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December 16, 2004

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

**File No. S7-36-04**  
**Enhancing Commission Filings Through the Use of Tagged Data**  
**Release No. 33-8497**

Dear Mr. Katz:

This letter is the response of KPMG LLP to the Securities and Exchange Commission's request for comments on the concept release regarding enhancing filings with the Commission through the use of tagged data (the Release).

**Introduction**

We support the Commission's initiative to improve the timeliness, accuracy, and analysis of information included in public filings. We also support the use of tagged data as a means to enhance the retrieval, search, and analysis capabilities of financial and other information included in filings. We believe the use of tagged data will enable investors and other market participants to more efficiently and effectively analyze data.

Tagged data improves the flexibility to analyze data because a user can select, store, and exchange information using automated means. Tagged data also increases the speed of handling data and it improves the accuracy of information by reducing the amount of manual intervention and through automatic checking of information for consistency. We believe that the use of eXtensible Business Reporting Language (XBRL) provides a useful tool to tag data.

Our views on certain of the concepts discussed in the Release are summarized as follows:

- Overall, tagging data using XBRL offers an appropriate combination of structural discipline and reporting flexibility to meet individual registrants'



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reporting needs. Standard taxonomies undergo rigorous “due process” thereby providing consistency for registrant filings, while extensions enable registrants to capture the unique characteristics of their individual filing information.

- The ability of registrants to use company-specific extensions is an important element of disclosure because it improves the ability of users to better understand a registrant’s financial information and disclosure. A “one-size-fits-all” approach to taxonomy development is not only unlikely to be attainable but also undesirable because it would not allow registrants to prepare their financial information based on their unique circumstances.
- The Commission’s role in taxonomy development should be limited to SEC-specific disclosure requirements. Development and maintenance of taxonomies should continue to be led by registrants through the XBRL consortium.
- Accountants may attest to the accuracy and completeness of tagged data, however the incremental value of auditor attestation will be determined, in part, by whether tagged data will be viewed by the Commission as part of a registrant’s financial statements, which are audited, or as supplemental information, which is not subject to audit or attestation procedures.

While there may be many benefits of tagging data in Commission filings, the cost to registrants of new systems and processes will need to be considered in relation to such benefits. Our responses to certain questions contained in the Release follow.

### ***Tagging***

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

The key advantage of the active pairing approach is the increased flexibility that occurs from tagging data rather than entering data into a fixed field. Flexibility in presenting information is important because registrants must use judgment and discretion in order to prepare financial statements in accordance with generally accepted accounting principles (GAAP). For example, GAAP requires certain information to be disclosed, but it may not specify whether the information should be disclosed on the face of the basic financial statements or in the notes to the financial statements. An active-pairing approach can accommodate both types of presentation. A fixed-field approach does not provide this flexibility.



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In certain circumstances, the fixed field approach may be superior such as when comparability of a large amount of data is of primary importance. While the active pairing approach also facilitates comparability, a user needs to understand how the data is defined and tagged to ensure the data is comparable.

The active pairing approach may also better align with the business processes of the Commission. Filings with the SEC must comply with applicable rules and regulations. However, the requirements usually do not specify a rigid, fixed format. Therefore, the flexibility enabled by the active pairing approach is generally more useful. However, in places where the data is well-defined, such as in the Section 16(a) beneficial ownership reports, tagging with the fixed field method is appropriate. The choice of method is driven by the reporting process that tagged data is trying to improve.

**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?**

As indicated in the previous section, there may be certain instances in which the fixed field technology may be appropriate. However, tagged data using the active pairing approach has essentially the same capabilities as the fixed field technology plus additional flexibility. Therefore, we believe extensive use of fixed field technology is not desirable or appropriate.

### ***Disclosure***

**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 are unable to assess if it is preferable, but providing tagged data in Commission filings would be a useful supplement to the current system. We believe the use of tagged data would:

- Increase the automation of the analysis process by allowing users of the financial information to render the tagged data in a way that meets the user's needs. In contrast, much of the analysis today begins with manual intervention such as re-entering data from a registrant's filing into another application before any analysis can begin.
  - Increase the usefulness of data in registrant's filings by making it easier for a user to locate the desired data and/or compare the data with other registrants.
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**Would tagged data have an effect on the quality of disclosure in Commission filings?**

It is difficult to define quality of disclosure in the context of tagging data because the completeness and clarity of disclosure is, to a large extent, a matter of registrant judgment. However, we believe the use of tagged data could improve the quality of disclosures in the following ways:

- Improve the transparency of disclosures by allowing users to understand how a registrant applies the taxonomy and uses extensions.
- Help automate the process of ensuring consistency of data within a registrant's filing. For example, certain data may appear in multiple places within a filing. Tagging data may help to reduce errors.
- Improve the accuracy of data through error checking.
- Improve comparability with other registrants' financial information through the use of industry-specific taxonomies.
- Through the taxonomies, provide a link from the tagged data to the applicable accounting literature or SEC requirements. This link may allow a user to quickly and accurately identify information and disclosures that are intended to satisfy specific accounting and SEC disclosure requirements.

**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 not aware of any alternative solutions that reliably facilitate analysis of text-based information other than by the application of a tagging technology. The text-based information can be tagged using solutions such as XBRL, an open standard available on a royalty-free basis, or other proprietary products available from software vendors for a fee.

***Technology Specification***

**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.**

We believe the process of open review and design that supported the creation of XBRL 2.1 has ensured that it is appropriate and sufficient for the tagging of financial information. The specification is effective in the sense that it balances the need to support



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standard taxonomies and the need of registrants to report company-specific data. It is efficient in the sense that data is not repeated unnecessarily.

**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 limitations on the ability of filers, software providers or others to freely use the XBRL specification. The intellectual property of the XBRL specification is made available with the same freedoms as the HTML specification. The XBRL 2.1 specification is long, complex, and uses other standards (such as XLink) or features of standards (substitution groups in XML Schema) that many software developers may not be familiar with. However, the level of effort in understanding and developing software is comparable to that required to develop software for similarly complex standards, such as FpML or XML Schema itself.

### *Taxonomies*

**What should the Commission's role be in taxonomy development?**

We see no reason at this time to substantially modify the current process by which taxonomies are developed. The current process relies on the joint collaboration by preparers, standard setters, accounting firms, and others with the requisite knowledge to make informed judgments about how data should be tagged. We believe the Commission's role in taxonomy development should be the contribution to the XBRL consortium of information about SEC-specific disclosure requirements, as well as general review and commentary on an equal, relative basis with other participants in the "due process" currently administered by the XBRL consortium. Increased involvement or oversight by the SEC staff could result in de facto rulemaking by the Commission.

We believe registrants, working through the XBRL consortium, are in the best position to develop taxonomies. Once developed, the taxonomies will need to be maintained as a result of new accounting pronouncements and changes in practice. Given the skills and investment required to maintain the taxonomies, the XBRL consortium may be in the best position to lead the maintenance effort with continued participation by preparers, standard setters, accounting firms, and other appropriate parties.

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**How could the taxonomies be assessed to determine whether they include the disclosures required by GAAP and Commission rules?**

Taxonomies could be assessed using the following methods:

- For each industry-specific taxonomy, review all relevant GAAP and SEC disclosure requirements to ensure completeness and accuracy.
- Create instance documents for a sample of registrants using the applicable taxonomy. Compare the instance documents to existing registrants filings to identify differences in the presentation and disclosure of financial information.
- Build rule sets to check the taxonomies for accuracy and internal consistency. For example, when defining financial data elements, a determination is made as to whether data is “as of a point in time” or “for a period of time.” A rule set can be created to ensure that all data elements tagged for the balance sheet are as of a point in time and all elements assigned to the income statement are for a period of time.

**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?**

Standard taxonomies are not sufficient for registrants to submit tagged data without extensions. Use of extensions is an appropriate and valuable method for registrants to preserve and highlight their company-specific information. As a result, we believe the use of extensions improves the transparency of a registrant’s filing.

A taxonomy models the financial reporting requirements of GAAP as tailored for a specific industry. When there is diversity in financial reporting practice within an industry as to how information is presented or disclosed, the taxonomy is based on what the majority of companies report. It is unlikely that any one registrant’s financial reporting data would exactly match the industry-specific taxonomy because most registrants have some unique circumstances that must be disclosed in their financial statements. For example, the financial statement captions used by the registrant may differ, the order of captions on the financial statements may differ, or level of detail provided in the basic financial statements may vary. Extensions allow the registrant to capture all unique components of its financial statements.

In addition, extensions can be used by registrants to account for recently issued accounting pronouncements or SEC requirements until the taxonomies are updated. Use



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of extensions in this capacity will allow users of the information to understand how the registrant has complied with the new rules.

In summary, we believe it is not possible to try to create standard taxonomies that are so comprehensive that they obviate the need for extensions by registrants. A taxonomy cannot be developed that contemplates all possible scenarios for all registrants. Furthermore, trying to create a “one-size-fits all” taxonomy without extensions may actually reduce the transparency of a registrant’s filing if that taxonomy does not address a registrant’s circumstances. As previously stated, each registrant is unique and the registrant can use extensions to highlight company-specific information. Therefore, we do not believe it appropriate to attempt to develop a comprehensive taxonomy that covers all registrants, nor do we think it is cost beneficial to attempt such standardization.

**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?**

As previously discussed, extensions developed by registrants (individually or in groups) allow a registrant to clearly provide specific information that is relevant to their circumstances. We believe this is a useful form of reporting transparency. Allowing registrants to use company-specific extensions also allows users to determine differences in what may appear to be comparable items. For example, operating profit may be calculated differently by two registrants in the same industry. The reason for the difference can be determined by analyzing each registrant’s extensions.

Another advantage of extensions is that registrants can tag the data to more accurately reflect and align that data with untagged versions of the same disclosures in a registrant’s official filing. That is, extensions can be used as a “bridge” between the standard taxonomy and a registrant’s financial statements.

We do not believe that the use of extensions introduces confusion into reporting financial data. Registrants are currently afforded discretion in determining disclosure content.



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### ***Presentation***

**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?**

Style sheets are computer programs. Using a style sheet submitted by a registrant would involve allowing the program to run on the computer systems of the Commission. This creates a security risk and may result in hardware and software compatibility issues. These concerns have already led to the Commission's policy of not allowing executable programs to be submitted as attachments to registrant filings. The Commission's current policy of not allowing any executable attachment to HTML filings should be extended to include prohibiting any executable file to be associated with XBRL-formatted data.

We believe it is preferable that the Commission create its own applications for displaying tagged data rather than rely on a variety of applications provided by registrants.

**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?**

If the SEC chooses to provide a means to render the financial statements using XBRL tagged data, we believe the level of detail to be provided should be the same as the level of detail used by the registrant to prepare their financial statements in their official filing. Less detail would risk misleading users of the financial information and more detail may obfuscate critical disclosure elements.

### ***Attestation/Validation of Tagged Data***

**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?**

An accountants' attestation report can take several forms, depending on the characteristics of the data subject to attestation, the suitability of the measurement criteria, the intended use of the accountants' report, and the level of assurance, if any, expressed by the accountant. The attestation standards, including Statement on Standards for Attestation Engagements (SSAE) No. 10, *Attest Engagements*, provide guidance and establish a framework for a variety of attest services. In addition, Question 5 "Attest Engagements on Financial Information Included in XBRL Instance Documents" of the AICPA's Interpretations of SSAE No. 10 states that an accountant should only perform



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an attestation engagement if her or she has reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users. Guidance is provided indicating that the XBRL taxonomies and XBRL International Technical Specifications meet the available and suitable attributes under the attestation standards. Once XBRL taxonomies have undergone appropriate due process, we believe that accountants should be able to attest to the accuracy and completeness of the tagged data.

Before determining the propriety of attesting to the accuracy and completeness of tagged data in Commission filings, we believe it necessary for the Commission to address the following questions:

- Will the tagged data be covered by management's certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act?
- Will the tagged data be considered part of a registrant's books and records, as defined in the Securities Exchange Act, and therefore subject to audit procedures in connection with an audit of a registrant's financial statements and internal control over financial reporting?
- Will the tagged data be provided as other information (similar to information that registrants provide to comply with industry guides)? While this information is not subject to audit, auditors are required to read the "other information" contained in a registrant's annual report pursuant to Statement on Auditing Standards No. 8, "Other Information in Documents Containing Audited Financial Statements."
- Will tagged data replace all data currently filed on the EDGAR system? If so, what element(s) of the tagged data (e.g., the financial data) would be subject to the registrant's internal control over financial reporting?

The Commission's determination of the above matters may impact the incremental benefit attributable to an independent attestation of tagged data.

If the Commission concludes that some form of independent association with the tagged data is necessary, independent auditors may perform procedures such as comparing a registrant's rendered instance document to the underlying financial information and tracing and agreeing the instance document's tagged information to the financial information. We believe the necessity for separate attestation of tagged data may be better left for market forces to decide.

### ***Information Appropriate for Data Tagging***

**What information contained in Commission filings would be appropriate for tagging? Only the financial statements? The financial statements and the notes to**



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**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 appropriateness of tagging data is a question of the cost to registrants and the benefit to users of the data because XBRL is not constrained by the type or amount of data being tagged. Determining the type and amount of data to be tagged primarily depends on whether tagging supports and is aligned with the needs of the Commission and the users of the data included in the filings of registrants. Eventually, taxonomies can be developed to tag all information contained in a filing.

However, the degree of utility for tagged data may be directly related to how unique and specific the link is for the data to technical GAAP or SEC requirements. For example, industry guide information, which is made up of data defined by the SEC separate and apart from financial statements, may more easily lend itself to tagging than certain disclosures in management's discussion and analysis that is primarily comprised of text and may satisfy more than one specific SEC disclosure requirement. Tagging data may also be difficult when a registrant uses cross-referencing to the financial statements to comply with an SEC disclosure requirement. We believe that most numerical data included in filings, such as financial schedules and selected financial data, is appropriate for tagging.

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

We do not believe that there are certain industries for which it would be easier to implement data tagging than others. All industries must go through the same process to develop a taxonomy and each registrant must then apply the taxonomy and develop their extensions.

**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.**



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The Commission should consider tagging information other than financial statements such as the items described in the preceding paragraph. As indicated, previously, most numerical data is appropriate for tagging and subject to cost/benefit considerations.

### *Accountants' Impact*

#### **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?**

We believe that the availability of reliable tagged data developed pursuant to appropriate standards will facilitate the performance of substantive analytical auditing procedures, including trend and ratio analysis. While the use of tagged data may enhance the effectiveness of certain financial statement auditing procedures, we do not believe that, given the existing financial reporting model, that it is possible to determine whether tagged data will have a measurable affect on the time required to conduct audit and test internal controls. Naturally, benefits associated with making reliable data available to auditors will depend, in large part, on the specificity of the data and the timeliness of its availability.

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We appreciate the opportunity to comment on the Release. If you have any questions about our comments, please contact Teresa Iannaconi at (212) 909-5426, Melanie Dolan at (202) 533-4934, or Campbell Pryde at (212) 872-3830.

Very truly yours,

*KPMG LLP*