

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

1  
1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

## 1 OFFICIAL OBSERVERS ABSENT:

2 Robert Herz

3 Charles Holm

4 Kristen E. Jaconi

5 Philip Laskawy

6

## 7 SEC AND COMMITTEE STAFF PRESENT:

8 Conrad Hewitt, SEC Chief Accountant

9 James Kroeker, SEC Deputy Chief Accountant

10 Jeffrey Minton, SEC Office of the Chief Accountant

11 Wayne Carnall, SEC Chief Accountant, Division of

12 Corporation Finance

13 Shelley Parratt, SEC Deputy Director, Division of

14 Corporation Finance

15 Russell Golden, FASB Senior Advisor to Committee

16 Chairman

## 17 PANELISTS:

18 Steven Bochner

19 Jeff Bodner

20 Mark Bolgiano

21 Randy Fletchall

22 Gregory Hanson

23 Christopher Montano

24 John Turner

25

## C O N T E N T S

1		
2		
3	ITEM	PAGE
4	Panel Three - XBRL and Discussion of	6
5	Developed Proposal 4.1	
6		
7	Next Steps and Future Timetable	98
8		
9	Reports from Subcommittees and Discussion	103
10		
11	Certification	122
12		
13		
14	Exhibit A -- Agenda	
15	Exhibit B -- Index of Written Statements Received	
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

## 1 PROCEEDINGS

2 MR. POZEN: Good morning. Welcome. Let me begin  
3 by again thanking the staff for bringing us this sunny  
4 California day so we don't feel bad about being inside. And  
5 I think we would like to just have the people introduce  
6 themselves who have been kind enough to come before the  
7 committee. And just say your name and your affiliation.

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

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

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

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

19 MR. BODNER: Jeff Bodner, Intel Corporation.

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

23 MR. POZEN: Thank you.

24 Let me just have the committee introduce ourselves  
25 quickly, starting with Scott.

1 MR. EVANS: Scott Evans, TIAA-CREF.  
2 MR. SIDWELL: David Sidwell, CFO, Morgan Stanley.  
3 MR. NUSBAUM: Ed Nusbaum, Grant Thornton.  
4 MS. GRIGGS: Linda Griggs, Morgan Lewis & Bockius.  
5 MR. JONAS: Greg Jonas from Moody's Corporation.  
6 MR. COOK: Michael Cook.  
7 MR. DIERMIER: Jeff Diermier, CFA Institute.  
8 MR. MANN: Bill Mann, with the Motley Fool.  
9 MR. WEATHERFORD: Tom Weatherford, independent  
10 board member.

11 MR. MCCLAMMY: Ed McClammy, CFO, Varian, Inc.  
12 MS. BIES: Sue Bies, representing bank regulators.

13 PANEL THREE - XBRL AND DISCUSSION OF  
14 DEVELOPED PROPOSAL 4.1

15 MR. POZEN: Well, thank you again for joining us  
16 today. As you know, we put out a lengthy report -- the  
17 interim or progress report. And the objective of this  
18 meeting and then a meeting in May in Chicago is to get  
19 feedback on the report. This is in the nature of a draft  
20 report -- progress report. And we very much welcome the  
21 input of experts like yourself. It may be the case that we  
22 didn't communicate our views clearly enough. And may be the  
23 case that we were under a misimpression. It may be the case  
24 that there are things that we should have considered that we  
25 didn't consider.

1           So we're hoping that we can have a format in which  
2 we'll have each of you make a short statement -- and I  
3 would appreciate it if it was short. We do have the  
4 submissions of those of you who have made written  
5 submissions, so it's not necessary to read them. If you want  
6 to summarize the points, that's okay. Then we will ask the  
7 committee members to engage you in conversation and follow-up  
8 questions to see if we can't understand better the nature of  
9 your concerns or the nature of your support.

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

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

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

25           I'm also honored to play a part in the development

1 and guidance of the XBRL international consortium as a  
2 member-at-large of the consortium's international steering  
3 committee and as the chair of the XBRL international  
4 standards board. We're the group of technologists and  
5 business people charged with prioritizing and managing the  
6 ongoing development of technical specifications to support  
7 the standard. In that capacity I also serve on the board of  
8 XBRL International.

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

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

15 MR. POZEN: Are you located in London?

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

18 MR. POZEN: Very nice place.

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

23 MR. POZEN: Thank you.

24 MR. TURNER: But I should say that my views are my  
25 own. They don't represent particularly XBRL International or

1 the standards board or indeed those of my company. We're a  
2 diverse group.

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

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

23           The Internet's based on standards like HTML and  
24 XML. And to a very large extent, you can think of XBRL as  
25 the opportunity to bring out the advantages in terms of

1 access to information and opening the doors for  
2 cost-saving in the same way that things like HTML did for  
3 consumers. In this case XBRL is focused entirely, or very  
4 substantially, on investors.

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

15           And why shouldn't it be? I picked up a  
16 new analogy last week from a fellow Australian, a guy called  
17 Pete Williams from Deloitte in Melbourne. You can think of  
18 the shift from today's performance-reporting environment to a  
19 digital one to one of interactive data in the same way as you  
20 can think about the near-ubiquitous shift from film  
21 photography to digital photography. For all those that are  
22 interested in the status quo, the 29th of Feb, Polaroid  
23 closed their last factory. They went from 15,000 employees  
24 in Massachusetts alone down to around, I think 150. I guess  
25 the important thing about that is that there

1 are -- obviously, there's been a big explosion of alternative  
2 jobs associated with digital photography; and a lot of those  
3 things ten years ago we probably could have guessed at. A  
4 bunch more we wouldn't have had a clue about what they were;  
5 and this standard has a similar set of opportunities.

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

21 The U.K., Denmark, Spain, and Belgium have all  
22 brought their small businesses into the fold. They've got full  
23 financial statements being supplied in XBRL format instead of  
24 paper with new efficiencies and information insights in terms  
25 of credit assessment and credit-risk management, relevant to

1 at least one member of the panel today, an offer for  
2 suppliers as well as for national institution.

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

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

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

23 You also need time for the audit firms, who, with  
24 great respect, are conservative in nature that in the U.S.  
25 face some really quite nasty risks whenever they do anything

1 new; so they need time to come to grips with this change and  
2 this standard. You obviously will also need time for the SEC  
3 to adapt to taking best advantage of the standard so as to  
4 help close that expectations gap. But I do agree with Peter  
5 that there is -- that a phase-in with a rather -- a somewhat  
6 fuzzy set of horizons is really probably more latitude than  
7 the American enterprise needs. U.S. business remains among  
8 the most flexible and adaptable on the planet. Perhaps the  
9 SEC will consider that environmental advantage in couching  
10 its implementation of your recommendations.

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

1 around the corner before you can start mastering some fairly  
2 sophisticated questions, especially of your Web-searching  
3 engines.

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

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

1 the execution of a number of new initiatives that will  
2 support the best-practices efforts as well as standards  
3 setting efforts of the consortium.

4 Thank you very much, Mr. Chairman.

5 MR. POZEN: Thank you. Appreciate it.

6 Christopher.

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

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

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

1 for new ways of productivity and we see this offered in XBRL.

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

12           Two, we wanted to provide some detailed feedback to  
13 regulators in a very crisp and thorough fashion. And,  
14 secondly, to draft a position paper representing our views  
15 and perspectives and what we found as we've interacted with  
16 our large constituency on this. We come up, I think, five key  
17 principles that I would like to share. You may have seen  
18 these before, but I think it was worth repeating here. We  
19 think that the core taxonomy or structure of elements should  
20 follow GAAP and other regulatory requirements. At this stage  
21 we support the taxonomy extensibility that maintains the  
22 level of data comparability as defined by GAAP and other  
23 regulatory requirements. We think ultimately companies can  
24 deliver financial reports to regulators using the established  
25 XBRL framework; and we also think the general public should

1 have broad and equal access to the XBRL-tagged information;  
2 and we also would like regulators to develop the necessary  
3 infrastructure and protocols to ensure the timely updating of  
4 the established XBRL as outlined in the preceding four  
5 principals.

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

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

1 from quarter to quarter, period to period, or year to year.  
2 It just is difficult for comparisons to happen.

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

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

22           The last point I'll make is that it turns out in  
23 our survey we found that a total of about 82 percent of  
24 investors use either third-party data providers exclusively  
25 or a mixture of their own primary research with third-party

1 information providers. So really the majority of the market  
2 is using in some fashion a third-party information provider.  
3 So the reason for this: It takes too much time to do individual  
4 modeling. That's very difficult and sometimes information  
5 providers can give this to either a sell-side or a data  
6 service; and some may not have the know-how, patience, or  
7 time to untangle the financial reporting issues they  
8 confront.

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

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

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

24           With that, I think I'll stop; and we can discuss  
25 more if there's other additional questions.

1                   MR. DIERMIER: The two providers -- they're  
2 providing what?

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

5                   MR. DIERMIER: The data itself?

6                   MR. MONTANO: The data itself, yes.

7                   MR. POZEN: Greg.

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

19                   I had the opportunity to speak before the  
20 subcommittee back in December. And at that point in time I  
21 raised a series of ten questions; and these are questions on  
22 how I'm trying to measure progress with regard to the  
23 implementation of XBRL. And what I'd like to do today is  
24 give an update on that. But before I go further, I want to  
25 make sure that everybody understands that my comments today

1 represent my own personal comments and are not representative  
2 of perhaps the views of my company.

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

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

23 My company only has a staff of 32 people and my  
24 accounting staff is 4 people. I feel fortunate to have the 4  
25 people that I do. But we are an accelerated filer based from

1 our market cap from a year ago, so we have to meet some tight  
2 timelines on a quarterly basis with the filings that we do.

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

7 And I'll keep this short in terms of my answers;  
8 and if there's more interest to go further in some of the  
9 things I have to say, then I'm happy to go into more detail.  
10 But the ten questions that I have -- number one is XBRL being  
11 developed in a thoughtful manner to ease implementation by  
12 small public companies without incurring wasteful costs?

13 And my feeling on this is I think that what  
14 progress has been made has been really great in terms of the  
15 taxonomies and how that's been set up in the instruction  
16 manual that is in place. But I am concerned about the  
17 infrastructure; and I think you've made the point also,  
18 Christopher, about the infrastructure that's in place to  
19 support what's about to happen. Based on my records and  
20 looking at the SEC's Web site, there's about 9,400  
21 filers -- 5,000 are microcap and 2,400 are small cap. So I'm  
22 among the larger majority in terms of the size of the company  
23 and the number of people that I have on my staff to implement  
24 this. So my concern is on whether there is sufficient  
25 infrastructure to put in place the XBRL tagging software;

1 whether there's sufficient service providers that are out  
2 there. There's not that many. And I can tell you that the  
3 work they are doing in the Southern California area, I hear  
4 that each one of these service providers they have got two or  
5 three companies that have investigated and maybe even filed  
6 once. There's a few that are volunteers. It seems like the  
7 volunteers are pretty much at a kind of steady state, from  
8 what I'm seeing. But they tried maybe one or two in the Los  
9 Angeles area. Then there's a few in San Diego that try it.  
10 Then they set it aside. They say, We'll wait and see. Let's  
11 see what's going to happen? When I have to do it, that's  
12 when I'm going to do it.

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

21           Secondly is when will XBRL be required for small  
22 public filers? And, what I've seen as a lot of  
23 respect out of the SEC in terms of -- first of all, I think  
24 it's great that we have a volunteer program. I  
25 think that in and of itself is a thoughtful manner for

1 implementation. But, I'll put in my plug as a  
2 request that the small public companies be given at least an  
3 additional year before they would have to implement this or  
4 perhaps until we know that the benefits exceed the cost. And I  
5 can talk more about that later.

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

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

21           Number four is what is the fully aggregated cost of  
22 implementing XBRL? Now, I've heard figures. I've seen  
23 figures in the reports and if the CFO perhaps  
24 makes a comment that it was pretty easy, we just spent eight  
25 or ten hours to do this. Did he do it? Again, he's got a

1 staff -- he or she's got a staff that's substantially larger.  
2 And when we have such a small staff that we have, then  
3 there's a lot, really, that goes into this; and people need  
4 to understand, for example, the kinds of costs that go into  
5 this. It's evaluating the software. It's documenting how it's  
6 going to be done in putting together the maintenance  
7 agreements and scheduling and doing the training sessions.  
8 The putting together -- this is a new requirement for the  
9 financial closing schedule. Testing and verification  
10 performance. Remediation, retesting. Preparing the financial  
11 statements. Reviewing the tagged financial statements. And  
12 then, together with the assurance services, which we're going  
13 to have an outside firm do our internal control over SOX, but  
14 then there's an outside audit assurance that still has to be  
15 established.

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

20           Number six is -- and this is important to  
21 me -- which is what SEC regulations and filing requirements  
22 will be eased to offset the costs and labor of implementation  
23 and maintenance of XBRL? Again, as I said, I think XBRL is  
24 great. We learned how to use the EDGAR system, but I think  
25 there needs to be some merging together. I see that there

1 are plans there, but here's another service provider that I  
2 have to go to now to file or furnish an XBRL.

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

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

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

21           Number eight -- what are the perceived benefits and  
22 are they real for small companies? And I'm happy to go into  
23 the benefits later, as I think there are many; and I see a  
24 number of them are addressed in the report. But there also  
25 are inherent risks in the implementation.

1           And I think, frankly, one of the risks is I don't  
2 think people understand this is going to be more work than  
3 what it appears to be. When I look at the basics, I can come  
4 up with a pretty basic structure on how I think it should be  
5 done -- all my internal controls and things like that. But  
6 things go wrong, things happen. And I think we're going to  
7 really need to look in the risks of implementation,  
8 particularly the small business preparer, because I expect  
9 the large companies to move forward on the committee's  
10 recommendations that the large companies move forward with  
11 XBRL and the SEC moves forward with implementation of XBRL,  
12 putting time lines out, that I will be able to turn to those  
13 large companies and to learn from whatever's going on, learn  
14 from the mistakes of that.

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

22           Thank you.

23           MR. POZEN: Thank you very much, Greg.

24           Randy.

25           MR. FLETCHALL: Let me start in the same way that I

1 did yesterday by thanking you for the opportunity to appear  
2 before the committee and indicate that, while I am active in  
3 various organizations, the views that I express today are my  
4 own.

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

21 I think, as Greg expressed, the lessons learned  
22 from those involved in the earlier phases are very important to  
23 the eventual successful, effective, and efficient  
24 implementation by all. Frankly, I do believe that one of the  
25 difficulties in trying to gauge just how quickly the SEC

1 might appropriately require the use of XBRL and unlock the  
2 benefits of interactive data is the general level of  
3 unfamiliarity still on the part of many, despite the SEC's  
4 conduct of a voluntary filer program for the last three years  
5 and opportunities to get engaged with the U.S. GAAP  
6 taxonomy-related materials. There remains a lack of  
7 awareness and generally informed understanding in the  
8 marketplace. As a result there do seem to a wide range of  
9 views as to the benefits to be derived from XBRL tagging and  
10 the associated costs.

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

20           I realize that the vast majority of public  
21 companies will be approaching XBRL-tagged financial  
22 statements from a standing start. As a result I am  
23 supportive of the overall phased-in approach to  
24 implementation, starting with the larger domestic public  
25 companies. In our written comment letter, I'm sure we will

1 likely have some observations and suggestions on certain  
2 aspects of the committee's developed proposal.

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

19           The auditing profession is sensitive to the  
20 committee's concerns regarding the cost of assurance. I  
21 understand and appreciate the committee's recommendations to  
22 not require any assurance during the phased-in period; and I  
23 can support that position, despite my unwavering belief in  
24 the value of independent assurance. The cost of assurance is  
25 a function of a number of factors, including the nature of

1 the assurance, the frequency with which it's provided, and  
2 the extent of that assurance. Assurance is not necessarily  
3 an on/off switch where you have it or you don't. Instead,  
4 it's more accurate to look at the sliding scale of  
5 possibilities of all assurance. For example, at the low  
6 end -- the lower end of a spectrum, both in terms of costs  
7 and confidence, an auditor might provide negative assurance,  
8 like a quarterly review, where the amounts and captions  
9 reflect an XBRL-rendered document. This approach would  
10 involve the comparison of that document to a source -- a  
11 pretagged source document. While that might give some  
12 confidence in the rendering of tagged data, it would not be  
13 sufficient to duck all of the errors that might occur, such  
14 as labeling errors or unnecessary or incorrect extensions,  
15 and wouldn't really provide value or assurance on the  
16 machine-readable data, which is really at the heart of the  
17 value of XBRL. A higher level of assurance might involve all  
18 XBRL-related documents and incorporating and assessing the  
19 accuracy of the tags, including matters such as use of the  
20 proper taxonomy, the fair presentation of tags included in  
21 the instant document. Assurance might also be given on  
22 matters such as the reasonableness of extensions. With a  
23 higher level of assurance, comes more costs and more effort.

24           There are a number of over-arching factors that I  
25 believe require consideration. One is the potential that

1 XBRL has to fundamentally alter the application of such  
2 long-standing principles such as materiality and sampling.  
3 For example, materiality is concurrently assessed upon the  
4 financial statement taken as a whole and not individual data  
5 elements; but tagging occurs at the individual-data-element  
6 level. A cost-effective approach to assurance would need to  
7 retain, I think, the long-standing tenets of materiality and  
8 taken as a whole.

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

20           Another consideration would be the extend to which  
21 assurance should cover XBRL technical specifications. Now, I  
22 don't intend to suggest by raising these several issues  
23 surrounding assurance on XBRL-related assertions to suggest  
24 that they're insurmountable. Members of an AICPA/XBRL  
25 assurance task force and several others in the profession

1 have been thinking through these issues and discussing  
2 preliminary thoughts with the staff of the SEC and the PCAOB.  
3 Even without mandated assurance, the profession's work will  
4 continue, because there will be some companies that  
5 voluntarily engage auditors for issuance on their  
6 XBRL-related assertions. I think the profession stands ready  
7 to meet market demands and engage in a collaborative process  
8 with the SEC and the PCAOB to help define an appropriate  
9 assurance framework that provides meaningful value at an  
10 appropriate cost. Collaborating on a well-defined assurance  
11 service would be important to complete prior to the  
12 initiation of a formal pilot program, should such an  
13 undertaking be desired.

14 Thank you very much.

15 MR. POZEN: Thank you very much, Randy.

16 Mark?

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

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

23 MR. BOLGIANO: Thank you.

24 In those remarks, there's a general description  
25 about how XBRL U.S., which is the national jurisdiction of

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

21 We're also very much a supportive, active,  
22 participant in the global standard and we see that as a huge  
23 value of XBRL; so while our focus is a national one, we do  
24 not ever leave that international context. With that, I  
25 refer you to my remarks --

1           MR. POZEN:  Would you give us -- I think that's a  
2 point that's important and one that the committee has  
3 not -- at least, I would say I'm not fully conversant with.  
4 How actually does the U.S. group interrelate to the  
5 international group?  And are the standards that are being  
6 done in the United States the same as the international group  
7 or not?

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

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

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

25          MR. POZEN:  Well, let me ask you -- let's say from

1 Greg's point of view, he goes through and makes his U.S.  
2 financials XBRL-compliant. Then three or four years later  
3 together, we go to IFRS. What will happen there in terms of  
4 the conversion? How much will he be able to use what he has  
5 there in IFRS?

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

9 MR. POZEN: Neither am I.

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

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

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

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

1 rules --

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

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

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

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

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

1 dictionary.

2 MR. TURNER: Precisely.

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

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

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

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

22 So my question is, if you implement this under U.S.  
23 GAAP and then move to IFRS, do you have to go back and  
24 redefine your tags? I'll get later to my question about why  
25 so many tags. But the question there is, is there a

1 conversion issue in terms of the tags? And I know cash is  
2 cash, but are the tags the same?

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

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

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

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

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

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

23 MR. POZEN: You say you're in the process of  
24 discussion. I just try to get -- even for those standards  
25 that are the same, how long would it take before you would

1 feel comfortable saying that you could use the  
2 same tag, for those that have same standard? Obviously, if  
3 it's a different type of pension accounting, it shouldn't. I  
4 mean, are we talking about six months? Are we talking about  
5 two or three years? Just to get a ballpark estimate.

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

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

17 MR. TURNER: Let me answer it a slightly different  
18 way. It is the hope; and the hope involves the ongoing  
19 cooperation between U.S. authorities and international  
20 authorities. But the hope is that the XBRL conversion  
21 process will actually help facilitate that convergence so  
22 that if today I've got two different definitions for cash the  
23 subject-matter experts, because XBRL is such a way of defining  
24 those definitions -- what we call semantics -- the  
25 subject-matter experts will be able to use those definitions

1 in helping themselves to determine whether they are the same,  
2 so -- for the overall convergence process. So -- and to the  
3 extent that they are, then that can literally be mapped between  
4 the two. This is the same concept and we can end up with  
5 one.

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

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

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

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

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

24 I'd like to focus my comments on the following  
25 areas: One, benefits to the investor; two, this bolt-on

1 versus integrated approach; three, block-tagging of  
2 footnotes; and, four, the effort to convert internal  
3 costs -- internal value and costs to the registrant.

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

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

23           Bolt-on versus integrated approach. I want to  
24 spend a few minutes discussing the bolt-on versus integrated  
25 approach. It is clear that for many years to come the

1 bolt-on approach is the only viable approach for most  
2 registrants. Accordingly, the XBRL initiative is incremental  
3 work for each registrant. We recognize that over time the  
4 incremental work will decrease as experience is gained;  
5 however, it will involve more time and resources. Given the  
6 current efforts to require sequential and additional  
7 processing in order to complete the tagging and submission of  
8 XBRL information, we believe each registrant should be  
9 afforded extra time after the filing of 34 Act financial  
10 statements in order to properly prepare XBRL financial  
11 information. For example, assuming a registrant's Form 10-K  
12 is due 60 days after you're in, the XBRL financial  
13 information will be required, say, 70 days after you're in.

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

1 needed for its financial information from the current  
2 enterprise software systems directly.

3 My belief is that Intel is like many other Fortune  
4 500 companies in that they must download, sort, and review a  
5 fair amount of detail required for today's financial  
6 reporting. Accordingly, integrated financial reporting would  
7 require a substantial change in business processes used  
8 today. This would be a significant task and a  
9 resource-intensive project.

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

21 Efforts to convert. For us to assess existing  
22 software alternatives, learn that software, and take each  
23 financial statement line item by critically assessing all of  
24 the available tags as well as management review of the tags  
25 and creating internal processes and controls, we believe

1 would incur between 150 and 200 hours. Using the new  
2 taxonomy, we have 118 tags and 23 custom tags. For many  
3 years to come, registrants will use the bolt-on approach,  
4 which has little value for the registrant and will not save  
5 time in the financial statement preparation process.

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

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

19 Thank you again for the opportunity to participate  
20 today.

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

23 Steve.

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

1 today.

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

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

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

1 additional costs on smaller public companies.

2           A phased transaction period has also been used, I  
3 think appropriately and successfully by the SEC in other  
4 situations such as the phase-in for the periodic reporting  
5 deadlines, when we moved those up a couple of years ago.  
6 404 -- I think the phased 404 implementation and then pushing  
7 back the effective date for smaller public companies was  
8 hugely important for these smaller public companies; and I  
9 think that approach ought to be strongly considered here.

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

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

24           I do think we should move cautiously, also, in  
25 mandating auditor assurance. Requiring auditor third-party

1 involvement will substantially increase costs before they're  
2 fully known; and those will be borne disproportionately by  
3 smaller public companies; and that would be moving exactly in  
4 the opposite direction from the work on our early SEC  
5 advisory committee trying to reduce costs of reporting and  
6 disclosure while not impairing investor protection for  
7 smaller public companies.

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

17 Thank you.

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

24 MR. DIERMIER: Thank you, Bob.

25 A lot of different questions, but after listening

1 to all of you talk, there may be one starter question that  
2 would put things in perspective that would be helpful.

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

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

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

17 MR. MONTANO: The top priority was reliability.

18 MR. DIERMIER: I'm sorry.

19 MR. MONTANO: It was reliability.

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

21 MR. MONTANO: But people are talking about  
22 assurance; and I would like to say from a practical  
23 perspective -- and perhaps may not be representing the CFA  
24 Institute -- but representing Chris Montano's experience,  
25 reliability may be very different than an audited financial

1 statement; and I would like to suggest that both WorldCom and  
2 Enron had audited financial statements prior to what  
3 happened to them. So reliability assurance in the classical  
4 sense isn't necessarily reliability. Reliability, in fact,  
5 may come from being able to exercise more rigorous analysis  
6 of the data on a historic time series basis. And so from an  
7 investor perspective, there may be ways to meet this enhanced  
8 reliability need without a formal assurance process being  
9 met. So I would encourage the perspective of maybe  
10 separating the formal assurance standard from the concept of  
11 investor reliability of information.

12 MR. DIERMIER: Thank you.

13 Jeff?

14 MR. BODNER: We are supportive of what XBRL can do  
15 to get financial information disseminated to the investor.  
16 We are supportive of the initiatives. We also think some of  
17 the preconditions that the committee has laid out need to  
18 take place before it's required. So making sure that, you  
19 know, if you're going to view block-tagging, it makes sense  
20 that you're going to get the information that you need. I  
21 think it's important to realize that we all know that we need  
22 to get financial information out to investors; and getting  
23 that information from our core financial statements out  
24 sooner is not necessarily that difficult. Where it gets more  
25 difficult is where you go to the footnotes -- one, starting

1 with block-tagging. And, second of all, if you get too  
2 detailed in the footnotes, I think that would get to be  
3 extremely costly; and I'm not sure there's a benefit there.  
4 But the benefit can be achieved initially with just the core  
5 financial statements.

6 MR. DIERMIER: Thank you.

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

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

23 MR. TURNER: Thanks. So the approach in a number  
24 of other countries is often assisted by a relatively small  
25 economy -- in particular, a relatively low reliance on a

1 broad range of software vendors. In the U.K. there are a  
2 half dozen account preparation packages which need to be  
3 converted to produce XBRL materials for small business,  
4 largely in terms of the bulk of the market. In Belgium,  
5 there is a couple of dominant vendors. And in both cases,  
6 for very small companies the regulators have made it  
7 available essentially as an overgrown form. So the process  
8 is much simpler. Japan also, where you've got in many  
9 respects a vastly more ambitious project than what's going on  
10 here, in the -- there's more than a million tax filings from  
11 small businesses to come in over the next eighteen months or  
12 so. It appears there are essentially two dominant software  
13 vendors; and they've done the work. They make that process  
14 relatively simple. And they have a long history of  
15 collaboration. I think that collaboration aspect is what's  
16 very important.

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

25           It's not even the need for the market to be here

1 today. It's the need for certainty about the fact that there  
2 is a market that will get people to invest in terms of the  
3 preparation of high-quality software in this country that  
4 will meet the more diverse needs of this economy.

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

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

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

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

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

24 MR. MANN: Well, listening to Greg, I guess my  
25 question -- that's part of it. It's a little bit different,

1 but what are you finding from filers in terms of the time  
2 it's taking them to do the filings? I mean he has four folks  
3 on his staff. I know companies who have one; and that's -- I  
4 think that's a big burden. So I'm just wondering about the  
5 limits in terms of has it sped things up over time?

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

12 MR. MANN: Mine's a shoebox.

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

1 MR. POZEN: Peter?

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

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

18 MR. TURNER: I think that's probably a legal  
19 question, because from a technical perspective it's an almost  
20 trivial exercise to, once you've got one of these in-line  
21 XBRL documents which includes potentially the EDGAR filing  
22 the way you see it today. If you go to the SEC Web site and  
23 download any EDGAR filing, it's laid out the way you're all  
24 familiar with, right? They would look exactly the same as  
25 that, but XBRL would be embedded in it.

1           The additional complexity associated with producing  
2 an in-line XBRL document versus an XBRL document is very  
3 small; and our feeling is that the benefits to preparers in  
4 particular so they have that confidence about look and feel  
5 is helpful in terms of the change process.

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

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

17           MR. TURNER: Yes.

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

22           MR. TURNER: In-line XBRL helps you get around the  
23 problem that was being referred to earlier in terms of it  
24 being a mess. The blocked HTML is just the way it appears  
25 today with tails and materials intact. But the only point to

1 block-tagging notes is to facilitate search. And then pulling  
2 up the data -- you could probably do that in the HTML the way  
3 the company had expected it to look, unless you were doing  
4 things like a regulator client of mine does, which is look  
5 for the words "pending lawsuit" in a block of text and when  
6 it comes up go and read that block of text very carefully.

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

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

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

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

20 (Simultaneous discussion.)

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

23 MR. TURNER: There's software out in beta at this  
24 point. There's a number of software companies that are  
25 working to develop it. There are others that are considering

1 their options on that front.

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

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

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

24 MR. WALLISON: Okay. Greg, can I turn to you, if  
25 you wouldn't mind?

1           In this -- in the records of the committee -- and I  
2   guess at the SEC also -- is a letter from EDGAR Online which  
3   said that they convert -- have been involved in the voluntary  
4   filing program -- and they convert for about 40 percent of  
5   the participants in the voluntary filing program. They  
6   convert automatically or are using their automatic system in  
7   about ten hours on average, that is they are furnished with  
8   the financial statement and they convert that automatically  
9   into both a financial statement and a bolted-on set of XBRL  
10  materials. I also understand that the cost of that would be  
11  about \$10,000 a year. That is for four different reports.  
12  It's in existence today and it's being used.

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

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

25           The other third-party quotes that I had were in the

1 range of about \$20,000 to provide that service. Then I would  
2 to have add on top of that my cost. I would have to review  
3 all of the numbers that had been done by EDGAR Online; for  
4 example, in your case that you've asked me, we're a  
5 developmental-stage company. I've got 12 years of statement  
6 of change and stockholder equity. I've got more than just  
7 300 line items. I've got a lot of line items that I'm going  
8 to have to check, unless we only have to furnish the last  
9 five years, which is the way I got my estimate of \$20,000.  
10 So the 10,000 that you say and the 20,000 from somebody  
11 else -- that would be the third-party cost of relying on  
12 somebody else's service.

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

21           And I thought the discussion this morning was  
22 really a good one on that, because to the extent of the  
23 assurance requirements, it's going to drive a lot of what we  
24 have to do in terms of documenting our processes. And when I  
25 talked with the service providers, I would expect to be able

1 to get a SAS 70 report from them if they're going to be  
2 providing that kind of service in this important a type of  
3 function. This is more just taking an EDGAR document and  
4 previewing it and saying, Oh, so this looks like my Word  
5 document. You can go through and you check the paragraphs  
6 and stuff; and we have gained confidence in that area with  
7 regard to EDGAR-ization. But with tagging we have to have  
8 software now at our location to be able to review the  
9 software. That's in terms of their providing information to  
10 us, so I have to see the tags. I understand they'll give me  
11 a spreadsheet with a bunch of columns on it; and I can go  
12 through each number that's identified. There's a comment  
13 area -- there's -- this is the one that you're referring  
14 to -- comment area. There's a definition; and then there's a  
15 tag description. Then I have the ability to go through and  
16 change each of them. So whether it's three hundred or  
17 whether it's a thousand tags, my staff of four is going to  
18 have to do that.

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

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

25 MR. HANSON: On the --

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

4           MR. HANSON: Can I come back to you?

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

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

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

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

23          MR. FLETCHALL: I think that is one of the issues  
24 that really needs to be resolved around a form of assurance,  
25 because we're used to materiality, we're used to sampling,

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

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

22 MR. FLETCHALL: I completely agree. That's why I  
23 think this takes a collaborative -- collectively, people have  
24 to come together and say -- and I know this is in the  
25 committee's recommendation -- what is it that users really

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

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

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

17 MR. WALLISON: Ongoing?

18 MR. HANSON: Ongoing.

19 MR. WALLISON: Year after year?

20 MR. HANSON: Yes. That's an outside cost.

21 And in answer to your other question, forty on the  
22 balance sheet, a hundred on the statement of operations,  
23 because I have the extra column. And a hundred on the  
24 statement of cash flows. And then I got to tell you, twelve  
25 years of statement of changes in stockholders' equity, when

1 you have convertible preferred A, B -- there's an extra  
2 thousand right there. So there's a lot of numbers. Again,  
3 furnishing is going to be really only for the last five  
4 years.

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

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

18 MR. FLETCHALL: I think -- I tried to say in my  
19 comments, Peter, that I tried to contrast, say, a  
20 review-level service with an examination level. The  
21 examination level could well include the tagging of  
22 particular elements. Look at the instance document -- could  
23 run through the appropriateness of extensions, could run to  
24 the technical specifications and some of the emerging  
25 technical standards. But that's one of the difficulties.

1 When you say it's a "higher," clearly it is an examination  
2 level. But kind of the ranges of where that might fall in  
3 terms of what's within footnotes, with the particular  
4 management assertions that you would attest to, is kind of  
5 all over the map. So I think, clearly, I can answer  
6 examination versus review versus agreed-upon procedures is to  
7 the high end, but the particular assertions that you would  
8 give assurance to is where I think a lot of the difficulties  
9 are.

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

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

20 I think where we're at right now there are so many  
21 alternatives and everything keeps changing in technology and  
22 software, it's hard to light and say this is what people  
23 want; now let's build some guidance around that; but I think  
24 we're getting close. We're going to have to do that, because  
25 I think for those who will voluntarily want something we do

1 have to figure out for our members and for our clients, okay,  
2 if this is the level of service you want, here's what we  
3 think would be the right procedure, the right standard.

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

7 MR. FLETCHALL: Pardon?

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

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

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

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

25 And the reason I ask that question is that, of

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

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

1 out, disaggregate it from the financial statements, and use  
2 in their analysis. So how you communicate that is one of the  
3 things that --

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

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

20 MR. COOK: Maybe they don't meet the needs of the  
21 users, so you don't end up there. But today there's not an  
22 absolute need for assurance. I mean you can label this  
23 information "unaudited." People label information  
24 "unaudited." That just means it's there. There are certain  
25 responsibilities by being associated with that, but you could

1 give negative assurance, if you chose. You could give what  
2 people call the silent assurance of other information,  
3 unaudited information. Seems to me a pretty wide range,  
4 depending on what the judgment is about the needs of users.  
5 But assurance can accommodate cost considerations,  
6 practicality considerations. It doesn't necessarily drive  
7 anyone to something where you're starting to give assurance  
8 on a line-item basis and driving the cost of this through the  
9 roof and making it essentially unacceptable.

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

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

1 things we're just trying to work through.

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

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

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

25 MR. SIDWELL: Does anyone else have a view?

1           MR. BOCHNER: I would also add that I think it can  
2 only help the maturity of the tools and the choices that  
3 smaller companies would have in terms of software tools to  
4 use.

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

8           MR. POZEN: Ed.

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

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

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

1 you've provided a service. So I think that's an issue.

2           If there's another one -- I'll just say  
3 this -- uncertainty of the technology's changing, the  
4 software's changing. We haven't done it before. We are  
5 concerned about the risk of misunderstanding,  
6 miscommunication. And with anything new there's a desire to  
7 get it right the first time rather than I'll say learn too  
8 much from an expensive lesson. So I think there is that  
9 element of let's make sure we know what we're doing before we  
10 really jump in with both feet. You know, cost is an issue to  
11 us. We understand cost will be an issue if we can't deliver  
12 it in a cost-efficient manner; and that's what we want to do.

13           MR. SIDWELL: Surely today, providers like FactSet  
14 and others are aggregating this data anyway. Doesn't this  
15 ultimately facilitate for all the companies that, you know,  
16 small or any size, the access of investors to having  
17 aggregated data to allow them to make investment choices? So  
18 isn't this more a question of timing, as opposed to one of  
19 should we?

20           MR. WALLISON: If I can add something here on this  
21 question of assurance. Cost is one factor, of course, but if  
22 I understand correctly how XBRL is supposed to work, the  
23 accountants are supposed to exercise some judgment in the  
24 question of whether a company is justified in adding a tag  
25 that is not in the taxonomy already. And the reason for that

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

10 MR. POZEN: Greg.

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

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

25 So we really need to address what is going to be

1 the assurance aspect of this, because to the extent the  
2 assurance is required, the costs are going to go up far more  
3 than what the cost of my reviewing of the numbers internally  
4 would be with EDGAR Online.

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

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

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

1 Linda.

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

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

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

24 MR. FLETCHALL: That's exactly the issue to get  
25 into: Are you focused now on just those -- those instances

1 where there's an extension? And then how do you deal with  
2 that in terms of taking it as a whole? Now you're just  
3 focused on a particular item. Those are the kind of things,  
4 like I say, that we're still wrestling with.

5 MS. GRIGGS: Could I have one more?

6 MR. POZEN: Sure.

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

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

13 MR. BOCHNER: You know, I would. I think the  
14 commission -- the members of the SEC -- have said publicly  
15 that they're going to do more cost-benefit analysis in the  
16 future. I've got them behind me here, so they can disagree  
17 with me if that's not right, but I think they've said that  
18 publicly. I think it's a good idea. I think, to me, it  
19 would be great, before we implement this for -- even go  
20 mandatory for smaller public companies -- if someone, if some  
21 group -- the SEC's economic analysis or some third-party  
22 group could get us close to a number that would say, This is  
23 what it is for a typical public company to implement. Now  
24 that we've got the integrated approach working, if that  
25 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

1 level of assurance -- an examination level of assurance,  
2 right? And we in the audit business work hard to make sure  
3 that the display of classification is right. Electronic  
4 tagging is exactly that same thing. It just is done in  
5 electronic format, so the user downloads the data into  
6 databases and we run with it. So if the tags are wrong it's  
7 just as if we have an error on the face of the financial  
8 statements in the display of classification of information.

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

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

22           MR. FLETCHALL: I would not disagree with that.  
23 But as you know, the highest level of service will require  
24 the most effort and the most judgment and the highest cost.  
25 That, I think, is one of the issues we wrestle with.

1           MR. JONAS: Okay. Second question is the  
2 proliferation of tags. And this runs to a point that Peter  
3 made just a couple of minutes ago. I've noted with almost a  
4 badge of honor that various XBRL regimes talk about, with  
5 great pride, the number of tags. Well, we've got 15,000  
6 tags. Yeah, well, I got 20,000 tags. And it seems to me  
7 that from a user's perspective, the whole purpose of  
8 downloading data and creating databases is comparability to  
9 Peter's point. And there's a tension here, right?

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

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

25           So can those involved in tending that 20,000 tags

1 kind of educate me whether they're really necessary or  
2 whether there's something I'm missing?

3 MR. POZEN: John is going to answer that. Maybe  
4 Chris. John?

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

10 Again, the XBRL tagging or the taxonomy development  
11 process nearly models the different disclosures that you can  
12 find out there in financial reporting today. If that process  
13 gets simplified -- and I would hope that it doesn't get down  
14 to a standardized chart of accounts, but if that gets  
15 simplified the number of tags will fall. But if you want to  
16 link that point to the question that David was raising  
17 earlier, which is that the -- is it the same as -- is it just  
18 a question of timing, given that FactSet and others provide  
19 this information to the buy side and sell side today? No, it  
20 isn't. And the reason it isn't is because things that are  
21 different about Mr. Hanson's company against one of his  
22 competitors are the things that should be differentiated with  
23 those extension concepts. Those extension concepts are the  
24 things that hopefully that flags to investors, These guys are  
25 interesting. And in an environment where the number of

1 analysts covering -- and number of companies that are being  
2 covered -- has shrunk dramatically in this country and in  
3 Europe, that should be welcomed. And that's the real issue.

4           So, yes, there needs to be a shrinking of the  
5 number of tags; and I suspect that it will all come down to  
6 it being generally accepted use of a few hundred or the ones  
7 that people will be expecting and the markets will expect and  
8 that's where the pressure will come. But there are plenty of  
9 specialized financial operations. There are plenty of  
10 specialized disclosures. That's why there is that many tags.  
11 And, they haven't made them up. They've got out and  
12 found them there in the practice of companies today.

13           MR. MONTANO: With respect to -- I certainly concur  
14 with, as being a part of an organization that is doing its  
15 own tagging and is leveraging XBRL as much as it can, what we  
16 found is a couple things: One, most of the tags that  
17 exist -- it's a very small amount that's used on a regular  
18 basis. And so there's a fairly large, long tail that you  
19 deal with; so when you say there's 20,000 tags, to take the  
20 largest case you mentioned, Greg -- the worst-case  
21 scenario -- probably just several hundred, maybe a thousand,  
22 1,500 of those will be used on 80 percent of cases.  
23 So -- and complexity is reflecting what companies report. So  
24 as companies simplify the reporting, that will be reflected  
25 in the tags. So it's really an accounting issue more than an

1 XBRL taxonomy issue.

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

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

20           And I would cite the Microsoft case. In the  
21 smaller taxonomy Microsoft had to create several hundred -- I  
22 believe four to five hundred custom extensions that have no  
23 comparability, that don't correspond to anything, even though  
24 they're part of GAAP. In the 12,000-element taxonomy, they  
25 had to create 12 custom tags. And I think the use of the

1 concept of the long tail, while it does apply here.

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

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

16           Okay, Scott.

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

24           But Jeff in his testimony, even though he supports  
25 the recommendation had some real questions about the pace and

1 the expectation and so on on the largest users here, your  
2 company being one of the largest preparers out there. You  
3 mentioned in follow-up that the tagging of footnotes is one  
4 of the issues you thought ought to be phased a little bit  
5 further back.

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

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

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

22           So if and when that comes about, if it's in the  
23 next six months, we have software that works and we can do  
24 that, then, yeah, then you can accelerate the phase-in of  
25 that. But if it's three years out, I don't think we should

1 force this block-tagging where you really can't read it,  
2 because we have the initiative to get the block-tagging --

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

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

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

14 MR. BODNER: Yes.

15 MR. POZEN: Susan.

16 MS. BIES: I'm involved with the point Scott was  
17 just making. From a bank regulators' perspective, when we  
18 implemented XBRL, we actually found that the biggest burden  
19 of implementation was on the mid and largest banks, because  
20 they tended to customize most of their GLs and application  
21 systems; whereas the smaller banks tended to outsource it.  
22 And, in fact, by putting a firm date out there, which did  
23 slip, as most IT projects do slip a few quarters, one of the  
24 things we got an advantage was by saying everybody's going to  
25 this in a relatively short window.

1           We worked with all of the providers of the smaller  
2 companies; and a lot of the input that that gave us in  
3 designing XBRL was very helpful, not only to us in terms of  
4 requirement definitions, but in terms of some of the larger  
5 companies, too, because these folks -- that was their main  
6 job.

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

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

21           Am I thinking about this in the wrong way?

22           MR. TURNER: Perhaps there's one difference. In the  
23 FFIEC context there was an expectation, particularly from the  
24 larger companies, that it would be provided on a  
25 straight-through basis, out of core systems into XBRL format.

1 I think I'm right in saying that a large number of the  
2 smaller banks are keying in forms. But that probably is  
3 different in the sense that, whether they're small or large,  
4 the likelihood today is that companies will produce this as  
5 an add-on rather than as a straight-through process. But  
6 other than that, I think the experience that FFIEC had  
7 absolutely thinks that the rest of the economy should be  
8 learning from.

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

1 the same company prior period and against other companies.  
2 So we actually found that doing them as an integrated process  
3 rather than sequentially we think is part of the reason to  
4 move ahead.

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

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

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

23 MR. BODNER: But it's not going to come out of the  
24 chart of accounts, right? It's all add-on software. It's all  
25 after the fact. You have a Word document with your financial

1 statements. That's what gets filed. You then can't take  
2 that Word document -- or it's not the easiest way -- to take  
3 the Word document and tag it. You'll then have to take the  
4 financial statements, put them in Excel, tag those financial  
5 statements, and then get those filed under XBRL. It's a  
6 sequential process. It's not at the same time.

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

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

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

20 My question, I think, is actually to Jeff. I think  
21 that's something that we really haven't focused that much on;  
22 and that's on the user side. You mentioned the need for  
23 better readers. That was a concept I wasn't familiar with;  
24 and it raised the question to me, how are the users getting  
25 the information? And is it something that we're ready to,

1 even if we implement, that we are ready to deliver to them in  
2 an easy-to-use format?

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

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

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

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

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

1 used and it gets analyzed, just the way it does today.  
2 Sorry. Analysts don't look at the financial statements as  
3 financial statements. They look at them in the way they want  
4 to look at them. And XBRL facilitates that.

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

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

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

11 (Simultaneous discussion.)

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

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

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

23 There's 13,000, but I've heard that Intel uses a  
24 little bit over a hundred. I know Microsoft uses about 192.  
25 At least, that's what they told me a couple of weeks ago.

1           Are you concerned? One of the benefits of XBRL is  
2 the comparability of financial results. Aren't you concerned  
3 with so many tags that the companies that use will abuse  
4 those tags and have their own customized tags so that  
5 analysts can't really do the comparability they expect to do?

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

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

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

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

20           And I think this goes a little bit to what --  
21 thinking about the data flow that you will have. So  
22 currently the data flow is a Word document gets uploaded to  
23 the system now and you have an HTML kind of document there.  
24 And then what's the data flow there? How does it get from  
25 there into an investor analysis? So they have to either pay

1 a data vendor to do that transformation for them and bring it  
2 into their Excel or whatever spreadsheet they use or a  
3 database as a hold; or they have to do it themselves  
4 manually. And you'd be surprised how many analysts' offices  
5 you walk into on Wall Street and they have a stack of 10-Ks  
6 this high, right? And they're going through it on a  
7 time-series basis, trying to find comparable data to compare  
8 a company. So they're doing manual standardization  
9 themselves.

10 XBRL -- what can happen there is there will be XBRL  
11 information inside the SEC database that can be read directly  
12 into databases. It's machine-readable, right? It's a very  
13 different process and that machine-readable can then be put  
14 into your own resident database and thereby cutting out the  
15 entire third-party vendor if you so choose. So it offers  
16 easier access to data; a much easier set to reduce to  
17 standardized data; and, lastly, I think you're going to have  
18 a very known body of tags to work with. So I think in that  
19 sense it's much easier than the current status today.

20 MR. WEATHERFORD: So it begs the question why the  
21 13,000 tags today if they're not going to all be used? Why  
22 not go to 200 consistent tags, tell a company you're not any  
23 different than your peer group, et cetera? Analysts can  
24 really use the data in a very valid way.

25 MR. MONTANO: Well, that's a great question. I

1 think the difference there lies in basic market efficiency.  
2 So if all the companies reported in the same manner, how  
3 would you discern the very subtle differences that enabled  
4 you to make a better selection between two reasonably equal  
5 financial assets?

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

12 MR. MONTANO: They are actually very  
13 straightforward.

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

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

21 I think that that whole issue of comparability and  
22 granularity is a dynamic tension that exists apart from XBRL;  
23 and that's just the function and nature of the market. And  
24 so any time you do complete comparability, you have to  
25 abstract a little bit. Every time you go down to deathly

1 detail of the line item granularity, then you're going to  
2 have to make a judgment about the comparability among  
3 companies. So I don't think XBRL is the issue there. I  
4 think that's just a tension of stock analysis and market  
5 dynamics; and it makes the difference between very successful  
6 investors and otherwise -- the investors that don't do so  
7 well.

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

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

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

22 But the suggestion -- I don't want to break the  
23 bubble of any -- any of the folk out there that think that  
24 they might be able to charge a very large amount to companies  
25 every year, year on year, but that's -- market economics will

1 get in the way of that. But the hardest part of XBRL work is  
2 to do it the first time. After that you're only dealing with  
3 the deltas. You're dealing with the changes from last period  
4 to this period. And, yeah, you've got to get it into the  
5 same format, but even with an add-on approach, you -- the  
6 relative cost of producing an XBRL document, once you've  
7 already done it once, is a small fraction of the initial  
8 effort.

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

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

20 (Simultaneous discussion.)

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

25 MR. POZEN: Thank you very much for this excellent

1 discussion. We learned a lot. And we appreciate your  
2 coming.

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

7           Thank you very much.

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

9           NEXT STEPS AND FUTURE TIMETABLE

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

17           So we have scheduled on everyone's calendar for  
18 Wednesday or afternoon -- I think it's Thursday afternoon,  
19 July 31st. Everyone has agreed that we do it at one o'clock.  
20 That will be the final go-through. And it is Thursday, July  
21 31st. And so we will start at one o'clock.

22           And we will have our meeting -- just backing  
23 up -- our meeting in New York, which is now scheduled for the  
24 11th. Maybe the case -- people ought to look at their  
25 calendars -- whether we should start on the 10th later on,

1 partly because people come in and partly because that meeting  
2 is the meeting where we're going to have to really go through  
3 the report in great depth; and the 31st is really going  
4 through all the edits. And so we are going to make all the  
5 substantive decisions on the 10th -- excuse me, the 11th. We  
6 are going -- so we'll have substantive memos, make all  
7 decisions -- both on revisions of developed proposals and new  
8 proposals. Then we will again have an editing committee and  
9 people will get materials in advance of the 31st, hopefully  
10 by Monday of that day -- of that week. And so we're on a  
11 pretty fast track here; and that means essentially that all  
12 the subcommittees have two more meetings. They have meetings  
13 in April and meetings in June. And I think all those have  
14 been scheduled. At the May meeting --

15           So here's the schedule: In April you'll have  
16 subcommittee meetings. In May we will have another public  
17 forum in Chicago. At that public forum we are giving  
18 Subcommittee 1 in the morning and Subcommittee 2 in the  
19 afternoon -- pretty much, I would say, maximum four  
20 hours' -- if you need it -- time to have your panels. You  
21 can either have three shorter panels or two longer panels  
22 -- whatever you want to do. And so that will be a long day.  
23 But I think that most of the people from Panel 1 -- from  
24 Subcommittee 1 -- will be coming the night before; so we  
25 start pretty promptly; and if we go from eight to twelve,

1 take a break, and go from one to five. I mean if you're  
2 there, we might as well do whatever we need to do.

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

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

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

25 Yes, David.

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

4           MR. POZEN: Absolutely.

5           MR. SIDWELL: So we sort of understand format.

6           MR. POZEN: Correct.

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

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

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

22           I think that what we need to do, Jim, is focus on  
23 those proposals that have not seen the light of day before.  
24 And I think, too, the extent that we can get those out before  
25 the May meeting -- and I think there are three significant

1 proposals that would be in Subcommittee 1 that's important.  
2 And if we can't do that, if there are certain things coming  
3 out of Subcommittee 4 or 3 that might take longer, we should  
4 at least try to get something on the Web before the July  
5 meeting.

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

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

11 MR. POZEN: Yeah, correct.

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

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

25 I think we have learned the hard way how long it

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

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

8 Russ?

9 REPORTS FROM SUBCOMMITTEES AND DISCUSSION

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

14 Sue, you want to begin?

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

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

25 What we're going to be doing in our April meeting

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

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

20 And so we have been spending quite a bit of time  
21 looking at the FASB proposal. As you know, we initially  
22 called this our "chunking project." And so we are still  
23 looking at that, where we would sort of find a way to align  
24 the income -- comprehensive income/cash flow -- in a much  
25 better way, but also align it more in terms of core operation

1 earnings versus financing and investing so that you have a  
2 better understanding of where all of this is coming from.  
3 And if someone liked fair value better than they liked  
4 amortized costs, they could see how these line up and know  
5 how much is just a mark-to-market and how much is actually  
6 realized cash in the bank, real revenue that's been received  
7 by the company. So we're going to be working around that --

8 MR. POZEN: In the interests of time, let me just  
9 try to summarize since we met last night.

10 It seems to me Subcommittee 1 has three quite  
11 significant proposals to make: one, which is, as you say,  
12 the chunking proposal, which you have done considerable work  
13 on. Second is probably relating to at least in this  
14 proportionate recognition. And, third of all, the disclosure  
15 issues and other issues relating to these off-balance-sheet  
16 entities.

17 So those are three rather significant projects.  
18 And to the extent that you can -- you and the staff can get  
19 something in the public realm before the May meeting, that  
20 would be very helpful.

21 I think there are two other projects that are sort  
22 of what I view as more not as huge; and that is -- there is a  
23 disclosure and general exhortation to the FASB and SEC to  
24 coordinate disclosures, reduce overlaps; and that there are  
25 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 I just urge your subcommittee to really spend time on  
5 these three things. They are tough. They are complex.  
6 They're very important. Some of them, as we know, are quite  
7 controversial and in the news. And that -- if you can't get  
8 them all finished for May, then try to do as much as well as  
9 you can. We could wind up having some discussion on July  
10 10th if we need to.

11 MS. BIES: Bob, as you know, we're trying to  
12 basically, by about the 15th to the 20th of April, have a  
13 draft that could go to this full committee to see ahead of  
14 our meeting in May.

15 MR. POZEN: I know you are; and I think that's  
16 great.

17 Subcommittee 2. David, I think your agenda is  
18 pretty focused.

19 MR. SIDWELL: Yeah, we have four principal streams  
20 of work that we're going to work on. One is we want  
21 to -- and have set up -- a meeting on April 10th, where we  
22 are going to discuss, with OCA, CORP FIN and Enforcement, the  
23 conceptual approach regarding what was No. 2-A, which is very  
24 much about how the process works in terms of interpretation  
25 and guidance coming out of the SEC; and we need to get that

1 one finalized; and we had some discussions yesterday, which  
2 I'm very hopeful we can get that done.

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

8           MR. POZEN: Is this Bob Herz?

9           MR. SIDWELL: Bob Herz, yeah.

10           And we would then discuss those in full with the  
11 subcommittee on the 10th.

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

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

25           But there is one area that we think we probably can

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

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

25           MR. POZEN: I think probably we have done the best

1 we can by setting up a committee. And this thing is in such  
2 flux that it would be sort of unrealistic. But I do commend  
3 you. I think you are very far along with the SEC and FASB on  
4 finalizing those.

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

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

17 Mike, Subcommittee 3?

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

24 I think, as I looked at the written submissions and  
25 heard some of the things said yesterday, some of the things

1 are people's inability to read more than our inability to  
2 write, but -- or unwillingness to read rather than our  
3 inability to write. But, nonetheless, we will take an  
4 objective stand-back at what we've said --

5 MR. POZEN: Everybody reads through their own  
6 eyeglasses.

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

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

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

25 MR. COOK: We're going to have Lynn and we'll

1 invite Damon Silvers as well; and I think we'll invite Harvey  
2 Pitt, who very much wanted to be here but was unable to be  
3 here, had to cancel out at the last minute. I think, in  
4 deference to his past role and interest in the subject  
5 matter, if he could make that meeting with us, I think he  
6 might could be a good person --

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

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

17 With respect to the judgment framework, two things:  
18 one, we must address and spend time on and that is this  
19 question of safe harbor. We have very, I think, consistently  
20 tried, once we got past a certain point, to not put ourselves  
21 in the position of advocating for safe harbor. But some  
22 folks think that even mentioning a safe harbor is a form of  
23 advocacy, so we're going to have to examine that. And the  
24 range of things we might do is from where we are today is  
25 just stay there, is to say something that might soften that

1 even further or perhaps an extreme -- speak in opposition to  
2 a safe harbor at this stage, if we have heard substantive  
3 things that we think safe harbor would detract from what it  
4 is we're trying to achieve overall.

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

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

25 The last item: At the April meeting we do plan to

1 have those who could not be with us yesterday but expressed  
2 strong interest in doing that -- that is, Lynn Turner, Damon  
3 Silvers, and Harvey Pitt -- we had a good session at our last  
4 meeting with preparers and auditors and others talking with  
5 us just about what the real world is about and how some of  
6 these things work. We got some good ideas.

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

13           We did pick up, also, one significant topic that  
14 has been mentioned; and we did confirm that this is sort of  
15 in the bailiwick of Subcommittee No. 4, that they would  
16 graciously defer to us on this subject; and that would be on  
17 the subject of the content of financial information provided  
18 within the compliance system and outside the compliance  
19 system. Is what we give people within the compliance system  
20 what they need? Is it more than they need? Is it useful?  
21 Is it not so useful? Are there things that could be done to  
22 minimize or reduce in some fashion the things that are being  
23 provided today and still meet the needs of those who use that  
24 information? And is there, to the contrary, or on the other  
25 side of that, things that should be provided, either within

1 the existing compliance system or elsewhere, information --  
2 and this goes to the issue of earnings releases and business  
3 performance metrics and lots of things of that kind that  
4 people say we really do need that information. There are no  
5 rules other than the overarching 10b-5 limitations, I guess,  
6 or considerations. And maybe we ought to spend some time on  
7 how that might become a part of the system, particularly if  
8 it's coupled with taking things away that people don't want,  
9 don't use, and are getting either more of or more frequently  
10 than they find that they need it.

11 So that is sort of our final --

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

20 I think Subcommittee 4 will be looking more at  
21 releases and KPIs and these sorts of things. And we were  
22 hoping, just in the allocation, that your committee could  
23 focus on why -- essentially, the question is, to the extent  
24 that we've heard from issuers that are not able to say in the  
25 MD&A what they want to say about their company, whether this

1 is an issue -- one issue has been delineated -- you  
2 know -- the non-GAAP information in MD&A, whether there are  
3 other things that would do that. So I think, unfortunately,  
4 we're pretty far late in the game; and we need to focus on  
5 that particular set of issues, rather than more general  
6 things. I'm sure you'll discuss them more generally.

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

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

24 MR. POZEN: But I hope, on this question of the  
25 MD&A and non-GAAP information and there's a certain

1 item -- is of SK that -- yeah. We really need to make sure  
2 that we -- we want to come out with a developed proposal on  
3 that that's pretty specific, because that -- we heard that  
4 quite a bit; and we want -- I mean we should go up or down on  
5 that proposal.

6 MR. COOK: Got it.

7 MR. POZEN: Jeff.

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

11 MR. POZEN: Yeah.

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

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

24 MR. DIERMIER: We've already -- February 15th we  
25 worked and met with the people from the enhanced business

1 reporting consortium, talked extensively about KPIs. We  
2 intend to add a developed proposal recommending an  
3 industry-driven initiative with significant investor  
4 involvement.

5 MR. POZEN: Could I just ask on this that we try to  
6 be -- to be consistent with -- we were on Subcommittee  
7 2 -- activity-based. We have this problem where we have a  
8 company that is involved in lending and it's also involved  
9 with construction. And so what we are trying to  
10 do is get to activity-based rather than make believe every  
11 company in the same industry is in the same functions.

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

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

22 MR. DIERMIER: Okay.

23 MR. GOLDEN: You mean nongovernmental-led.

24 MR. POZEN: That I agree with. We totally agree  
25 that this shouldn't be required and that it should be a

1 bottoms-up, but to try to have, to the extent feasible, an  
2 activity-focused rather than an industry-focused.

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

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

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

24 MR. POZEN: Again, being the realist and the  
25 pragmatist here, you have a pretty big agenda here; and I

1 think it's important for you to finish up what you're doing  
2 on Web sites and make sure that whatever relationship to the  
3 business-wire people is worked out, that we -- that the  
4 KPI -- I mean I think the KPI thing is complicated because we  
5 also had Bob Kaplan made an excellent presentation on  
6 company-specific, so there is some tension where some people  
7 are saying these KPIs should be more company-oriented rather  
8 than activity or industry. So we just need to think through  
9 that.

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

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

18           I think I just -- I just don't think -- if there  
19 are things that come up in looking at releases, where people  
20 are saying -- I think the main thing we're trying to do,  
21 which is in Subcommittee 3 and 4, is, to the extent that  
22 people are saying things in quarterly earnings releases and  
23 these seem to be useful things to say and we don't see them  
24 in the MD&A, we need to think about why it is that  
25 these things, if they're so useful to be said, why aren't

1 they being said in MD&As. Is it legal liability? Is it some  
2 rule or something like that? So we want to give people a  
3 chance to say it, if they choose to say it and if it's a  
4 non-GAAP measure and we already have an extensive rule about  
5 how to reconcile.

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

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

19           I think what we really need to do is, again, be  
20 realistic. We don't really have that much time and we have a  
21 lot on our plate. And that's why in each subcommittee I'm sort  
22 of encouraging you to narrow. And really let's sort  
23 of -- less is more. And we are not trying to be  
24 comprehensive. But in the subjects we do go into, we really  
25 want to have something that is credible and well thought out.

1 And I think that that approach will serve us better.

2 And, as we've all seen, when we've come up with a  
3 proposal, then there are lots of people who want to have  
4 input or want to massage it. So this is not just like our  
5 coming out with the document and then it runs  
6 forward. So this process takes a while.

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

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

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

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

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

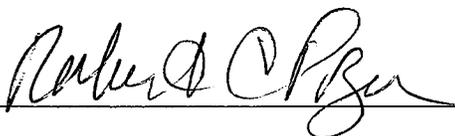
24 And, with that, we're adjourned.

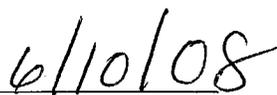
25 (Meeting ended at 10:58 a.m.)

CERTIFICATION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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



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:

Jack L. Acosta – Sumtotal Systems, Inc. Steven E. Bochner, Wilson Sonsini  
Goodrich & Rosati LLP Manish Goyal – TIAA-CREF John J. Huber – Latham &  
Watkins LLP Steve Meisel – PriceWaterhouseCoopers LLP Elizabeth Mooney –  
The Capital Group Companies Barbara Roper – Consumer Federation of America

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

Participants:

Jonathan Chadwick – Cisco Randy Fletchall – Ernst and Young LLP Salvatore J.  
Graziano – Bernstein Litowitz Berger & Grossmann LLP John J. Huber – Latham  
& Watkins LLP Dennis Johnson – CALPERS Scott Richardson – Barclay's  
Global Investors Scott Taub – Financial Reporting Advisors

**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 Jeff 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)

Exhibit B

### 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, CFA, 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 & Grossmann 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