cash in the bank, real revenue that's been received
by the company. So we're going to be working around that --
MR. POZEN: In the interests of time, let me just
try to summarize since we met last night.
It seems to me Subcommittee 1 has three quite
significant proposals to make: one, which is, as you say,
the chunking proposal, which you have done considerable work
on. Second is probably relating to at least in this
proportionate recognition. And, third of all, the disclosure
issues and other issues relating to these off-balance-sheet
entities.
So those are three rather significant projects.
And to the extent that you can -- you and the staff can get
something in the public realm before the May meeting, that
would be very helpful.
I think there are two other projects that are sort
of what I view as more not as huge; and that is -- there is a
disclosure and general exhortation to the FASB and SEC to
coordinate disclosures, reduce overlaps; and that there are
also some scope exceptions of competing models that fit in
1 with the industry -- getting away from industry. But I think
2 the latter two could be done mainly by the staff. I think
3 they have enough direction.
4
5 I just urge your subcommittee to really spend time on
6 these three things. They are tough. They are complex.
7 They're very important. Some of them, as we know, are quite
8 controversial and in the news. And that -- if you can't get
9 them all finished for May, then try to do as much as well as
10 you can. We could wind up having some discussion on July
11 10th if we need to.
12
13 MS. BIES: Bob, as you know, we're trying to
14 basically, by about the 15th to the 20th of April, have a
15 draft that could go to this full committee to see ahead of
16 our meeting in May.
17
18 MR. POZEN: I know you are; and I think that's
19 great.
20
21 Subcommittee 2. David, I think your agenda is
22 pretty focused.
23
24 MR. SIDWELL: Yeah, we have four principal streams
25 of work that we're going to work on. One is we want
26 to -- and have set up -- a meeting on April 10th, where we
27 are going to discuss, with OCA, CORP FIN and Enforcement, the
28 conceptual approach regarding what was No. 2-A, which is very
29 much about how the process works in terms of interpretation
30 and guidance coming out of the SEC; and we need to get that
one finalized; and we had some discussions yesterday, which
I'm very hopeful we can get that done.

Secondly, obviously, many of our recommendations
impact the FASB; and we intend to have two meetings -- one a
small meeting with Bob and a subset of the subcommittee and
SEC staff to just really make sure we understand the concerns
we had with some of our recommendations.

MR. POZEN: Is this Bob Herz?
MR. SIDWELL: Bob Herz, yeah.
And we would then discuss those in full with the
subcommittee on the 10th.

The third piece of work, which we have not spent a
huge amount of time on, is what we are terming "design of
standards," which is really around principle-based -- how we
just put some words around what we mean, though.

The fourth, which is one where the full committee
have had some discussion, is what is the role that we
can -- we as a committee -- can effectively play in the
international arena. And, obviously, the SEC -- working with
FASB, working with the IASB, the related trustee groups, and
regulators around the world -- are spending a huge amount of
time on this question. So I think -- and in consultation
with Bob, we think -- that our role should not be to
second-guess or to try and opine on that work.

But there is one area that we think we probably can
add some value, which comes out of some of the work we are doing anyway, which is, if you move to IFRS -- and this is true, actually, even today, when you think about foreign registrants being involved here under IFRS -- you really do have the whole question of how should interpretation work. And I think we've all talked a little about what if IFRS could end with a U.S. spin, which is different from a Japan spin, et cetera. I think we think that we could at least do some initial thinking to see if it's something we should be adding value on in terms of how the interpretive process works, because obviously in a principle-based world, you don't then want to have a whole set of rules backing it up, particularly when those are done jurisdiction by jurisdiction. So we think we can have good use of time there.

There is one other conceptual issue that we have in the last document, which I think we need to spend a little bit of time on. We were going to provide some advice to the FASB on prioritization. I think that's going be hard to do if we don't consider international, so that may be one where we just make it a bit more motherhood and apple pie. Once that decision is made, FASB is going to have to decide where they put their energy, because moving alone to IFRS could be a huge undertaking.

MR. POZEN: I think probably we have done the best
we can by setting up a committee. And this thing is in such
flux that it would be sort of unrealistic. But I do commend
you. I think you are very far along with the SEC and FASB on
finalizing those.

I think the design standards -- you can probably
say a little in the way that you're focusing the
international in probably a more implementation area where we
can have a role. We will let the FASB and IASB and the SEC
and everybody deal with the governance issues, which will be
quite controversial. So I think that makes a lot of sense.

I think you have enough for the first and second
issues for May. I guess you've got to decide whether you're
going to put out some paper at some point on the
international. And, again, whether you're going to do it for
May, okay. If not, that's something that could be done for
July 10th.

Mike, Subcommittee 3?

MR. COOK: With respect to the discussions
yesterday, we will, as we promised we would, give careful
consideration to all of what we heard and go back and examine
the words and what we've said and see if things need to be
modified or clarified -- I think in most instances, to make
them easier for people to understand.

I think, as I looked at the written submissions and
heard some of the things said yesterday, some of the things
are people's inability to read more than our inability to
write, but -- or unwillingness to read rather than our
inability to write. But, nonetheless, we will take an
objective stand-back at what we've said --

MR. POZEN: Everybody reads through their own
eyeglasses.

MR. COOK: Yeah, but it's hard to read a statement
that says we oppose the decision not to correct financial
statements for large quantitatively significant error as the
lead-off opposition point, when we couldn't agree more
strongly with that statement. And when you start there, you
kind of work downhill from there.

But having said that, we will dutifully examine
everything we heard; and we will dutifully consider whether
clarifications are necessary. But I would say, with respect
to the issue of restatements and materiality, I didn't hear
anything that would cause me to dramatically change what we
have concluded; but we will, with deference to our
subcommittee, have a full discussion.

MR. POZEN: You're also -- I think there was -- I
think Lynn Turner and a few other people were not able to
make it today. Lynn, at least, will come in April. So we
will make sure that we've heard the full story from different
points of view.

MR. COOK: We're going to have Lynn and we'll
invite Damon Silvers as well; and I think we'll invite Harvey
Pitt, who very much wanted to be here but was unable to be
here, had to cancel out at the last minute. I think, in
deferece to his past role and interest in the subject
matter, if he could make that meeting with us, I think he
might could be a good person --

MR. POZEN: That would be good. That would be a
good discussion; and then we will have covered all the bases.

MR. COOK: So that -- restatements and
materiality -- that is kind of where we are. And we should
also remind ourselves we heard from seven people, five of
whom were very supportive of what we had to say, had a few
little things to suggest to us. So while we pay some
attention to the dissenting views or the challenging views,
we had a lot of folks who were very supportive of what we're
trying to accomplish.

With respect to the judgment framework, two things:
one, we must address and spend time on and that is this
question of safe harbor. We have very, I think, consistently
tried, once we got past a certain point, to not put ourselves
in the position of advocating for safe harbor. But some
folks think that even mentioning a safe harbor is a form of
advocacy, so we're going to have to examine that. And the
range of things we might do is from where we are today is
just stay there, is to say something that might soften that
even further or perhaps an extreme -- speak in opposition to a safe harbor at this stage, if we have heard substantive things that we think safe harbor would detract from what it is we're trying to achieve overall.

MR. POZEN: I guess we've already said legally we're not sure the commission should do it. And the optics are clearly such. So I think the polling I've done of the committee is people are leaning more and more toward sort of making a break with that.

MR. COOK: Anyway, that is an item for further consideration and deliberation, as is the question about disclosure and what linkage, if any, should there be between the things of the judgment framework and specific disclosures, MD&A, financial statement closure, et cetera -- that sounded to me like a topic that we ought to spend a little time on; and we will do that between now and then. But I would say, with respect to the framework, I think it is the right thing to do. I think we heard a lot of folks who think it will contribute in different ways to better judgments that will be supportive of what we need as we move to a more principles-based approach. And I think we are generally on the right track with the right answers; and we could do a little work to make it a little bit more acceptable to more people.

The last item: At the April meeting we do plan to
have those who could not be with us yesterday but expressed strong interest in doing that -- that is, Lynn Turner, Damon Silvers, and Harvey Pitt -- we had a good session at our last meeting with preparers and auditors and others talking with us just about what the real world is about and how some of these things work. We got some good ideas.

We have three or four things that are not going to evolve into major projects, but might evolve into minor recommendations that would make life simpler for the people who participate in the financial-reporting process -- things like independence rules and de minimis rules and things of that nature.

We did pick up, also, one significant topic that has been mentioned; and we did confirm that this is sort of in the bailiwick of Subcommittee No. 4, that they would graciously defer to us on this subject; and that would be on the subject of the content of financial information provided within the compliance system and outside the compliance system. Is what we give people within the compliance system what they need? Is it more than they need? Is it useful? Is it not so useful? Are there things that could be done to minimize or reduce in some fashion the things that are being provided today and still meet the needs of those who use that information? And is there, to the contrary, or on the other side of that, things that should be provided, either within
the existing compliance system or elsewhere, information --
and this goes to the issue of earnings releases and business
performance metrics and lots of things of that kind that
people say we really do need that information. There are no
rules other than the overarching 10b-5 limitations, I guess,
or considerations. And maybe we ought to spend some time on
how that might become a part of the system, particularly if
it's coupled with taking things away that people don't want,
don't use, and are getting either more of or more frequently
than they find that they need it.

So that is sort of our final --

MR. POZEN: Let me put a little focus on that. I
guess, Mike, I'm not -- obviously, your committee can discuss
this as broadly as you want -- but we were trying to focus on
a rather specific proposal. And that is whether, looking at
the MD&A and whether we should loosen the existing rule as to
non-GAAP information for MD&A. So I'm not -- I don't want to
preclude you from this broad discussion, but we would hope to
get a sort of up or down on that particular aspect.

I think Subcommittee 4 will be looking more at
releases and KPIs and these sorts of things. And we were
hoping, just in the allocation, that your committee could
focus on why -- essentially, the question is, to the extent
that we've heard from issuers that are not able to say in the
MD&A what they want to say about their company, whether this
is an issue -- one issue has been delineated -- you
know -- the non-GAAP information in MD&A, whether there are
other things that would do that. So I think, unfortunately,
we're pretty far late in the game; and we need to focus on
that particular set of issues, rather than more general
things. I'm sure you'll discuss them more generally.

MR. COOK: And we'll coordinate with Jeff and the
subcommittee to make sure we're not trampling on anybody
else's territory either. But I think, again, we'd like to
think about it a little bit more broadly, because just the
question about MD&A -- MD&A is very specific, but there is
questions about the breadth of all the compliance-based
information that is required today and whether it is useful,
cost-effective, and whether there might not be things to do
to enhance the efficiency of that as we go forward.

I don't think we're going to go, Bob -- just so you
don't misunderstand -- we're not likely to go to any, you
know, grand project -- grand study and grand conclusions. We
probably would be most likely to say there are issues here
that should be studied; and we recommend that that be
undertaken, rather than us -- we don't have the time or the
resources to wrestle that broader issue to the ground. But
that probably is an area --

MR. POZEN: But I hope, on this question of the
MD&A and non-GAAP information and there's a certain
item -- is of SK that -- yeah. We really need to make sure
that we -- we want to come out with a developed proposal on
that that's pretty specific, because that -- we heard that
quite a bit; and we want -- I mean we should go up or down on
that proposal.

MR. COOK: Got it.

MR. POZEN: Jeff.

MR. DIERMIER: I think we heard that, in terms of
XBRL, we are in pretty good shape, so other than minor
tweaks --

MR. POZEN: Yeah.

MR. DIERMIER: On web sites we already made a
developed proposal there. We'll do a little -- at our next
meeting, a little back-end filling there. The news-wire
services and some others have already made comments. We will
listen to them; and then we can make a decision whether we
need to have them in front of full committee at some point in
time, but we'll be --

MR. POZEN: Just to tell the full committee, we do
have some concerns that have been stated by news wires about
whether Web sites are going to supplant them, whether they're
going to be that effective. So Jeff and I are trying to make
sure that they get a full hearing, too.

MR. DIERMIER: We've already -- February 15th we
worked and met with the people from the enhanced business
reporting consortium, talked extensively about KPIs. We intend to add a developed proposal recommending an industry-driven initiative with significant investor involvement.

MR. POZEN: Could I just ask on this that we try to be -- to be consistent with -- we were on Subcommittee 2 -- activity-based. We have this problem where we have a company that is involved in lending and it's also involved with construction. And so what we are trying to do is get to activity-based rather than make believe every company in the same industry is in the same functions.

To the extent that you can coordinate with Susan and the people on Subcommittee 1 -- our position is pretty strong on that, that -- not that there can't be specialized rules, but they ought to be focused on activities like lending rather than banking, because, just think, we have all these mortgage people lending, we have all these different people lending, and so forth.

And if we're going to have KPIs, we ought to have people who are focused on the same activity; and some companies may have multiple activities.

MR. DIERMIER: Okay.

MR. GOLDEN: You mean nongovernmental-led.

MR. POZEN: That I agree with. We totally agree that this shouldn't be required and that it should be a
bottoms-up, but to try to have, to the extent feasible, an activity-focused rather than an industry-focused.

MR. DIERMIER: Also, we've had people give testimony and press releases. We're going to have a developed proposal that would suggest best practices for earnings, press releases related to consistency, the provision of all of major facing type of material, and other types of things. But the idea of some of the people that came before us, they were fearful that we might mandate some things. And, as you might imagine, quite a bit of concern from that standpoint.

So we have a little bit of work to do on executive summaries as they relate and integrate into some of the major filings, but that really does touch on the MD&A discussion that you just had earlier in terms of the freedom to say and how that relates. We'll have to be careful with that.

And in MD&A we are going to do some work. Our sense was, since publication of the SEC's interpretive release in 2003, significant improvement is still needed in terms of the way in which MD&A is being executed that's not so much really the kind of rules of the road, but it's really on execution. Maybe we can make some proposals in terms of trying to speed that along, so to speak.

MR. POZEN: Again, being the realist and the pragmatist here, you have a pretty big agenda here; and I
think it's important for you to finish up what you're doing on Web sites and make sure that whatever relationship to the business-wire people is worked out, that we -- that the KPI -- I mean I think the KPI thing is complicated because we also had Bob Kaplan made an excellent presentation on company-specific, so there is some tension where some people are saying these KPIs should be more company-oriented rather than activity or industry. So we just need to think through that.

And on earnings releases, I agree that's a specific proposal that we want to make with the best-practices approach, leaving flexibility.

And then, fourth, you have executive summaries. So you got four -- you got four meaty things. And I would sort of discourage you from looking at MD&As, except in relationship to quarterly releases. I just -- I don't think we have the time or resources to do a whole relook at MD&A.

I think I just -- I just don't think -- if there are things that come up in looking at releases, where people are saying -- I think the main thing we're trying to do, which is in Subcommittee 3 and 4, is, to the extent that people are saying things in quarterly earnings releases and these seem to be useful things to say and we don't see them in the MD&A, we need to think about why it is that these things, if they're so useful to be said, why aren't
they being said in MD&As. Is it legal liability? Is it some rule or something like that? So we want to give people a chance to say it, if they choose to say it and if it's a non-GAAP measure and we already have an extensive rule about how to reconcile.

So I think everyone would agree that on the one hand I really congratulate the committee, because I really think -- we really have accomplished a lot so far. I think at the beginning people all said to me, Oh, it's a year. You'll never figure out anything. But I think that we have accomplished a lot and that this meeting shows that in certain areas which I think are very important, like judgment and materiality, we are on the right path. We need to tweak it a little and here and there. But I think we've made a lot of good proposals.

Same thing with the XBRL and with the work of David's committee on process and some very tough conceptual issues that Susan's committee has been working on.

I think what we really need to do is, again, be realistic. We don't really have that much time and we have a lot on our plate. And that's why in each subcommittee I'm sort of encouraging you to narrow. And really let's sort of -- less is more. And we are not trying to be comprehensive. But in the subjects we do go into, we really want to have something that is credible and well thought out.
And I think that that approach will serve us better. And, as we've all seen, when we've come up with a proposal, then there are lots of people who want to have input or want to massage it. So this is not just like our coming out with the document and then it runs forward. So this process takes a while.

So, again, I think let's try to -- especially Subcommittee 1 -- to tee up for May your new stuff. And if Subcommittee 2 or Subcommittee 3 or Subcommittee 4 has some new stuff that could be teed -- especially, David, if you could tee up anything on the international for May, that would be useful.

Then we will have -- we'll keep the afternoon of July 10th open. That is if there are relatively -- if you come up with some proposals and Mike comes up with something on MD&A. We just want to make sure that we expose it, that we will have a little time to do that.

So I hope we're -- I open the floor to any questions now, but -- anyone else have anything you want to say?

But, as usual, we begin on time and we end on time.

MR. KROEKER: On behalf of the SEC, I want to thank the committee and the panelists, as well as the staff again.

And, with that, we're adjourned.

(Meeting ended at 10:58 a.m.)
CERTIFICATION

I hereby certify the accuracy of this record of the proceedings of the SEC Advisory Committee on Improvements to Financial Reporting.

Robert C. Pozen
Committee Chair

Date

6/10/08
Exhibit A
Open Meeting of the SEC Advisory Committee on Improvements to Financial Reporting

Laurel Heights Conference Center, Sublevel 1
Auditorium University of California – San Francisco
San Francisco, CA

AGENDA

Thursday March 13, 2008, Beginning at 3:00 P.M. Pacific Time

I. Introductory Remarks – Robert Pozen, Committee Chairman

II. Panel One – Restatements and Discussion of Developed Proposals 3.1, 3.2 and 3.3

Participants:


III. Panel Two – Professional Judgment and Discussion of Developed Proposal 3.4

Participants:

Friday March 14, 2008, Beginning at 8:00 A.M. Pacific Time

IV. Panel Three – XBRL and Discussion of Developed Proposal 4.1

Participants:

Steven E. Bochner, Wilson Sonsini Goodrich & Rosati
ef M. Bodner, Intel Corporation
Mark Bolgiano, XBRL US
Randy G. Fletchall, Ernst & Young LLP
Gregory P. Hanson, ADVENTRX Pharmaceuticals
Christopher Montano, Gridstone Research
John Turner, CoreFiling

V. Review of Comments Letters Received

VI. Reports from Subcommittees and Discussion:

1 Scope
2 Deliberations
3 Working Hypotheses
4 Current Status and Further Work
5 Coordination with Other Subcommittees

VII. Next Steps and Future Timetable

VIII. Adjournment (expected no later than 11:00 am)
Index of Written Statements Received

Listed below are the written statements received by the Advisory Committee between its fourth meeting on February 11, 2008 and its fifth meeting on March 13-14, 2008 and the dates of receipt.

Mar. 14, 2008  Gregory P. Hanson, CMA, Senior Vice President and CFO, ADVENTRX Pharmaceuticals, Inc.

Mar. 13, 2008  Henry Siegel, Chairperson of the Financial Reporting Committee, American Academy of Actuaries

Mar. 13, 2008  Scott A. Taub, CPA, Managing Director, Financial Reporting Advisors, LLC

Mar. 13, 2008  Steven E. Bochner, Partner, Wilson Sonsini Goodrich & Rosati

Mar. 13, 2008  Steven E. Bochner, Partner, Wilson Sonsini Goodrich & Rosati

Mar. 13, 2008  Mark Bolgiano, President and CEO, XBRL US, Inc.

Mar. 13, 2008  Jonathan Chadwick, Senior Vice President, Corporate Controller & Principal Accounting Officer, Cisco Systems

Mar. 13, 2008  Dennis A. Johnson, CPA, Senior Portfolio Manager-Corporate Governance, Investment Office

Mar. 13, 2008  Elizabeth F. Mooney, Analyst, The Capital Group Companies

Mar. 13, 2008  H. Stephen Meisel, Partner, PricewaterhouseCoopers

Mar. 12, 2008  John J. Huber, Latham and Watkins LLP

Mar. 11, 2008  Gilbert F. Viets, Indianapolis, Indiana

Mar. 10, 2008  Salvatore J. Graziano, Bernstein Litowitz Berger & Grossman LLP

Mar. 3, 2008  Paul Snijders, CEO, Zoetermeer, Netherlands

Mar. 2, 2008  Lawrence A. Cunningham, Professor, George Washington University, Washington, District of Columbia

Feb. 19, 2008  Ilia D. Dichev, Associate Professor of Accounting, Ross School of Business at the University of Michigan

Feb. 19, 2008  John S. Ferguson

Feb. 13, 2008  Ad Hoc Materiality Task Force