



November 18, 2004

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

Re: File Number S7-35-04

Dear Mr. Katz:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Securities and Exchange Commission's (the "SEC") Proposed Rule: *XBRL Voluntary Financial Reporting Program on the EDGAR System* (the "proposed rule").

We commend the SEC for its proposal to enable registrants to voluntarily submit supplemental tagged financial information using the eXtensible Business Reporting Language ("XBRL") format as exhibits to specified EDGAR filings under the Securities Exchange Act of 1934 (the "Exchange Act") and the Investment Company Act of 1940 (the "Investment Company Act").

We support the SEC's approval of the proposed rule. Further, we believe that the program can and will be enhanced by collaboration of market participants, including the SEC, in the development of appropriate taxonomies, software applications, and other tools that will continue to enhance the production, consumption and analysis of information contained in business reports.

We have provided our answers to the questions included in the proposed rule and respectfully submit them to the SEC for consideration. PwC participated in the XBRL-U.S. Adoption Working Group (the "group"). Combined commentary on this proposed rule was developed in collaboration with the group. These collaborative responses were distributed to the entire XBRL-U.S. Membership. As a result, there may be some common themes as well as language in this response and those of other members of the group.

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the staff may have. Please do not hesitate to contact Jay P. Hartig (973-236-7248), Mike Willis (813-340-0932) or Virginia S. Benson (973-236-5422) regarding our submission.

Sincerely,
PricewaterhouseCoopers LLP

V. SPECIFIC REQUEST FOR COMMENTS

1. Is the proposed rule permitting volunteer filers to furnish financial information in XBRL appropriate? Is there a better way to accomplish testing and analysis of XBRL data?

We believe that it is appropriate to permit the voluntary furnishing of financial information in the XBRL format because the collaboratively developed, royalty-free XBRL business information standard is uniquely positioned to fill three primary needs of every business information producer and consumer:

- Lowering the cost of producing and consuming business information by helping to automate information gathering and exchange processes within organizations and across the business reporting supply chain.
- Increasing the transparency of business reports by making the information contained within them accessible upon publication on the Internet in an automated manner and then instantly re-usable in analytical software of choice.
- Facilitating better decision making by enabling users to access more of the information from various sources, which means the scope of routine analysis can be expanded at little or no incremental cost.

Because these benefits are priorities for all corporate reporting supply chain members, including registrants, the SEC and investors stand to gain by converging around the common XBRL standard. When combined with the voluntary filing program, the SEC is laying the foundation and providing incentives for market participants to collaboratively and openly work to address the issues that need to be resolved in order to effectively test and evaluate XBRL.

First among those issues is establishing an appropriate market feedback mechanism. Market feedback is critical for further building out the structure of industry and sector taxonomies, enhancing and adding features to reporting, taxonomy building, and analytical software, educating all market participants about the need for XBRL enabled reporting, and developing methodologies for assurance on information in XBRL reports. The proposed rule is a first step in responding to this issue.

Second, the proposed rule makes it possible for interested filers, investors, and others in the supply chain to work with the XBRL standard, thereby developing familiarity, experience and comfort with it, and creating channels for communicating their respective needs to other relevant market participants.

Working collaboratively to address open issues and gaining hands-on experience in using the standard are both prerequisites for contemplating, and ultimately implementing, a more inclusive filing program, whether mandatory or optional, in the future.

Generally, we believe that the SEC's proposed voluntary filing program is the best way to accomplish testing and analysis of XBRL data. While there may be other options for testing XBRL, none are intuitively "better" than the initiative the SEC is now proposing. In order to evaluate XBRL, the standard needs to be in use by a significant number of market participants. For that to occur, there must be a common area in which market participants can use and evaluate the standard on a test basis. If the SEC finds the results of this voluntary program to be inadequate, it can then evaluate other options for a pilot.

The SEC might consider limiting the optional filing attachments to only Forms 10-K and 10-Q in the early stages of the filing program. This could prove beneficial to both software makers and registrants in the very early stages of working with XBRL. By specifying which attachments should be XBRL-enabled, the SEC would help give software makers more time to incorporate and more quickly perfect XBRL capabilities into their tools. This, in turn, will make it easier for registrants to recognize when their voluntary submission contains "the same" information as another filing (and when it does not), which will affect the determination of whether to extend a standard taxonomy.

In particular, one focus that would be most appropriate would be to delineate more clearly how to use the program as a channel for enhanced business reporting (EBR) and other best practices in disclosure. One approach might be to provide more structure for informational disclosures within the Management's Discussion and Analysis (MD&A) section of the Form 10-K filing.

2. For purposes of the program, volunteers can furnish in XBRL format, among other types of financial information, a complete set of financial statements. Are there special issues or difficulties raised by providing notes to financial statements in XBRL format? If so, should we permit volunteers to furnish financial statements in XBRL format if they omit the related notes? Should we allow volunteers to furnish in XBRL format some but not all financial statements (e.g., only a balance sheet)? Should we also allow tagging for other items, such as Management's Discussion and Analysis or Management's Discussion of Fund Performance that are part of existing taxonomies?

Although we believe that providing the notes to financial statements in XBRL format will present special issues and difficulties, we believe that the notes should be part of the XBRL instance. These special issues would not be caused by XBRL *per se*, rather, they would relate to choices and decisions made by XBRL voluntary filers involving new XBRL capabilities for addressing existing shortfalls in communicating information to consumers. The intermixture of text, numbers, graphics, and tables of varying types in notes introduces complexities that the more straightforward data presentation in the primary financial statement tables does not. Volunteer filers will encounter three broad challenges to transitioning the notes into the XBRL instances:

- 1. Data References.** Unlike a discrete financial statement element, such as the single numeric values for "Cash," or "Administrative Expense," notes can include

references to multiple financial statement items, non-financial statement data, and non-numeric data, all from multiple periods and dates. Therefore, a determination is needed as to whether there must be tags around every fact within the notes (or some specified types of facts), if the data must be tagged both individually (the fact alone) and corporately (the fact in the context of the text or table in which it is found), or if there is enough benefit to including the notes as “solid” blocks (essentially as they are in the HTML format). If a decision is made that data within notes should be tagged, additional taxonomy extensions may be needed and the two central issues become (1) determining the “level of detail” at which information will be tagged and (2) communicating search parameters clearly to end users so they know what can and cannot be queried in an effective manner.

However, tables of numerical information in a note will have been created using the same spreadsheets and other software tools as those used to create the financial statements. Therefore, any XBRL tools that provide the ability to integrate smoothly into the flow of business reporting can be expected to drive efficiencies in the notes, just as they would in the primary financial statements. In fact, the notes should not require any more work, proportionally, than any other parts of the report. But the *benefits* in terms of data validation and usability of the information to investors can be significant.

2. **Data Derived from Presentation.** In the notes to the financial statements, data can be presented in any number of presentation layouts, including as graphs or tables. However, the financial statement tables themselves offer no such freedom because the format is prescribed as a table. Further, XBRL instances will introduce a new complexity because the data underlying a graphic exhibit is meant to be part of the information conveyed to the reader and therefore management may need to clearly identify for users what the data is, explain how it was used in the official report, and offer instructions on how users can recreate the original graphic using the data. It may be possible for management to provide a picture of the original graphic in the instance document instead of or in addition to the data. Including such elements as part of XBRL instances using Scalar Vector Graphics (SVG) may be one way to accomplish this.
3. **Word Processing.** Notes may be presented as long blocks of text composed of one or more paragraphs, including sub-paragraphs and bullets. Current tools for creating XBRL instances are largely manual in their nature, and have limited word-processing capability because the software designs never contemplated text manipulation as a foundational need; XBRL is not about “What You See Is What You Get” but about “what information do you want?” Such basic word processing capabilities as new paragraph markings and blank lines are limited in current word processing and analytical software applications tools. Moreover, at present, few existing XBRL tools assist the publisher in parsing individual facts from the midst of blocks of text, and fewer process information found in the notes in any manner other than offering them for presentation for users’ review.

The notes are an integral part of the financial statements and must be part of the XBRL instance. However, from a practical standpoint, the notes in the XBRL instance could differ in appearance and content from the notes in the financial statements. Thus, the SEC and volunteer filers will need to decide whether the XBRL instances should be bound to the paper paradigm (and, if so, how tightly) or whether it is more beneficial for the differences between the paper-based and XBRL formats to be apparent right from the start of the program (and how far they should differ).

We also believe that all financial statements should be included in the XBRL format. To the extent that the notes present obstacles that would deter registrants from volunteering, perhaps the SEC could limit the notes required to be filed in detail (by allowing more than blocks of text to be embedded in a single tag representing the note). For example, the SEC could specify that filers need to provide notes represented in XBRL related only to revenue recognition, stock option plans, segment information, commitments and contingencies, pension and certain key subjects by industry before allowing either entire financial statements or notes to the financial statements to be omitted completely.

The SEC should also allow tagging for other items, such as MD&A or Management's Discussion of Fund Performance, that are part of existing taxonomies. The current U.S. Financial Reporting Taxonomy Framework includes a very basic taxonomy for MD&A that is intended to provide information related to the Management Report that typically accompanies public-company external financial reports.¹

This basic set of taxonomy concepts should be enhanced over time. How those enhancements occur may be a broader question for the SEC to consider, bearing in mind the following concepts on the structure of MD&A information:

- **Framework.** A framework is needed for the information included in the MD&A section. This framework should address macro-level disclosure considerations for companies such as: market analysis; company strategy; activities creating value and performance metrics.
- **Market Effort.** Capital-market participants should form a consortium to drive taxonomy development for MD&A.
- **Industry Orientation.** Development of MD&A taxonomy concepts for use in the SEC filing process should follow the industry orientation approach currently suggested for the existing taxonomies and proactively involve leading and active companies, industry associations, the analyst community, and other stakeholders in each industry sector.
- **Standard Process.** Taxonomy development for MD&A concepts should follow a common and public standards development process, such as that outlined in Section 553 of the Federal Administrative Procedure Act.

¹<http://www.xbrl.org/us/fr/rpt/mda/2004-08-15/usfr-mda%20Summary%20Page.htm>

Over time, the closer the voluntary program comes to resembling an actual, perhaps mandatory, XBRL filing program, the more valuable it will be in demonstrating to registrants and their stakeholders the related benefits. Perhaps most importantly at this stage, this would also highlight the areas in which feedback and collaboration are needed to improve and enhance reporting and consumption for all business reporting supply chain members.

3. Are the standard taxonomies in the voluntary program sufficiently developed? If not, explain what further development would be necessary. Please address taxonomies with respect to specific industries or types of companies if you have information or views on these. Is the taxonomy builder software sufficiently developed that volunteers would be able to create extensions as needed?

In our view, the U.S. draft taxonomies should be sufficiently developed by 2005 to meet the voluntary program's needs. The XBRL taxonomies currently available for use in the proposed pilot program target industries that account for over 90% of major U.S. public companies. Although the taxonomies aim to cover 90% of the disclosures found in a Form 10-K filing, this proposition is, as-yet, relatively untested — it is only through the effort of encoding a larger number of XBRL instances using the taxonomies that it can be determined how well these goals are achieved and how these taxonomies can be enhanced through appropriate extensions to meet company reporting requirements.

The XBRL development process does require that a taxonomy submitted for approval include valid tagged business reports based upon that taxonomy. XBRL taxonomies have been used successfully in a number of projects to produce tagged business reports for a range of public companies. However, statistics of tags added or unused, and coverage of the information in the samples, have not been rigorously collected, and in any event have, at times, been tainted by the relative inexperience of the staff doing the tagging and the relative newness of the taxonomies.

In general, taxonomy coverage of the primary financial statements is more detailed and more mature than the notes. This is not to imply that the notes are of any less importance but simply that more effort to date has been focused on the structured, largely numeric data in the primary financial statement tables. Certain more prominent notes include tags in substantial detail, while many notes are accommodated at the more summarized levels only. At this point in time, this situation may be acceptable as many of the filers using XBRL as early adopters may seek only to tag at a summarized level.

SEC interest in XBRL will result in expanded use of, and feedback on, the taxonomies. XBRL-U.S. members intend to capitalize on that expanded use to drive market interest in further enhancing the level of detail in all areas of the taxonomies and to use the transparent collaborative processes of the consortium to advance this.

Taxonomy development software *per se* is not so much the bottleneck for building extensions as is the relative lack of *instance building* tools that allow incremental changes

to a taxonomy to be immediately and seamlessly reflected in the file under construction. Even today, only one vendor's product can claim this level of integration. That said, we are aware of multiple development efforts under way and are confident that the needed extension building capability will be more broadly available in a range of instance development tools in time to contribute to the voluntary filing program.

4. What specific criteria should be applied to determine the adequacy of the standard taxonomies?

We believe an appropriate definition for “adequate” would be “beneficial and useful to the market” and, under this definition, conclude that today’s standard taxonomies are adequate if volunteers can represent their primary financial statement tables with relatively few extensions, such that at least 75% of the data in the primary financial statement tables can be represented in XBRL instances. Perhaps more importantly, we suggest that the SEC also explore how to measure the quality of the extensions and how to ensure management communicates the criteria underlying the determinations to file extensions. These considerations, including decisions to customize a taxonomy to more strictly parallel a paper presentation or to compromise on existing concepts, attributes and relationships, facilitating reuse, will require market consideration of the tradeoffs in which volunteers determine that a taxonomy definition of a specific item differs “significantly enough” from their own that the taxonomy cannot be used.

5. Should we include other standard taxonomies in the voluntary program? If so, specify which ones and explain why you believe such taxonomies are sufficiently developed.

Some filers may find that certain of their reporting concepts are included within existing industry sector taxonomies. Others may seek to share a taxonomy (software and services, for example) and will thereby leverage a common taxonomy. Most, if not all, will supply an extension taxonomy with their filing to capture all of the relevant reporting concepts. The XBRL International Financial Reporting Taxonomy Architecture (FRTA) can be considered a prototype for the SEC’s guidance on taxonomy extension quality². Additionally, there are several specific taxonomies that we believe are appropriate for the voluntary program. Other taxonomies may be appropriate to specific foreign filers who are reporting under more than one set of GAAP, e.g., U.S. GAAP and IFRS GAAP. In these cases, the foreign filers may choose to leverage other GAAP taxonomies in addition to (not in place of) the U.S. GAAP taxonomy.

The use of these taxonomies and information standards should be encouraged during the voluntary program to identify those which may have relevance to the market.

² <http://www.xbrl.org/TechnicalGuidance/>

6. Should we allow foreign private issuers or foreign governments who use non-U.S. GAAP standard taxonomies to participate in the voluntary program? If so, how should this be implemented? What adaptations, if any, would be needed? How would U.S. GAAP reconciliations be handled in a voluntary XBRL submission?

We believe that foreign private issuers or foreign governments who use non-U.S. GAAP standard taxonomies should be allowed to participate in the voluntary program. This should be implemented in the same manner as the U.S. GAAP taxonomies. The SEC would need to permit the company, other standards bodies (such as the International Accounting Standards Board “IASB”), or the XBRL organization to publish the non-U.S. GAAP taxonomy on the SEC’s website or provide a reference to the foreign taxonomy at a *permanent* location. The registrant would need to provide the reconciliation to U.S.-GAAP as a company extension.

7. We plan to permit all filers to furnish XBRL data as an exhibit to Exchange Act and Investment Company Act filings so long as they use one of the specified standard taxonomies and form types. Should we further limit participation, such as by size or specific industry? Should we allow volunteers to furnish XBRL data with Securities Act filings?

Although we believe that the voluntary program should generally be as inclusive as possible of both filers and filings, we believe that submissions under the proposed voluntary program should be limited to Exchange Act and Investment Company Act filings. This will keep resources focused on the specific information set and related processes for the most widely used filings, rather than diluting market efforts by including forms that are not as widely used in assessing company performance. However, over time, registrants could begin to submit other SEC filings formatted in XBRL as their own systems and processes are enhanced to both produce and consume information across a wide range of applications.

We also believe that further restrictions based on size or specific industry are unnecessary and could potentially reduce the usefulness of reported information when analyzing program results across industries and/or in comparing companies. Let the market participants assess the benefits and opt in or out on their own.

8. We have proposed that XBRL data furnished by volunteers must be the same financial information as in the corresponding portion of the HTML or ASCII version. Should we allow volunteers to present less detailed financial information in their XBRL data?

We believe the XBRL data should be the same as financial information prepared in accordance with U.S. GAAP in order to avoid being viewed as inadequate or as false or misleading and to provide context for users. As an information-format standard, XBRL is meant to empower report preparers to make all content decisions according to their own considerations. However, the term “less detailed” needs clarification. “Less detailed”

should not mean it is acceptable to report revenue and leave out expenses or to exclude the relevant note disclosures. To some extent, management's desires and intentions in communicating information to consumers determines the extent and detail of company disclosures in today's reports, and should do so in reports offering XBRL-tagged data.

The identification and tagging of more or less detailed information should consider:

- **Processing of extensions.** Company extensions allow for more precise communication, provided that the information consumer has an XBRL-enabled tool.
- **Simplification of information reported.** Given the orderly structure of the U.S.-GAAP taxonomy, a financial reporting process that uses XBRL may choose to take a simpler, less company-specific approach and just use what the U.S.-GAAP taxonomy provides.
- **Relevance of detailed versus summary information for users.** It is not always the case that more data is better for all users, particularly if the detail simply overwhelms the reader without appropriate tools to filter the results.

9. In order for the XBRL version of the financial statements to have the same level of detail as the HTML or ASCII version, we expect most companies would file extensions to the standard taxonomy. If you expect that companies would file extensions to the standard taxonomy, explain why extensions would be necessary. Would there be some companies that do not expect to file extensions? If not, explain why. Would the use of extensions harm the comparability that otherwise would exist among volunteers that use the same standard taxonomy?

In defining what "the same level of detail" means, the SEC should underscore that it is not speaking in terms of making the XBRL reports conform to the paper paradigm, but that it recognizes the fundamental differences between paper reports and XBRL reports and, in that context, seeks "the same level of detail." Paper reports offer a presentation of information; with XBRL reports, presentation is of secondary importance, offering exponentially more data than available in paper reports. We are concerned that if registrants view "the same level of detail" in the context of the paper paradigm, every one of them will be filing extensions for reasons that do not add quality to the reported information but make the XBRL report "read" like the paper report.

To move away from the paper paradigm and encourage comparability, we believe that, with respect to extensions, the SEC should focus on quality in terms of guidance and regulation. The SEC does not need to get involved in defining the tags or setting goals to

achieve quantities of filing and data. The market can determine those for itself. The SEC can leverage the FRTA³ for its guidance on extension quality.

Even for highly structured reporting practices (e.g., investment management), every company may require at least a minimal extension for their unique reporting requirement.

The current presumption of comparability — within existing reporting concepts (GAAP) and formats (e.g., paper, HTML, PDF) — may not be completely valid as comparability concepts at the individual reporting element level may be absent. For example, two companies that have similar labels for a certain element may not be comparable due to differences in their underlying operational segments, product mixes, and financial-statement item definitions.

This compatibility issue results from the existence of reporting principles that are not supplemented by specific definitional meanings for individual reported elements. Within the current reporting context, the tagging of individual reporting elements may imply a level of comparability that does not exist or is not apparent because of the surrounding context of the reported information. Because individual tagging requires that a company explain its definition of elements to investors, companies will either defer to the standard taxonomy definition of the element or elicit market feedback via the explanation for whether its individual definition adds value or not.

Company extensions to standard taxonomies (e.g., company-specific labels, new elements for subtotals, changes in presentation hierarchies) may have little impact on the comparability of data. The introduction of new elements via a company-specific taxonomy may impair comparability in the short term. However, depending on where the elements are added to the taxonomy hierarchies, it may not impact the comparability of more aggregated data. In the longer term, the extension of taxonomies is a transparent tool to help companies and their investors understand changes (subtle or significant) in the nature and context of the reported information. These extensions provide a valuable map of reporting enhancements, which can be used in subsequent taxonomy efforts for a specific industry, industry sector, and/or for the entire market.

10. Are there any confidentiality concerns regarding submitting extensions? If so, what are they?

We do not believe there are confidentiality concerns regarding extensions made to public domain taxonomies for reports intended for public distribution. Company extensions provide XBRL tags for concepts and disclosures that are already included in the filer's official EDGAR filing. These extensions provide no additional information beyond that reflected in the official filing.

³ Information on the FRTA can be found in the following two locations:
<http://www.xbrl.org/Announcements/FRTA-17-Aug-2004.htm> and
<http://www.xbrl.org/TechnicalGuidance/>

If filers use a poorly constructed taxonomy, however, *not* making an extension or reporting a given fact will implicitly convey *more* information than intended. One of the purposes of FRTA is to ensure that published taxonomies, the extensions filed by companies, and the instances themselves as governed by the Financial Reporting Instance Standards (FRIS) are consistently constructed⁴. Guidelines in FRTA address this and caution against the inclusion of terms that represent optional disclosures without having the requisite taxonomy structures and accompanying terms that make it clearer how they relate to the required terms. The SEC's best approach is to not just require XBRL but at a minimum to strongly encourage compliance with FRTA and FRIS as well.

Market participants may create their own, private extensions to public taxonomies that are used for their own private purposes (e.g., quality controls checks, analytical rules, disclosure guidance, specific process oriented business rules). These private extensions are not publicly exposed and therefore do not present confidentiality concerns. Further, some investors may develop private extensions of public taxonomies for analytical use and may elect to share these with other investors. These private uses of taxonomy extensions do not impact the confidentiality of company information. Rather, they enhance the transparency of reported information, improving market analysis.

11. We are contemplating allowing volunteers to submit XBRL data as an amendment to their filings or with a Form 8-K or Form 6-K that references the filing that contains the financial information to which the XBRL data relates. Should we require volunteers to submit XBRL data at the same time or within a specified number of days from the time they submit their official filing? Would this present difficulties for volunteers? Should we require volunteers to submit XBRL data only as an exhibit to the filing to which the XBRL data relates (i.e., remove the option to submit the XBRL data as an exhibit to an otherwise unrelated Form 8-K or Form 6-K)?

We believe that volunteers in this program should not be required to submit XBRL data at the same time as their official filing and should be permitted some additional time after the submission of the official document to file their XBRL reports. Factors to be considered in the early stages of the voluntary filing program include:

- Immaturity of tools;
- Lower awareness levels of XBRL taxonomies and tagging processes;
- Manual nature of current reporting processes at most registrants; and
- Other regulatory requirements, including Sarbanes-Oxley Section 404, which requires significant corporate resources.

⁴ For information on FRIS, see Goodhand, Mark, Hamscher, Walter (editors), Financial Reporting Instance Standards 1.0, dated 2004-10-12; <http://www.xbrl.org/TechnicalGuidance/>

As a result, the corporate reporting environment for volunteers participating in the program will be particularly challenging. Accordingly, any stipulations requiring that XBRL data be submitted with or shortly after the official filing could deter participation in the voluntary filing program.

To be clear, it is important that the SEC ask registrants to identify which required filing an XBRL submission corresponds to as this will increase the usability, through specific identification, of the XBRL filings in the market.

12. We plan to develop and provide via our website an application for a standard template to render the XBRL information in human readable form. What are the advantages and disadvantages of our requiring the use of such a standard template? For example, could a standard template prevent a volunteer from presenting its XBRL data in as much detail as, and in a manner substantially similar to, the financial statements in its official filing? Should we only develop standard templates for certain industries? Instead, should we allow each volunteer to submit its own template for rendering the XBRL data?

While it may prove very useful in the early stages of the voluntary program for registrants to have an SEC-provided template for rendering XBRL data, ultimately companies are likely to prefer their own rendering. The reason is that registrants can achieve significant flexibility in communicating their information to the market by offering their own renderings. For the moment, however, the SEC's template may serve as a default during the learning process. On the user side of the reporting equation, consumers (e.g., investors) may also prefer that companies offer their own rendering rather than using a "default."

13. As to the voluntary program, we propose to exclude XBRL-Related Documents from the certification requirements of Rules 13a-14 and 15d-14 under the Exchange Act and Rule 30a-2 under the Investment Company Act and we state that the XBRL-Related Documents should omit audit opinions and review reports. For purposes of the voluntary program, should officers of the company certify the XBRL data? If so, what should the certification criteria be? Should auditors be required to attest to the data? If so, what should their attestation requirements be? What are the advantages and disadvantages of requiring certification and attestation? What complications would arise if a volunteer presented an audit or review report in its XBRL-Related Documents?

In the initial phase of the voluntary program, we recommend that the SEC allow registrants to determine whether they want to offer certification on the XBRL formatted reports. We believe that requiring certification on company reports formatted in XBRL has no disadvantages for the market, only advantages.

In addition to the certification question, we recommend that a management letter related to the XBRL formatted report be provided by the volunteer filer. This letter could

describe management's basic decisions involving the use of taxonomies and policies about instance creation, including the correlation to printed financial statements and other relevant resources, the selection of taxonomies, additions and adjustments to the base taxonomy or taxonomies, and the level of tagging detail. We have published draft prototypes of such representations in an academic publication journal article which should soon be found online⁵.

The current absence of audit standards for XBRL formatted reports is a complication that needs to be addressed in the near term. The current lack of audit and/or review reporting guidance on an XBRL-formatted report adversely impacts the professional's ability to render such a report. Stop-gap measures may be taken, however, a more comprehensive and complete approach for audit on XBRL formatted reports needs to be undertaken by the relevant regulators with input as desired from the profession and interested market participants.

The initial phase of the voluntary program provides a valuable opportunity to enhance audit standards for the additional information attributes of XBRL filings. We therefore urge regulators to develop these standards and would be pleased to participate in this process as requested. General enhancements to the audit standards may include: acknowledgement of 'documents' distributed over the Internet; assessment of the taxonomies referenced within the company report; assessment of the more granular nature of information within the XBRL formatted report; and eventually the security of the accountants reports and linkage to company reports provided over the Internet.

We believe there would be value in including an XBRL-representation of audit opinions and review reports using the "US Financial Reporting - Accountants Report (USFR-AR) Taxonomy"⁶. Important contextual information contained in the Accountants Report (such as "Change in Accounting Principle") may affect proper understanding and analysis of the information contained in the XBRL formatted business report. Although that original Accountants Report does not cover the XBRL instance itself, we believe the option of including the report should be left open to the volunteer filer.

During the initial phase of the voluntary program, registrants may consider using the guidance for attestation (and certification criteria) on XBRL Instance documents within "Interpretation No. 5 of Chapter 1, Attest Engagements, of SSAE No. 10: Attestation Standards: Revision and Recodification (AT section 101), as amended" titled "Attest Engagements on Financial Information Included in XBRL Instance Documents."⁷

5 Cohen, Eric E., "Customize or Compromise: XBRL's Paradoxical Power," Canadian Accounting Perspectives, Vol. 3 No. 2, 2004)), soon to be found at <http://www.caaa.ca/publications/cap.html> .

6 <http://www.xbrl.org/us/fr/rpt/ar/2004-08-15/usfr-ar%20Summary%20Page.htm>

7 http://www.aicpa.org/members/div/auditstd/announce/XBRL_09_16_03_FINAL.htm

In the longer term, we believe market participants will demand the original audit report, certification and XBRL-specific audit report considerations as a prerequisite for accepting the information contained in a company's XBRL formatted business reports.

14. Should the XBRL data be considered filed or furnished for purposes of the voluntary program? Why? Would filers be more or less likely to participate in the voluntary program if the information were deemed filed? To encourage participation in the voluntary program, should liability protections be increased beyond that proposed? For the protection of investors, should liability protection be decreased from that proposed? Is there any reason to provide liability protections under the Securities Act if, as proposed, volunteers cannot submit XBRL data with Securities Act filings and XBRL data is deemed not incorporated by reference?

For the initial stage of the voluntary program, the SEC should consider the XBRL data "furnished" and not "filed." We believe the lower liability associated with "furnished" data will encourage participation in the program, whereas liability associated with "filed" data will discourage program participation. As the XBRL report-filing process matures, the SEC should consider XBRL data "filed" to encourage market use of the data.

The SEC will need to find the right balance between minimizing liability to encourage XBRL adoption and keeping the bar high enough that the data is treated with the same diligence as other reported information. The SEC should encourage companies to communicate with investors on the scope of content included within the XBRL formatted reports, the maturity of that content, and management's assertions around the content. If the ultimate goal is for XBRL submissions to be considered "as filed," liability protection must ultimately be the same as for any other "as filed" submissions.

15. As proposed, the liability protection provisions require that information in the XBRL-Related Documents be the same as the corresponding information in the official filing and that information in the official filing not be materially false or misleading. Also as proposed, to the extent information in the XBRL-Related Documents differs, it would be deemed the same if the volunteer had made a good faith and reasonable attempt to make it the same and, as soon as reasonably practicable after the volunteer becomes aware of the difference, the volunteer amends the XBRL-Related Documents to make the information the same. Is it appropriate to deem the information the same under these conditions? Under what, if any, conditions should the information be deemed the same?

We believe it is appropriate to deem the information in the XBRL-Related Documents the same as that in the official filing under the conditions outlined in the voluntary filing program. As Interpretation 5 of AT 101 ("Attest Engagements on Financial Information Included in XBRL Instance Documents") suggests, changing how content is presented does not change the content itself. This principle applies to information presented on paper or in the XBRL format. However, instead of using the term "the same," we recommend using the term "consistent with the official filing" where this consistency is a

principles-based test for such attributes as “accurate,” “complete,” “genuine,” “equivalent time period,” and other additional criteria that the market demands. Also, as we stated previously, it is important that the SEC make it clear that it is not advocating volunteers use the paper paradigm as the basis for making XBRL enabled information “the same;” as there are inherent differences in the information contained in static HTML or PDF documents from that found in XBRL formatted documents.

We also recommend that the SEC offer a safe harbor in the voluntary program’s initial phases by deeming information in the XBRL report “consistent with the official filing” under these scenarios:

- Significant reporting events that occur after the official report is filed but before the XBRL report is filed do not impose upon registrants an obligation to disclose such events in the XBRL report (i.e., the XBRL report should offer information on events that were included in the official report; there should not be a subsequent event disclosure requirement)
- If errors are found in the official filing, registrants should be permitted to amend the XBRL filing in addition to the official filing.

Providing registrants with relief from the rigid application of official-filing legal requirements allows volunteers to keep their focus where it needs to be in these early stages: on developing familiarity with XBRL by using it and re-engineering their reporting processes to leverage the power of automated information gathering and analysis for better management decisions and more effective stakeholder communication.

16. How should we determine how useful the tagged data is to users of the information?

The SEC and its staff are users of the information, and, therefore, a key test of how useful the tagged data is should be whether it enables the SEC and its staff to meet its own obligation to timely review filings. At least one academic study⁸ has shown that a useful metric is the amount of time an analyst needs to find desired information. Another study⁹, by PricewaterhouseCoopers, showed that improved analyst ability to determine the quality of disclosure led to a lower perceived information risk. Finally, whereas the causal relationship to usability has not been established, there is empirical evidence directly correlating the quality of disclosure with a lower cost of capital¹⁰. The best utility metric for tagged data would be objective and based on the double-blind methodology of

8 Hodge, F. D., Kennedy, S. J. and Maines L. A., “Does Search-facilitating Technology Improve Transparency?,” *Accounting Review*, July 2004; <http://ssrn.com/abstract=351440>

9 Thomas, Alison, “A Tale of Two Reports,” *European Business Forum*, Issue 16, Winter 2003/4, p. 79-81

¹⁰ Botosan, Christine and Plumlee Marlene A, “A Re-examination of Disclosure Level and the Expected Cost of Equity Capital,” *Journal of Accounting Research*, Vol. 40 No. 1, March 2002 and Botosan, Christine, “Disclosure Level and the Cost of Equity Capital,” *The Accounting Review*, Vol. 72, No. 3, July 1997, pp. 323-349; http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2926

these studies, although this may require a larger volume of voluntary filings than can be initially contemplated.

In the meantime, if there are metrics the SEC uses today for judging the value of information, it may be appropriate to extend those to include the voluntary XBRL filings. As a cautionary note, if current metrics are based only on usage and access at the level of an entire filing, they may produce misleading results since a fundamental rationale for XBRL filings is the ability to access information at a more granular level. Accordingly, there should be some way of determining whether the XBRL filing is being used in exactly the same way as the current filing or whether it is being used as intended, as a source of richly tagged data for analytic applications.

Metrics based on user surveys of perceived value should be undertaken later in the voluntary program, which may help to correct for bias caused by individual users unfamiliar with either how to prepare or consume XBRL-tagged data.

17. What specific steps can we take to encourage registrants to participate in the voluntary program?

Lowering liability associated with XBRL reporting versus that of official reports is a prerequisite for encouraging registrant participation in the program. The SEC also can help drive demand by educating and offering training to market participants. As part of such training, registrants —and other marketplace participants — need to understand that the voluntary program offers an opportunity to test and learn XBRL and become familiar with the standard before such time as it may become mandatory. Overall, the SEC should establish a collaborative relationship with registrants to promote awareness of the standard and its benefits to the entire marketplace.

VI. GENERAL REQUEST FOR COMMENTS

We request comment not only on the specific issues we discuss in this release, but on any other approaches or issues that we should consider in connection with the voluntary program. We seek comment from any interested persons, including those required to file information with us on the EDGAR system, as well as investors, disseminators of EDGAR data, EDGAR filing agents, accountants and any other members of the public.

Other issues that XBRL will help to address include:

- **Security of reported information.** This is an issue that exists today and has been exploited in specific fraud situations. XBRL, XML signature and other XML standards will help ensure that consumers of financial-reporting data can verify its origin.

- **Comparability of reported information.** As noted, the comparability of information is assumed today. XBRL may inadvertently imply enhanced comparability; however, the development of concepts that actually promote comparability is needed.
- **Scope of reported information.** The existing taxonomies and information guidance in certain areas is in need of development, such as for MD&A. The development of an information framework architecture and related structure will enhance filer reporting in this area.
- **Frequency and timeliness of reporting.** The barriers around information access, validation, and analysis within the corporate reporting process are largely based upon existing manual processes and related manual controls. Leveraging an information standard such as XBRL will enhance the throughput, frequency, and control of the business information flowing through the filers reporting processes and into the capital markets.

The SEC and other market participants should expect that the re-engineering of information throughout the corporate reporting supply chain may take several reporting cycles as filers and other market participants acclimate to the enhanced tools and collaborate on development of a broader and more encompassing taxonomy. Although the collaborative and iterative development of taxonomies will be an opportunity for the SEC and other market participants to address some existing issues and prospective opportunities, we believe that participation in this collaborative process will be facilitated by less, rather than more, oversight by any single market participant, including the SEC.

The primary mandate for adoption and enhancement is economic in nature. The benefits to each grouping of market participants is well outlined in a range of literature on this topic; but in summary, XBRL will work to enable a lower cost for production and consumption of business information for all market participants. The economic implications of this ‘standardization’ message as a follow up to the Sarbanes-Oxley requirements resonate with both filers and their stakeholders alike.

A key next step in the market adoption and participation in the voluntary program is the enhanced awareness and education of market participants. We applaud the SEC’s efforts in this area and pledge to work with other market participants to this end.

VII. PAPERWORK REDUCTION ACT

B. Request for Comments

We request comment to evaluate the accuracy of our estimates of the number of participants and the burden of the proposed collections of information and to determine whether there are ways to minimize the burden on respondents. Any member of the public may direct to us any comments concerning the accuracy of these burden estimates and any suggestions for reducing burdens.

Cost estimates need to be made against an appropriately wide frame of reference, and should not be narrowly focused on single-shot, non-repeatable financial-statement tagging. Initial costs of set up and re-engineering of processes must be balanced against longer-term expected cost reductions through the efficiency gains that result from automating reporting processes. The SEC estimates fall short in that they are based on the needs of most companies to automate what are today almost entirely manual reporting processes, take into account only costs associated with preparing information but not consuming it and, finally, leave out the anticipated cost savings over time as adoption spreads to more processes inside companies and to more processes of external information exchange.

VIII. COST-BENEFIT ANALYSIS

C. Request for Comments

We request comment on all aspects of this cost-benefit analysis, including identification of any additional costs or benefits of, or suggested alternatives, to the proposed rules. Commenters are requested to provide empirical data and other factual support for their views to the extent possible.

Cost estimates will vary considerably depending on assumptions and facts of a given situation. The voluntary program is one of the ways in which the cost can be observed. Benefits can be quantified using studies of investor behavior in the face of improved disclosure; they accrue disproportionately to companies that are able to use the quality of their disclosures to distinguish themselves from other capital seekers that the market values with a similar risk/reward profile.

Automating Manual Processes. While it is true that every registrant's information environment is unique and therefore the costs of automating processes will be unique, it is also fair to say that most companies are starting from a position in which reporting is almost entirely based upon a series of manual tasks. While it may take upfront costs to deploy XBRL, the benefits of XBRL adoption include permanent redeployment of money and people from manual reporting tasks which offer no added business value, to work that does add value to the business – such as using information for analysis and decision making.

Reducing Information Production and Consumption Costs. Applying XBRL tags to company data does not just help preparers automate their reporting processes; it also helps information consumers automate their information gathering processes. Whether the consumer is a manager accessing internal data stores in real time to evaluate company operations and opportunities, or an investor accessing information management provides externally for valuation purposes, the improvement in using information throughout the supply chain is too significant not to incorporate into the cost/benefit equation. With XBRL the entire business reporting supply chain benefits —information preparers (who

are the primary target of the Paperwork Reduction Act) and information consumers (who are generally not addressed by the Paperwork Reduction Act).

Efficiency Gains and Reduced Costs Over Time. Reductions in cost estimates will occur as the XBRL enabled tools allow preparers and consumers to work more efficiently, pushing the technical ramifications into the software (background) and, as taxonomies are matured through use, extension and collaborative participation in their revisions.

IX. INITIAL REGULATORY FLEXIBILITY ANALYSIS

G. Request for Comments

We encourage the submission of comments with respect to any aspect of this IRFA. In particular, we request comment on the number of small entities that would be impacted by the proposals; the existence or nature of the potential impact of the proposals on small entities as discussed in the analysis; how to quantify the impact of the proposal; and how additional exemptions could be made for small entities while remaining consistent with our goal to assess tagged data. We ask commenters to describe the nature of any effect and provide empirical data and other factual support for their views, if possible. These comments will be considered in preparing the Final Regulatory Flexibility Analysis, if the proposals are adopted, and will be placed in the same public file as comments on the proposal.

- We believe that registrants with relatively lower market cap and analyst coverage that elect to participate in the voluntary filing program should expect to benefit from greater market visibility through the ability of the analyst community to incorporate their results quickly into industry or company-specific analysis. Entities, particularly those with little or no analyst coverage, can raise their profile with investors simply by making their reported information easily accessible and reusable. Quantifying the impact is not possible due to the relative lack of data, although there is anecdotal evidence of a correlation between investor communications being delivered in a context where results are more transparent and analyzable via XBRL, and a positive result in terms of attracting capital. A pilot program of 15 companies in Korea's KOSDAQ Star Index used a Korean GAAP based taxonomy with both English and Korean translations. During the period leading up to the launch of the English-language XBRL KOSDAQ site, companies in the group were no different in their degree of foreign ownership from the group of 30 in the Star Index, which averaged 18% foreign ownership. From the period from January 7, 2004 to February 5, 2004, the companies reporting with XBRL saw increased foreign ownership on average, with two of them in particular moving from 14% to 22% and from 30% to 34%, respectively, and holding steady for months afterward.
- The impact on smaller filers choosing to avail themselves of this opportunity includes the relatively high cost for first-time creation of their financial-statement XBRL

instance, although second and subsequent instance creation activity will be far more efficient. Indeed, once the 404-certification process has been completed, companies of all sizes, having thoroughly documented their reporting process and controls, will likely be driven to find ways to eliminate manual interventions and increase automation without incurring unreasonable systems implementation costs. Therefore, it is reasonable to expect that even if more small- to mid-size companies participate in the voluntary filing program in the 2nd or 3rd quarters, they will be using this time to implement XBRL-enabled streamlining of their reporting. As this anticipated trend takes hold, it is reasonable to expect more small- to mid-size companies to participate, possibly with their Form 10-Q filings.

Therefore, it is difficult to quantify the impact of the proposals on smaller companies. Smaller companies may choose to defer participation until financial systems developers have provided the ability to create XBRL instanced documents as a standard output option. While additional exemptions should not be required during the early stages of the voluntary program, the extension of the program throughout calendar 2005 will enable a greater number of smaller filers to choose to participate, beginning with quarterly filings after they have completed their initial reporting under the Sarbanes-Oxley requirements.