



committee on finance & IT

November 15, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

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

Dear Mr. Katz:

The Committee on Finance and Information Technology ("CFIT") of Financial Executives International ("FEI") would like to thank you for this opportunity to comment on the Commission's concept release regarding enhancing Commission filings through the use of tagged data. FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CFIT is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CFIT and not necessarily those of FEI.

We have provided detailed comments in the pages following this letter. Should you have any questions regarding our comments, please contact Bob Shepler at FEI at 202 626-7806 or bshepler@fei.org.

Sincerely,

Garry Lowenthal
Chair, Committee on Finance and Information Technology
Financial Executives International

Taylor Hawes
Vice Chair, Committee on Finance and Information Technology
Financial Executives International

II. TAGGED DATA AS PART OF OUR INITIATIVE TO IMPROVE ANALYSIS AND DISCLOSURE

B. Essential Elements of Data Tagging

1) What are the advantages and disadvantages of using the active pairing approach as compared with the fixed field technology approach?

Active pairing inherently offers flexibility to represent how a company's business is managed or reporting concept is applied. If a company extends the standard GAAP taxonomy, active pairing enables complete presentation of financials and footnotes as a company intended. More importantly it also ensures responsibility for presentation and disclosure remains with the filer. For the Commission, the challenge of comparing and differentiating similar concepts still exists as it does today.

Fixed field approach, similar to IRS forms, works with filings where information is standard or variability of information relatively narrow. In footnotes where disclosures are structured a fixed field approach would be of value, however, XBRL can support fixed field forms and tables.

2) Are there Commission filings, in addition to Section 16(a) beneficial ownership reports, that would better rely on fixed [field] technology? If so, which filings or forms would best use that technology?

Forms where information requested is standard and has little variability, such as Schedules (SC-13D, 13G, Rule 144) and N forms for investment companies.

C. Impact on Disclosure

3) What effect would tagged data have on the ability to use and analyze registrants' disclosure? Is the provision of tagged data in Commission filings preferable to the current system?

We believe tagged data will have a significant impact on consumers of financial information. At a minimum, data would not need to be re-keyed and would accelerate use and timeliness of analysis. The Commission would also benefit from ease of review and ability to compare footnotes and disclosures across companies.

The current process uses external resources that key data and normalize financial statement presentation based upon the assumptions and decisions of analysts that are not employed by the filers. By allowing companies to submit their filings in XBRL, the accountability and control remains with the registrant.

4) Would tagged data have an effect on the quality of disclosure in Commission filings?

Initially tagged data will not vary from current disclosures in Commission filings. XBRL will be viewed as a method for transferring financial information electronically. We believe the potential of XBRL will be in the ability to examine the component parts of financial statement line items and compare them to similar disclosures found in the notes to the financial statements. Companies will compare their XBRL notes to others and establish a set of best practices. As accounting standards continue to evolve, incorporating XBRL components into the process will foster improved financial reporting transparency.

5) Can the usefulness of disclosure be improved in ways other than the application of tagging technologies? For instance, are there alternative solutions (e.g., software products) that reliably facilitate analysis of the text-based information contained in filings today?

We are aware of other initiatives that expand reporting and disclosures, such as Enhanced Business Reporting (EBR), whose charter is to improve the quality and transparency of information. We are not aware of widely available software products that reliably facilitate analysis of the text based filings today.

III. XBRL AND XBRL TAGGED DATA

A. Technology Specification

6) Is the XBRL specification 2.1 sufficiently developed to support the tagging of financial information? Explain whether the specification provides an effective and efficient means for tagging data in Commission filings.

Yes, the XBRL 2.1 specification is a stable specification that has reached a level of maturity that has the capability to support a means for tagging and mapping financial information. In terms of specific GAAP taxonomies, XBRL International asserts that the three GAAP taxonomies developed can support approximately 90% of tagging requirements for a given industry without extension. However, there are specific taxonomies within the XBRL Financial Reporting Framework (USFRTF) that will require further development (such as MD&A and footnotes), and specific industries, such as Oil & Gas, where reporting and disclosure requirements are unique to an industry. The voluntary filing program will provide a process to identify issues associated with the various taxonomies and enable plans to address.

7) Although XBRL specification 2.1 is an open standard available on a royalty-free basis, are there limitations on the ability of filers, software providers or others to freely use the specification?

We are not aware of any limitations on use of the specification. The challenge of using XBRL is in the lack of available software that eliminates some of the complexity of XBRL and the multiple taxonomies in USFRTF. There are many products in development, in which the voluntary filing program will help to motivate the market.

B. Taxonomies

8) What should the Commission's role be in taxonomy development? How could the taxonomies be assessed to determine whether they include the disclosures required by GAAP and Commission rules?

Taxonomy development and process would best be served by the market. We recommend that the process follow a standards development process which would include public review and comment in addition to a FASB review. The Commission should provide oversight to ensure XBRL supports required rules and disclosures as they are finalized.

The Commission will need to address how it will store and provide access to filed instance documents and related taxonomies. It is our belief that the current methodology of taxonomy extension, is not sustainable over time as it will require all consumers of financial information to load each unique version of company taxonomy in order to render the financial statements. There are alternative methods that could address company extensions and use of a single set of standard taxonomies.

9) Are the standard taxonomies sufficient for registrants to submit data tagged using XBRL without extensions? If not, should standard taxonomies be expanded to make extensions unnecessary? If standard taxonomies were expanded to make extensions unnecessary, would the standard taxonomies still be manageable, efficient and useful?

XBRL International has performed detailed analysis of filed financial statements and has asserted that existing taxonomies cover 90% of companies for the targeted industry. Requiring registrants to submit data tagged using XBRL without extensions is similar to the fixed field approach whereby the taxonomy becomes a limitation in the ability to accurately represent financial statements as the company intended. The responsibility for presentation and disclosure rests with the filer today. By limiting the ability to extend the standard taxonomy a risk of less transparent reporting is created, which is contrary to the potential of XBRL.

10) What would be the advantages or disadvantages of permitting registrants (either individually or as part of an industry group) to develop, use, and submit their own extensions? If registrants were permitted to use their own extensions, would it result in better financial reporting with

greater detail than reliance solely on standard taxonomies? Is there any potential that investors could be confused or misled by registrant-developed extensions?

XBRL by design is intended to be extensible so companies can present and disclose information that is useful to consumers of their information and supportive of the the application of accounting concepts. The advantage of permitting registrants to create their own extensions is that it enables companies to present financial statements that are accurate and the best representation of their business.

If taxonomies can be extended, the larger question is what processes and thresholds will exist to enable update and enhancement of standard taxonomies? In addition, as stated above, if each company modestly extends the base taxonomy and includes the extended taxonomy in their filing, what is the process to manage the multitude of taxonomies that potentially could equal the number of filings.

C. Presentation and Analysis of Tagged Data

11) Would it be preferable for registrants to develop and submit their own style sheets to render tagged data into a specific format or for the Commission to provide a standard style sheet? Why or why not?

The Commission in allowing registrants to develop and submit style sheets applications or executable scripts to render tagged data would expand responsibilities of the Commission to ensure these applications or scripts were secure and functioned as expected. The Commission should provide a viewer application that renders XBRL documents as part of filing process to meet this requirement. However, today, companies post their SEC filings on their websites concurrent with SEC filings to ensure investors have immediate access to public information (Reg. FD Release Nos. 33-7881, 34-43154, IC-24599, File No. S7-31-99). We recommend that companies post style sheets or readers on their websites.

12) What is the appropriate level of detail to be provided in rendered financial statements? What standards should be established to ensure a sufficient level of detail in the rendered financial statements?

We recommend that a viewer render the XBRL instance document as furnished in the registrants filing. In terms of level of detail, the Commission and standards setting process could become more directive as to what level of detail is tagged and included as well as requiring minimum levels of detail to ensure sufficient information and disclosure.

13) Are software analytical tools sufficiently developed to analyze the data? What are the fundamental features of such tools?

There are some tools currently in the market, however, they are difficult and challenging to use. We are aware of new tools in development which we are confident that the Commission's voluntary filing program drive the market and enable delivery of new software tools.

Fundamental features of XBRL analytical tools include: 1.) Ability to import both instance documents as well as taxonomy files for multiple companies. 2.) Automatic taxonomy recognition and validation 3.) Data exception handling to correct errors or redefine mapping. 4.) Standard calculation, variance analysis and rendering features (such as ROI/ROA, Trend, etc.) 5.) Ability to link notes to financial statements and run validations 6.) Integrity checks and edit reports

D. Attestation/Validation of Tagged Data

14) If we require or accept tagged data in Commission filings, should accountants attest to the accuracy and completeness of the tagged data? If so, what form should such an attestation take?

We believe that the AICPA's Interpretation to Section 101 of the Statements for Attestation Engagements provides sufficient guidance in this area as well as specific guidance for practitioners to provide assurance on XBRL Instance Documents and Taxonomy Extensions. (Interpretation No. 5 of chapter 1, Attest Engagements, of SSAE No. 10: Attestation Standards: Revision and

IV. INFORMATION FOR AND FILING OF TAGGED DATA

A. Information Appropriate for Data Tagging

15) What information contained in Commission filings would be appropriate for tagging? Only the financial statements? The financial statements and the notes to the financial statements? Should management's discussion and analysis or management's discussion of fund performance also be included? Should Commission industry guide information be included? Should financial schedules be included? What about other information included in the periodic or current reports or other information collected by the Commission? Please provide an explanation for the information that you believe is appropriate for tagging.

The inherent value proposition of XBRL is in the ability to view all Commission filings tagged in XBRL. We believe the voluntary filing program should at a minimum require a complete set of financial statements with a goal of many registrants furnishing financial statements, notes, & MD&A. After the initial filing program has been completed, a prioritization of remaining information, filings and schedules should be performed to ensure taxonomies are developed and supportive of inclusion.

16) Are there specific industries for which data tagging would be easier to implement or the tagged data would be more useful?

Industries where financial reporting and related disclosures are more standard are easier to implement XBRL data tagging. Also companies that are relatively small and would not require extending the standard taxonomies are more straightforward than ones that would need to extend.

17) Should we consider tagging investment company information other than financial statements, such as the prospectus fee table or the table of sales loads and breakpoints? Should we consider tagging registrant or depositor financial statements for insurance company separate accounts issuing variable insurance products?

Investors would benefit from the availability of tagged investment company information other than financial statements. Availability of this data could be incorporated into their analysis and assessment of company performance. Tagging depositor financial statements for insurance company separate accounts issuing variable insurance products, would greatly increase transparency and comprehension of insurance products.

B. Filing of Tagged Data

18) If we were to extend the acceptance of voluntary filings, would it be preferable to accept documents using tagged data as an alternate official filing similar to our current approach of accepting either ASCII or HTML formats? Would it be preferable for us to accept documents using tagged data as an unofficial part of the filing, similar to what is currently done with PDF files?

During the voluntary filing program, registrants may want to file in their current formats (HTML, ASCII, PDF) and furnish in XBRL, but the Commission's preference should be to accept documents tagged in XBRL. The common structure of XBRL-tagged filings will define the future and related infrastructure that will enable efficiencies for both preparers and consumers of financial information.

19) Should tagged data be applied to only certain types of forms? If so, which forms? Should tagged data be applied only to periodic reports? If so, should it be applied only to annual reports on Forms 10-K and N-CSR? Should application extend to quarterly filings on Forms 10-Q and N-Q? Aside from periodic reports, should it be applied to information filed or furnished on Form 8-K? Should it be applied to reports by investment companies on Form N-SAR? Should tagged reporting for investment companies be different than for operating companies?

Tagged data should not be limited to certain types of forms.

20) What are the specific implications for the use of tagged data in filings made pursuant to the Securities Act of 1933? Would using tagged data affect an issuer's ability to access the market or the timing of its offerings? If so, how?

Whether under Securities Exchange Act of 1934, or Securities Act of 1933, the value of tagged data in Commission filings will enable all investors, whether they are institution or individual, the ability to access, compare, analyze and model information. We do not believe that tagging would impact an issuer's ability to access the market or timing of its offerings.

V. IMPACT ON VARIOUS PARTIES

A. Investors

21) What are the likely impacts of the provision of tagged data by registrants on financial analysts, institutional investors, or individual investors? Would the provision of tagged data by registrants result in time and cost savings to investors, such as through reduced data entry or formatting?

The likely impact of tagged data will benefit financial analysts, institutional investors and individual investors in two areas: 1.) Data consumption with XBRL can easily be automated, reducing the time to import information into systems, spreadsheets and analytical tools. The efficiencies gained will shift focus of data entry to content. 2.) Analysis – Time can now be spent analyzing information and applying higher value-added analytics that will further understanding and analysis of a business. We would also expect that comparison of accounting impacts based upon application of accounting principles (i.e. FASB 123 Stock Option Accounting) will easily be normalized across companies to provide more robust comparisons.

B. Registrants

22) Are current accounting or reporting software programs able to tag data? Are the programs able to tag data using XBRL?

Yes. Several leading vendors of accounting and reporting software, including Microsoft Business Solutions (Navision, Great Plains, Solomon, Axapta, and FRx), Hyperion, CaseWare, and SAP SEM, offer capabilities for tagging reports and exporting as XBRL. Some of these vendors have plans to upgrade to XBRL 2.1. For registrants that use Microsoft Office to create and prepare Commission filings, we are aware of a number of software vendors that are working on Office Add-Ins that will support taxonomy extensions and tagged data using XBRL 2.1 standards.

23) What impact would data tagging have on a registrant's financial reporting process? What additional costs would a registrant incur to tag their financial reporting data?

Data tagging will need to become part of a registrant's ongoing financial reporting process. Aside from the initial start up of mapping the industry specific taxonomies to financial statements, notes and MD&A, companies will need to decide what level they will provide tagged data. Once decisions are made regarding extensions and level of disclosure detail, absent significant accounting events (legal settlements, adoption of new accounting rules, acquisitions, etc.), the effort of tagging should be nominal and become routine quarter to quarter.

There will be some startup cost associated with acquiring the software, training, and perhaps consulting, however the ongoing costs should only consist of ongoing software license fees and additional audit fees for compliance with section 101.

24) What would be the advantages and disadvantages of requiring small business issuers to tag data in their Commission filings? Should we exempt small business issuers from any data tagging initiatives? Alternatively, should small business issuers be given more time than larger issuers to transition to the use of tagged data?

Smaller businesses often lack coverage by analysts; submitting tagged data potentially makes it easier for analysts to review their performance and cover these companies. The Commission

should not exempt small businesses, however, recognize that small business will need robust easy to use software that will make compliance or participation more straightforward.

25) What would be the advantages and disadvantages of requiring foreign private issuers to tag data in their Commission filings? Are the implications different if the foreign private issuer reports using home country Generally Accepted Accounting Principles or International Financial Reporting Standards with reconciliation to U.S. GAAP? Should we exempt foreign private issuers from any data tagging initiatives? Alternatively, should foreign private issuers be given more time to transition to the use of tagged data?

Subject to the results of the voluntary program, we do not believe foreign private issuers should be exempt from any data tagging initiatives as long as the applicable home country GAAP taxonomies have been officially recognized by XBRL International. However, given their unique circumstances, we agree that foreign private issuers should be given more time to transition to the use of tagged data.

26) What would be the advantages and disadvantages of requiring investment companies to tag data in their Commission filings? Are there types of investment companies that should be exempt from any data tagging initiatives? Alternatively, should certain investment companies be given more time than other investment companies to transition to the use of tagged data?

Investment company registrants will incur the same level of effort as other registrants in first time start up costs. The benefit of XBRL tagged data is consistent with other registrants will enable reporting transparency and disclosure.

C. Accountants

27) What effect, if any, would the use of tagged data have on the quality of and the time required to conduct audits and test internal controls?

XBRL has the potential for providing a common structure that would enable accountants and auditors to improve the quality of audits and an ability to systematically test internal controls. The notion of “real-time” auditing through a registrant’s enterprise resource planning system will be possible when audit tools are developed to take advantage of XBRL capable systems.

Under the recent Sarbanes Oxley Act of 2002, XBRL integration into systems could provide significant benefits to both registrants and auditors, in their support of Section 302 - Rules requiring CEOs and CFOs to certify financial and other information in their companies' quarterly and annual reports. (disclosures controls and procedures) Section 404 - Annual management report on and auditor attestation of a company's internal controls over financial reporting. (internal control assessment & testing) Section 403 - Accelerated deadlines and mandated electronic filing of disclosures of insider transactions in company stock. (connection to internal stock transaction systems)

D. Other Parties

28) What effect, if any, would the submission to and availability of tagged data on EDGAR have on other parties?

We believe the benefits of tagged data will, when broadly implemented, permit parties such as the financial press and government agencies to quickly and efficiently access and compare specific data that is of interest to them. Most importantly, it enables interested parties to analyze financial information with the same rigor irrespective of company size and resources.