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In Data-Tag Game, the Feds Are It

Under a proposed law, all government agencies that require corporate reporting — not just the SEC — would have to collect and disseminate financial data with XBRL tags.

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Legislation proposed last Friday holds the potential to quicken and broaden the entrenchment of eXtensible Business Reporting Language, or XBRL, as a standard data format for financial documents.

The Securities and Exchange Commission already had mandated that the 500 largest U.S. public companies file financial statements using the interactive data-tagging language for fiscal periods ending on or after June 15, 2009, and that all public companies do so by 2011.

But the proposal by California congressman Darrell Issa, the ranking Republican on the House Committee on Oversight and Government Reform, would go much farther. It would require the federal government to "standardize the collection, analysis, and dissemination of business and financial information," through the use of XBRL, "to the maximum extent practicable."

That means all federal agencies that require corporate reporting would have to accept reports, and prepare any analysis of them to be disseminated, in the XBRL format. Presumably, each agency would then abandon other formats that it currently requires, such as ASCII text or Excel spreadsheets. The bill stipulates that agencies establish procedures for adopting XBRL within a year from the law's passage.

The bill was introduced the week after measures were floated in both houses of Congress, spearheaded by Rep. Carolyn Maloney (D-N.Y.), to track the use of Troubled Asset Relief Program funds "through a standardized electronic database." Those bills did not specify XBRL as the data format to be used.

In a press release, however, the reason Issa gave for his own effort was to allow the government and the public to monitor TARP recipients' use of the bailout funds and to value their toxic assets. "The technology exists to create real transparency to allow us to track TARP dollars and value toxic assets, but the Federal government is far behind the curve in implementing available solutions," said Issa.

The full implications of the legislation have to do with a lot more than TARP, though. The XBRL taxonomy recently approved by the SEC includes no more than 100 elements of corporate financial information related to XBRL, said Philip Moyer, chief executive of EDGAR Online, an independent provider of XBRL-related services to corporations. But the total number of taggable elements is about 15,000.

"Applying XBRL across all kinds of asset classes — mortgage-backed securities, municipal bonds, securitized debt, whatever — as well as proxy statements and corporate actions, is a much bigger effort than just how you're using TARP funds," Moyer told CFO.com.

That effort, according to Moyer, could present a big benefit to corporations. While the SEC is moving toward requiring financials to be reported using XBRL, other federal agencies have shown no signs of moving away from the hodgepodge of reporting formats that they collectively require. The multiple formats reduce the comparability of financial statements and add corporate costs, Moyer noted. "Issa and Maloney are saying, let's drive down [the number of] reporting requirements and drive up consistency among regulatory authorities," he said. "Companies should be thrilled that this is happening."

EDGAR Online, of course, will benefit from the increasing presence of XBRL, and Moyer said that those in Congress whom he has talked to all say that Issa's proposal is "a no-brainer." But he acknowledged that Issa's proposal faces some challenges from lobbyists who may intimate, for example, that not enough studies have been done to support the cost-benefit proposition of widespread XBRL usage.

"You know who doesn't want this?" he said. "The organizations that thrive on lack of transparency, because they have information that others do not."