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# SEC plans XBRL standard to liberate financial data

Posted by [Stephanie Condon](#)

WASHINGTON--Financial information about companies is sometimes difficult to uncover, and even more difficult to compare.

It's buried in footnotes to earnings reports and sometimes almost seems intentionally obfuscated. The Securities and Exchange Commission thinks it has the answer: a type of language for business data that could be to finance what HTML was to the Internet.

That was the plan, at least. There have been no fewer than 17 conferences so far to advance the Extensible Business Reporting Language, or XBRL, standard, and it still is not mandatory for U.S. companies. (The SEC started a [voluntary XBRL filing program](#), and in May 2008 published a [proposal](#) that would require companies to submit their financial statements in XBRL format starting in the first quarter of 2009.)

At the 18th International XBRL Conference held here on Thursday, the SEC was expected to officially establish new XBRL filing rules. However, the rules were not set, and embattled SEC Chairman Chris Cox--Sen. John McCain has [called for his resignation](#) as a result of the recent [financial crisis](#)--did not appear at the conference as scheduled.

In general, regulators claim that adopting XBRL is essential to improving the efficiency and transparency of the public reporting process and has far-reaching implications for keeping track of the corporate world both domestically and internationally.

But publicly traded companies don't like the uncertainty created by the SEC's delays.

"We have hundreds of companies sitting on the fence," said John Yapundich, executive vice president of EDGARfilings.



The SEC maintains an online database called **EDGAR**--the Electronic Data Gathering, Analysis, and Retrieval system--so investors can review public companies' financial reports.

EDGARfilings is a vendor that provides software for filing documents with the SEC, and the company has invested heavily in XBRL software, Yapundich said.

Even so, "people are only slowly adopting the XBRL format because they're waiting to see the rule sets from the SEC," he said.

The conference appeared to be peopled not with representatives from public companies who will file in XBRL format--but instead government regulators and vendors like EDGARfilings, Fujitsu, and Rivet Software that are pitching their XBRL software.

XBRL filings use XML data tags to describe business and financial information, making the documents much more searchable than the current official EDGAR filings, which are submitted in HTML or plain text format. Elements of a report, such as executive pay, are much more accessible, and the new format allows for more extensive **cross analysis**.

"The benefit is better analysis, better understanding--it's the transparency virtue we're shooting for," David Blaszewski, director of the SEC office of interactive disclosure, said Thursday at the conference.

Politicians, shareholders, and the public alike are clamoring for more transparency and accountability from Wall Street, the panelists at the conference said. Eisuke Nagatomo, president and CEO of Japanese company EN Associates, said that in the past year, the term "corporate governance" appeared 575 times in the *Wall Street Journal*--the same as the previous six years combined.

With so many large companies collapsing under poor management, high executive pay has been a particularly hot issue. The House of Representatives in April 2007 passed a [bill](#) providing shareholders with an advisory vote on executive compensation, and Democratic presidential candidate Barack Obama sponsored [matching "say on pay" legislation](#) in the Senate. With McCain also expressing his [support](#) for shareholder advisory votes, the legislation will likely make it into law during the next administration.

"That tightens the need for better and faster information," said Patrick McGurn, special counsel for RiskMetrics Group. "Investors will be looking at hundreds of thousands of these 'say on pay' profiles."

By providing standardization from company to company and across markets and making elements like executive pay easy to find in a report, XBRL has the potential to eliminate the time crunch involved in that process, he said.

"There's a need for XBRL to serve as the horse in front of the cart on the disclosure issue," McGurn said. "Once investors have information for one

market, they'll want it for every market."

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## XBRL community descends on capital

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### Experts give status report, vision for new financial reporting tool

SEC chairman Christopher Cox, one of XBRL's key champions, was too preoccupied by the financial crisis to turn up for a keynote speech at a wide-ranging conference exploring the power of the new interactive data tool. But 500 developers, standard setters, early adopters and interested parties from 30 countries did convene here this week for the 18th XBRL International Conference.

Attendees pressed David Blaszowsky, the SEC's interactive disclosure czar, for details on when exactly the regulator will mandate XBRL for US filings. He said he could only say it would be 'very soon.' A draft rule proposed in May, which the commissioners are expected to approve, has the largest 500 companies using US GAAP beginning to file interactive data in the first quarter of 2009, with the remaining listed companies following a year later.

That means financial reporting teams at US public companies don't have long to get ready. The major financial printing firms and other vendors such as EDGARfilings, EDGAR Online and UBmatrix were on hand to point the way to making the conversion. Other vendors including Hitachi and Rivet Software focused on describing new XRBL-enabled tools that will help analysts and investors study companies.

The major accounting firms and software developers outlined how XBRL is a tool not only for reporting, but for managing any internal process, risk or compliance function. In one of the most talked-about sessions, Kazuhiko Hanaoka, corporate vice president at Fujitsu, which sells XBRL solutions, explained how his company deployed XBRL to standardize systems throughout his \$53 bn conglomerate of 430 subsidiaries and 167,000 employees.

Yale governance professor and Weil Gotshal & Manges partner Ira Millstein said his vision was for using XBRL to extract information now locked in static internal corporate reports to help executives and boards better manage.

NIRI executive vice president Linda Kelleher led a session on the role of XBRL in investor communications. She told the audience IROs were looking forward to being able to use and share interactive data even if they haven't been public advocates of the XBRL cause. Kelleher said NIRI was also tracking how analysts are using XBRL and planned to be part of an ongoing effort to standardize a taxonomy for key performance indicators (KPIs) to enable cross-company comparisons.

Following her was Bob Laux, a senior director for financial reporting and accounting with Microsoft, who explained how his company has already installed an XBRL-enabled tool on its 'Investor Central' website to help analysts dissect results. It allows investors to drill down into segment results that sum into top-line numbers on the financial statements. Among other things, it also unites Microsoft's KPIs in one place, an important improvement. 'Before, we gave out KPIs all over the place, in earnings, in a speech by Steve Ballmer or a speech by CFO Chris Liddell on investor day,' Laux said.

By [Anna Snider](#)

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