

The Lead Singer Gets a Chorus

BY NEAL J. HANNON

Over the last year, the U.S. Government's principal proponent of XBRL, Securities & Exchange Commission Chairman Christopher Cox, has been singing the praises of interactive data. Through his initiatives, the SEC has recently stepped up its public support for interactive data in the press, at conferences, and in testimony to Congress. The method of creating,

processing, and communicating interactive data most often mentioned by the SEC is by using XBRL.

On top of the XBRL Voluntary Filing Program, which started accepting filings in March 2005, the SEC has established an interactive data Web page that features two videotaped remarks presented at XBRL conferences in November 2005 and January 2006 (www.sec.gov/spotlight/xbrl.htm). Also on the page are 13 SEC press releases about XBRL and a link to sign up for the voluntary program.

Although the SEC's voice was strong and clear, others have been slow to join the singing until now. On March 29, Representative Richard H. Baker (R.-La.), chairman of the House Committee on Financial Ser-

vices's Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, held a hearing on accuracy, transparency, and complexity in financial reporting.

The session was attended by representatives from the SEC, Financial Accounting Standards Board (FASB), Public Company Accounting Oversight Board (PCAOB), U.S. Chamber of Commerce, Securities Industry Association, Financial Executives International (FEI), American Institute of Certified Public Accountants (AICPA), and Certified Financial Analysts. Of the 13 speakers, eight mentioned support of XBRL.

Here are a few quotes from the hearing, leading off with Subcommittee Chairman Baker: "I think the biggest net gain [for using XBRL],

besides ultimately reducing costs to corporations in data preparation, is to empower the individual investor with accurate, closer to real-time information that enables that person to make a more informed decision perhaps as well as anything has been able to do in the past."

Scott Taub, acting chief accountant for the SEC, spoke about the benefits of using tagged data to turn static documents into interactive reporting tools: "By 'tagging' each piece of data that currently resides on [electronic forms], that data becomes portable and can be moved to wherever the user chooses to take it, together with any other data the user deems significant to the investment decision....The 'tagging' of the data turns financial reports that have previously been static into live, interactive documents that can be retrieved through computer searches in a real-time automated fashion."

FASB Chairman Robert H. Herz detailed recent XBRL activities, including participation in XBRL conferences, conducting XBRL training for the FASB board and staff, and hiring an XBRL fellow to boost awareness and liaison with the XBRL consortium.

Herz said, "The FASB and FAF [Financial Accounting Foundation] are also currently exploring other activities that may be undertaken in the furtherance of our support to XBRL and other evolving technologies."

Marc E. Lackritz, president of the Securities Industry Association, pointed to the potential for significant reductions in cost for securities research: "[XBRL], if adopted for EDGAR and generalized reporting, will make financial analysis quick, cheaper, and better, making it more accessible to the average investor and reducing significantly the cost of doing securities research."

A word of caution was offered by Colleen Cunningham, president and CEO of FEI: "Although I support the SEC's encouragement of studying the use of interactive data such as XBRL and the benefits it can provide, I urge one note of caution: that interactive data is not a 'panacea' in that transparency provided through electronic links or the old fashioned way through nonlinkable disclosure will *not* reduce the 'operational' complexity imposed on preparers and auditors to develop the numbers provided in financial reports, nor will such transparency improve the understandability of the underlying numbers to investors."

Barry Melancon, president and CEO of the AICPA, described his organization's long-term involvement in XBRL and offered support for XBRL: "XBRL is a language for the electronic communication of business and financial data [that] is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis, and communication of business information. It offers cost savings, greater efficiency and improved accuracy, and reliability to all those

involved in supplying or using [business reporting] data."

Paul Schott Stevens, president of the Investment Company Institute (ICI), announced that his organization will begin the task of developing a taxonomy for mutual funds: "I'm pleased to announce today that the [ICI] is launching an initiative to develop [a] broader XBRL taxonomy for mutual fund disclosures. Building on the [SEC's] efforts, we hope to lay the groundwork for providing mutual fund data that will serve the needs of the investors and other interested parties, including the Commission itself."

What is interesting is that the voice of Chairman Cox has been joined by an expanding group of organizations. Count Mike Bartell, CIO of the Federal Deposit Insurance Corporation, and Sam Mok, CEO of the Department of Labor, among the vocal supporters of interactive data. Bartell was a participant in IMA's XBRL webinar last November, and Mok will be a keynote speaker at IMA's 87th Annual Conference and Exposition in Las Vegas this June.

The XBRL chorus is growing and beginning to sing. Now, where's the band? ■

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