

November 15, 2004

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, D.C. 20549-0609

Enhancing Commission Filings Through the Use of Tagged Data  
Commission File No. S7-36-04

Dear Mr. Katz:

We are pleased to comment on the concept release of the Securities and Exchange Commission (the Commission or the SEC) to determine the impact and usefulness of tagged data, and more specifically eXtensible Business Reporting Language (XBRL). Ernst & Young supports and actively participates in the XBRL International and Jurisdictional Consortiums' key initiatives for the development of XBRL, and we are hopeful that registrants, users and investors will benefit from the further implementation of data tagging. Our comments and recommendations for the Commission's consideration are discussed in detail below.

**Potential Usefulness of Tagged Data**

Registrants, investors, regulators and other third party stakeholders are demanding high quality, transparent, and understandable information. At the same time, accelerated filing deadlines, expanded reporting obligations and other pressures are placing additional stress on the business reporting environment. To facilitate information collection and sharing, data tagging appears to be a logical enhancement to reporting and sharing financial information in a transparent and reliable manner.

Given the evolution of EDGAR as the freely accessible repository of all public company financial reports, we encourage the Commission's interest in tagged data as a means to enhance the public accessibility, communication and analysis of financial and other filed information. Providing filed data in a tagged format through EDGAR, or a similar repository, will encourage more efficient and reliable quantitative and qualitative analysis by investors, analysts and other financial market participants. Over time, we expect that those market participants will develop more robust analytical tools to leverage a more abundant supply of tagged financial information.

As indicated in our letter to the Commission dated November 1, 2004 regarding Commission File No. S7-35-04, we support the SEC proposal to enable registrants to voluntarily furnish through EDGAR supplemental tagged financial information using XBRL (the Voluntary Program). We believe that the Voluntary Program is an appropriate first step to pilot data tagging. The Voluntary Program should provide a platform for all interested parties to evaluate

the appropriate structure and timetable for any expansion of tagged data reporting through EDGAR.

### **Tagging Approach**

As a general principle, we believe that any data tagging methodology accepted in SEC reports should be a suitable, recognized framework that has been established by a body or group that has followed due-process procedures, including broad distribution of proposed elements for public comment. In our view, the development and maintenance of data tagging approaches should remain the responsibility of private sector entities acting in the public interest. Further, given the amount of time, effort, resources, infrastructure and expertise that would be required for the SEC to develop and maintain its own approach, we believe that the SEC instead should continue to evaluate existing and emerging private sector data tagging approaches.

One potential methodology that would meet these criteria is XBRL. The XBRL International Consortium, a worldwide organization, has been devoted to creating and advocating the standard model. XBRL US, the U.S jurisdiction in the Consortium, has completed various taxonomies to support the use of XBRL and has proposed several industry-specific taxonomies, which have been made available for public comment. Currently, approximately 15 regulators and stock exchanges in approximately a dozen countries are either currently piloting or in the process of embedding XBRL in their processes, including several bank regulators in the U.S. through the Federal Financial Institutions Examination Council.

XBRL taxonomies provide for “extensions,” which allow preparers to develop customized data tags, because the standard taxonomies cannot anticipate or encompass all potential financial reporting circumstances or needs. We expect that any data tagging approach accepted by the SEC would need to provide for similar flexibility. Extensions will facilitate the further enhancement of standard taxonomies, provide flexibility in addressing emerging business and accounting developments, and promote the creative evolution of financial reporting approaches. Accordingly, we doubt that any data tagging approach could be developed, implemented or maintained as a “one-size-fits-all” solution.

However, the XBRL technology is not mature and requires additional development and evaluation. Additionally, there are insufficient XBRL-enabled software tools available today for the market to utilize XBRL on a large scale. We expect that the SEC’s proposed Voluntary Program might provide an impetus for the additional investments necessary to prepare for any broader implementation.

## **Tagged Data in SEC Filings**

The focus of our comments in our letter to the Commission dated November 1, 2004 was to enhance participation in the SEC's proposed Voluntary Program. Our comments below focus on considerations surrounding any extension of data tagging beyond that proposed in the Voluntary Program.

### **Extent of Tagging**

As stated in our November 1, 2004 comment letter, XBRL-tagging under the Voluntary Program initially should be limited to presentations of financial information that are subject to objective standards as to content and presentation, and which are subject to management certification. Accordingly, we believe that the Commission initially should limit data tagging to (1) the annual financial statements, (2) the interim financial statements, and (3) management's discussion and analysis (MD&A) related to either annual or interim periods. Data tagging of these elements of periodic SEC reports is likely to provide the most benefit to users of tagged data and will allow an assessment of the utility of existing taxonomies. Once there is more experience with tagging of complete presentations of financial information (i.e., financial statements and MD&A), then the Commission could consider whether to extend the Voluntary Program to data tagging other elements of periodic reports.

While it theoretically would be possible to tag all information within Commission filings, we suggest that the development of data tagging should be market driven, considering the needs of users and the public interest. The expansion of data tagging beyond financial statements and MD&A will require the development of additional taxonomies and related management and analytical tools. Further, we encourage the SEC to use pilot programs, similar to the proposed Voluntary Program, before any future expansion of the scope of data tagging. Also, any expansion of the scope or depth of data tagging would need to balance the need for flexibility, to accommodate the unique reporting circumstances of individual issuers and to encourage the most meaningful disclosures by all issuers, against concerns that increased customization through the use of extensions may impair the consistency and comparability of tagged data, and the related efficiency and effectiveness of data analysis.

### **Mandatory Tagging**

We urge the Commission to provide adequate notice and transition periods before the implementation of any mandatory data tagging within SEC filings. For companies that have not participated in the proposed Voluntary Program, data tagging may still represent an untested technology. Consequently, their personnel will require training; software will need to be created, adapted or purchased to perform the tagging; and consultants or internal resources will be needed to tag the financial information. In addition, the transition period should allow companies to

make test submissions of tagged data before any mandatory compliance date. In addition, companies should be allowed to provide tagged data with respect to filings of historical periods, so as to facilitate research and trend analysis by market participants.

**Auditor Assurance**

Consistent with our November 1, 2004 comment letter, the Commission should evaluate the market demand for, and the related costs and benefits of, auditor attestation as to data tagging before concluding whether to propose a requirement for auditor attestation. In the meantime, we encourage the SEC to allow issuers to voluntarily provide attestation reports with respect to tagged data presentations. In addition, we encourage the SEC to be sensitive to the need to clearly address issues surrounding auditor association with tagged data. Users of tagged data should be able to clearly understand the degree of assurance regarding the propriety of data tagging provided by (1) the audit or review report on the issuer's financial statements, (2) the audit reports on internal control over financial reporting, and (3) any attestation report regarding tagged data. We recommend that disclosures in submissions of tagged data clearly set forth the issuer's responsibility for the accuracy of the data tagging and the extent of any auditor assurance thereon

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We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Very truly yours,

*Ernst + Young LLP*