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November 1, 2004

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

**File No. S7-35-04**  
**XBRL Voluntary Financial Reporting Program**  
**on the EDGAR System**  
**Release No. 33-8496**

Dear Mr. Katz:

This letter is the response of KPMG LLP to the Securities and Exchange Commission's request for comments on its proposed rule regarding the XBRL voluntary financial reporting program on the EDGAR system (the Proposed Rule).

**Introduction**

We support the SEC's initiative because it will facilitate searching, retrieving, and analyzing information using automated means. We believe that the use of eXtensible Business Reporting Language (XBRL) provides a useful tool/format to accomplish these objectives. We believe the use of "tagged" data would provide a wide-range of benefits to preparers, users, and distributors of financial information and other market participants.

The Proposed Rule permits a registrant to voluntarily undertake parallel reporting by furnishing XBRL data in addition to the required financial reporting requirements. The voluntary program will allow interested registrants, investors, and others to develop greater familiarity with XBRL. We believe the voluntary program will provide valuable insight into the benefits and challenges of using XBRL. This knowledge can be used to evaluate XBRL reporting for expanded use in the future including potential filing requirements using XBRL.

A summary of key observations relative to the voluntary financial reporting program follows:



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- Voluntary participation – Use of a voluntary, rather than mandatory, program is the best way to test and evaluate XBRL reporting. The demands on filers' financial reporting resources in the current environment makes mandatory participation impractical.
- Access to XBRL data – The public should have access to the XBRL-tagged data during the voluntary program. This will provide users of financial information with the opportunity to assess the capabilities of the XBRL and can be used to identify areas for future enhancements.
- Furnishing XBRL data – During the voluntary program, XBRL-tagged data should be furnished rather than filed. The additional liability to registrants associated with filed information would be a disincentive to participate in the voluntary program. Participants should be permitted to provide this data after they have filed the related financial statements.
- Tagged Information – Taxonomies related to the basic financial statements of most registrants have evolved to a level that should be adequate for this voluntary program. Significant additional effort is needed to develop taxonomies for the notes to the financial statements and other financial information. Therefore, participants in the program should not be required to provide XBRL-tagged data for the notes to the financial statements or other financial information. Participants should also be permitted to use extensions to tailor the taxonomies to company-specific circumstances.
- Attestation and Certification – Because the XBRL technology and the related taxonomies are continuing to evolve, auditors should not be required to attest to XBRL-tagged data during the voluntary program. Furthermore, the XBRL-tagged data should be excluded from the certification requirements.

### **Voluntary Program**

We support the use of a voluntary program. A voluntary program will allow companies with a suitable mix of technological expertise and available resources to assist with building and evaluating an XBRL reporting system that facilitates analysis of financial statements.

The voluntary program will provide an opportunity to evaluate the quality and maturity of XBRL taxonomies and tools and the usefulness of XBRL financial reporting. However, a voluntary program may not necessarily reveal all issues in the development, receipt and processing of XBRL-formatted data since a voluntary program may not result in a representative sample of filers based on size, industry, etc. that would be more indicative of the entire population. However, a mandatory program would not be advisable at this time when financial reporting resources are constrained. Given the



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significant challenges faced by issuers in 2004 and 2005 to comply for the first time with reporting on internal control over financial reporting and accelerated filing deadlines, we believe a voluntary program is the most practical approach to testing an XBRL reporting program at this time.

If a sufficient number (or type) of filers elect not to participate in the voluntary program, the Commission should consider soliciting, but not requiring, additional volunteers to participate in the program to ensure adequate representation from all types and sizes of filers. This approach will help ensure that the Commission obtains participation from filers that adequately represent the overall population of filers. On the other hand, if it becomes necessary to limit participation in the program because of technical limitations or other factors, the Commission should consider limiting the number of participants while preserving a representative cross-section of the filers as described above.

#### ***Determining Participants***

We believe participation in the voluntary program should be open to all interested participants. This will provide the Commission with input from a wide array of filers of varying size and industry.

We do not concur with the Proposed Rule's exclusion of foreign private issuers or foreign governments that use non-US GAAP standard taxonomies. Although a taxonomy has not yet been developed that specifically addresses US GAAP reconciliation, we believe that a voluntary filing phase presents an appropriate opportunity for filers to develop an extension for purposes of participating in the voluntary program.

#### ***Access to XBRL-Formatted Data During Voluntary Program***

We believe the public should have access to the XBRL-formatted data through the SEC website during the voluntary program. Access to this information will increase the awareness of users of financial information (e.g., investors, analysts, regulators, etc.) of the capabilities of XBRL and it will facilitate feedback from users.

However, we strongly encourage the SEC to make it very clear that the XBRL-tagged data is being provided in connection with a voluntary program to test the XBRL technology. Furthermore, it should be made clear that this information is not a substitute for a complete set of financial statements prepared in accordance with US GAAP as included in volunteers' official filings, nor has the information been subject to audit, review or any other form of attestation by the filers' independent registered accountants.



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### **Technical Form and Content Considerations**

In order to provide meaningful comparisons and analysis, XBRL-formatted data is prepared based on a standard taxonomy. The XBRL Consortium has developed the US Financial Reporting Taxonomy Framework, which is a collection of XBRL taxonomies that can be used to express industry-specific financial statements. Industry-specific taxonomies are being developed with input from preparers and users of financial information, industry experts, and specialists in XBRL technology. The taxonomies are subject to comment during a due process procedure to allow input from interested parties. We believe that the level of due process involved in preparing the taxonomies is far enough advanced such that the taxonomies are adequate for purposes of the voluntary program. Input obtained from filers and users of financial information during the voluntary program can be used to further refine the taxonomies.

### ***Tagged Information***

As it relates to the basic financial statements (balance sheet, income statement, statement of cash flows, and statement of changes in stockholders' equity), industry-specific taxonomies based on US GAAP have been drafted that will cover a significant number of registrants including commercial and industrial companies, banking and savings institutions, and certain types of insurance companies. Drafts of these taxonomies have been released for public comment. Taxonomies covering other industries are expected to be prepared and available for public comment in the near future. While development of the taxonomies for the basic financial statements is in the advanced stages, significant further effort will be required for the XBRL US jurisdiction to develop taxonomies to tag the notes to the financial statements and other parts of a registrant's filings (e.g., management's discussion and analysis). Consequently, we believe that the current taxonomies are not sufficiently developed to fully support a robust financial reporting model.

In order to furnish a complete set of financial statements (e.g., the basic financial statements and the notes), a filer in the voluntary program would need to build a substantial company extension of the basic taxonomy. While the current draft of the US GAAP taxonomy provides a mechanism to capture note information by using an extension, the data comprising the notes to the financial statements is captured in a combination of string and numerical elements that do not distinguish all note data in specific XBRL elements. The net effect is that the ability to extract and analyze detailed data in the notes is limited at this point. We believe that with the continued development of the US GAAP taxonomies, this issue will be resolved.



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Although it is possible to tag individual notes or specific elements within the notes using extensions, we do not believe the time and cost involved to develop extensions for each note and/or elements within notes should be required for purposes of the voluntary program. We believe volunteers should be permitted, but not be required, to submit XBRL-tagged data for all, none or only selected notes of their choice using XBRL tagging. This practice would allow filers, at their option, to assess the costs associated with creating extensions for specific notes. Once filers have had some experience in developing the taxonomies for the notes, the requirement for tagging all of the notes using XBRL may be an appropriate modification in future rule proposals.

While we believe it is not necessary to tag the notes during voluntary program, sufficient data points need to be tagged using XBRL to allow for a meaningful assessment of the XBRL technology. In order to support the objectives of the voluntary program, we believe filers should submit XBRL-tagged data for all of the basic financial statements (balance sheet, income statement, statement of cash flows, and statement of changes in stockholders' equity). This will allow users of the financial information to assess the analysis capabilities supported by XBRL-tagged data. Specifically, providing XBRL-tagged data for all of the basic financial statements will allow a more comprehensive and integrated analysis of the financial information including the interrelationship of information on different statements (e.g., computing return on assets, comparing cash flows to debt levels, etc.) without the burden of developing taxonomy or extensions for the notes to the financial statements.

In summary, we believe the taxonomies have been developed in sufficient detail to allow the Commission to assess the feasibility of XBRL through the voluntary program. We believe it is not necessary to delay the evaluation of the XBRL technology until a complete US GAAP taxonomy has been finalized because registrants are currently filing full financial information through the EDGAR system and volunteers in the program have the ability to supplement the current taxonomies using company-specific extensions.

### ***Extensions***

A taxonomy models the financial reporting requirements of US GAAP as tailored for a specific industry. When there is diversity in financial reporting practice within any industry, the taxonomy is based on what the majority of companies report. It is unlikely that a specific company's financial reporting data would exactly match the industry-specific taxonomy because most filers have some variation 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 (i.e., some companies may disclose information in the notes to the financial statements while others disclose the same information on the face of the financial statements). Extensions allow the registrant to capture all unique



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components of its financial statements. Taxonomy builder software is available to assist companies with the creation of taxonomy extensions and the tools and techniques for creating these extensions is improving rapidly.

We support the use of extensions in the voluntary program because we believe that the use of an extension enhances, rather than diminishes, the comparability of financial information among companies. Specifically, if a company is required to use a standard taxonomy, the comparability may be reduced as different data is combined under one caption resulting in a loss of linkage to the official financial statements. The use of extensions allows a company to tailor the US GAAP taxonomy to match the manner in which they report financial information within the confines of US GAAP. The existence of such extensions allows a user of the financial statements to determine the manner in which these financial statement line items are compiled by analyzing the US GAAP taxonomy in conjunction with the company taxonomy. Items the filer deems relevant to be disclosed on the face of the financial statements and distinctions between company specific elements and taxonomy elements would be lost if the filer could not use their own extensions.

### ***XBRL Specifications***

As new taxonomies are developed and existing taxonomies are finalized/updated, the most important factor to consider is that the taxonomies are compliant with US GAAP. In addition, the taxonomies must meet technical specifications of XBRL, which is currently XBRL 2.1 and the XBRL Financial Reporting Taxonomy Architecture (FRTA), in order to ensure they are compatible with the current technology and standards and to maximize the benefits of tagging data using XBRL. Without adherence to these specifications, the Commission's ability to use the data may be reduced significantly.

### ***Displaying XBRL-Tagged Data***

The Commission has indicated that it intends to develop and provide via its website an application or a standard template to render the XBRL information in human readable form. We do not believe it is necessary for the Commission to provide a "display service" for XBRL-formatted data because users of the financial information already have access to human readable data through the EDGAR system.

We believe one way to increase the value to users of financial information is to provide an application that allows users to download the XBRL tagged data into another application, such as an electronic spreadsheet. Many users of this information, such as analysts and investors, have developed models and templates to analyze the data. Providing an application that allows the user to download the information would allow the user to manipulate the data using their model or template without having to re-enter the data.



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If the Commission determines that a display service available on the SEC website is necessary, a careful distinction has to be made between a template and rendering system which adapts to the filer's instance document and extensions. A template will always be inadequate for documents that use extensions. By definition, the template can only cover standard captions from the US GAAP taxonomy, not captions from the filer-specific extension taxonomy. Given that we expect most filers to use extensions, the standard template will fail to serve the purpose of displaying most documents accurately. Furthermore, the ability to create a sufficiently robust rendering system that can render taxonomy and extension data is possible; however, the process can be difficult and time consuming. Therefore, we do not believe it is feasible to develop and provide a rendering system during the voluntary program.

#### ***Timing and Method of Filing***

We concur, as proposed, with allowing volunteers to submit XBRL-tagged financial information after filing the related financial statements. Preparing an XBRL submission at the same time as other filings or within a limited timeframe would add a level of unnecessary burden to the filer.

We agree that submitting the XBRL-tagged data in a Form 8-K or Form 6-K is an acceptable alternative for submission. Given the increased number of Forms 8-K filed by registrants, we suggest that the Commission consider assigning a distinct Form 8-K item number so that this information can be easily distinguished from other submissions on Form 8-K. We believe a separate item would help investors and other users of the data to quickly identify the information as a tool for analysis that should not be confused with more complete financial information filed in periodic reports or otherwise filed or furnished on Form 8-K.

#### ***Furnish vs. file***

We concur with the provision in the rule, as proposed, to allow XBRL-related information to be furnished rather than filed. We believe the lower liability standard associated with furnished rather than filed information is consistent with the Commission's objective of encouraging registrants to participate in a voluntary program. The increased legal liability associated with filed information may cause certain registrants who would otherwise participate in the program to elect not to participate.

#### **Attestation and Certification**

We do not believe it is appropriate for auditors to attest to XBRL-tagged data during the voluntary filing program. While the American Institute of Certified Public Accountants (AICPA) has addressed attestation of financial information included in XBRL instance



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documents in Interpretation No. 5 of Chapter 1, Attest Engagements, of Statement on Standards for Attestation Engagements No. 10: Attestation Standards: Revision and Recodification (AT Section 101), the Public Company Accounting Oversight Board has not yet addressed this area. In addition, even the AICPA's interpretation acknowledges that standard taxonomies being developed that have not yet been subject to full due process and XBRL entity extensions may not represent suitable and available criteria as described in paragraphs 24 through 34 of AT Section 101. As discussed above, the taxonomies are continuing to be developed and are subject to change during the public comment period.

Once finalized, registrants and auditors will need adequate time to understand and apply the taxonomies to their financial information. Finally, registrants and their auditors are currently adjusting to the requirements of Section 404 of the Sarbanes-Oxley Act. Adding an additional attestation requirement as part of the voluntary program may be a disincentive to participation.

As it relates to the voluntary program, we believe the certification requirements of Rule 13a-14 and 15d-14 under the Exchange Act and Rule 30a-2 under the Investment Company Act should not apply during the voluntary program. Requiring the officers of the company to certify the XBRL data may discourage participation in the voluntary program.

#### **Assessing Usefulness of Data to Users**

We recommend that the Commission solicit feedback from potential users of the information furnished under the program. For example, a survey could be developed and distributed to the following groups to determine if the XBRL-tagged data meets their needs:

- Investors
- Analysts
- Company Filers
- Exchanges
- Regulators
- Auditors

In addition, the Commission should consider monitoring the level of access to the XBRL-tagged data (i.e., number of users that access the information).

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

Very truly yours,

KPMG LLP

