



OCTACHORON

Octachoron Limited offers comments on SEC Proposed Rule on Inline XBRL Filing of Tagged Data File Number S7-03-17

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Context

Octachoron Limited is an independent web, mobile and desktop application developer based near Cambridge, UK. Our current work includes the development of technologies that allow consumers of XBRL data to build, manipulate, and share information from XBRL filings on mobile platforms. We should emphasise that our work is concerned with the consumption, rather than the preparation, of XBRL filings data. We do not provide investment advice.

Octachoron welcomes the SEC's proposed introduction of Inline XBRL

Octachoron supports the SEC in its view that Inline XBRL would be a valuable addition to their existing filing requirements. We agree that Inline XBRL offers a number of improvements for market participants in terms of ease of use, data accuracy, and in allowing filers greater control over the presentation of financial exhibits.

However, we would suggest caution

Nonetheless, a move to Inline XBRL is not necessarily a panacea. We believe that the proposed transition would need to be handled carefully in order to continue the SEC's strong record of encouraging transparency and accessibility in financial disclosures.

We are pleased to see the SEC indicate in its report¹ that the introduction of Inline XBRL is not intended to weaken the reporting requirements on filers as outlined in the EDGAR manual. This is to be achieved by providing extra contextual information via exhibits to the Interactive Data File alongside the main Inline XBRL exhibit.

The SEC will be aware that consumers of XBRL data often require access to detail from the notes to financial accounts. Credit analysis, pension and employee benefits analysis and the examination of management compensation are just three areas where such detail is often used.

¹ <https://www.sec.gov/rules/proposed/2017/33-10323.pdf>. See, for instance, page 26, paragraph 1

We would therefore welcome greater clarity as to how the Interactive Data File as a whole will evolve under the new proposal. In our view, the SEC has the following options:

- 1. Upholding requirements that Inline XBRL filings contain all the mandatory disclosure that currently resides in a standard XBRL filing.** This appears to be the proposal as outlined but we are keen to understand exactly how the SEC intends for this to work, as the sample Inline XBRL filing provided on the SEC's website² contains only a subset of the disclosures that one would ordinarily find in an annual or quarterly report.
- 2. Maintaining a dual track, 'hybrid' process (similar to that employed in, say, Japan) of including Inline XBRL alongside more detailed XBRL disclosure.** Under such an arrangement, the Inline XBRL filing could be accompanied by a full XBRL instance file, with expanded supporting schema and related linkbase specifications. This proposal incurs some redundancy in preparation across filings (albeit limited) and does not address the issue of disconnect across filings which the SEC instances in their report as a significant cause of data errors³.

Given that the detail is not available at present, we would not suggest that the proposed introduction of Inline XBRL will necessarily incur a reduction in data quality. However, we would urge caution in managing the transition to safeguard the access to detailed data that we outline above.

The SEC has an opportunity further to improve ease of use for data consumers

We believe there are aspects of the existing filing requirements that could be reformed better to improve ease of use for data consumers. For instance, data consumers often use medium-term (five to ten year) time series data on companies, compare companies with one another, build bespoke exhibits and generate statistical datasets across the market. Each of these tasks is complicated by the use of "custom tags"⁴, heterogenous labelling of contexts, and different approaches to the presentation of hypercube data, amongst other things. In fact, in order to overcome these issues we currently translate filings into a standardised, compact JavaScript Object Notation (JSON) format in order to facilitate the analyses we believe data consumers require. Such issues could, however, be avoided at source with greater standardisation.

Non-GAAP disclosure is another area in which the SEC could introduce meaningful change. Filers generally include guidance as to how to map non-GAAP disclosure to its GAAP equivalent, but this is not generally encoded within the XBRL filing. We might suggest that filers be required

² <https://www.sec.gov/ix?doc=ixviewer/samples/bst/out/bst-20160930.htm>

³ <https://www.sec.gov/rules/proposed/2017/33-10323.pdf>, pp. 20-21

⁴ <https://www.sec.gov/rules/proposed/2017/33-10323.pdf>, p. 19

to encode such mappings within filings so that non-GAAP metrics can readily be computed from raw XBRL and comparisons drawn across time, sector, and the market as a whole.

The transition to Inline XBRL should not represent a significant challenge to software vendors

We do not believe any of the SEC's proposed changes presents us with an especial technical challenge. The technologies we have developed to build and manipulate individual company information, compare filings across time and across sectors, and compile market-wide statistical analysis, would in principle be unaffected by a change to Inline XBRL filing.

Octachoron thanks the SEC and other interested parties for their consideration of these points. We are at the SEC's disposal should they require further detail on the matters we raise and we look forward to continuing our participation in this discussion.



Marcus Chandler CFA, Director

Octachoron Limited

www.octachoron.co.uk

Company No. 10379713 (England & Wales)

Candlemas Cottage, Rickling Green, Saffron Walden, Essex, CB11 3YG, UK