financial executives international

October 5, 2012

Thomas Bayer
Director/Chief Information Officer
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

OMB Control No. 3235-0645
SEC File No. 270-330

Dear Director Bayer,

I am writing on behalf of the Committee on Corporate Reporting (CCR) of Financial Executives International (FEI) to respond to the SEC's Comment Request regarding collection of "Interactive Data". As further discussed below, we believe the SEC's analysis of the impact of XBRL may understate to a significant degree the actual amount of effort and cost associated with complying with the Commission's Interactive Data reporting requirements. In addition, after nine quarters of reporting in this manner, we are not aware of any significant investor interest in detailed tagging of financial statement footnote information, which accounts for a significant portion of actual costs. We believe that the SEC and the Office of Management and Budget should re-evaluate the costs and benefits of this aspect of the SEC's Interactive Data reporting requirements as we believe there is an opportunity to simplify and streamline such reporting with no adverse consequences to investors.

Overview

By way of background, CCR raised concerns to the SEC in December of 2010 related to the effect of detailed footnote tagging on registrant filing timelines and cost/benefit issues. Since that time, we have assisted the Staff in the Office of the Chief Accountant in engaging with preparers, financial statement users, and XBRL service providers to consider these issues. The result of those outreach efforts have validated our concern that there is little interest on the part of investors in detailed tagging of financial statement footnote information.

The primary issues for preparers related to XBRL tagging requirements stem from the volume of tagging that is currently required and the compressed SEC filing time frames in which this activity occurs. Whether this activity is performed internally or outsourced to third-party service providers, the commitment of resources is significant and the effect on reporting cycle times and review processes has frequently been adverse. Although there has been some improvement over time, there continues to be capacity and data quality issues associated with processes at third-party XBRL service providers that often can result in long delays in producing successive drafts of XBRL-tagged filings. Even for those companies that perform this step in-house, detailed tagging of the large volume of footnote information consumes significant resources and slows the process of readying the financial statements to be filed with the Commission and consequently the timeliness of making this information available to investors. Based on current trends in the volume of disclosure provided in registrant filings, we expect this effect to become more pronounced and costly in the future.

From the outreach performed by CCR and the SEC Staff, we have learned that only a fraction of the tagged information is actually used by data aggregators and other financial statement users. Our research indicates that those users are primarily interested in tagged information in the basic financial statements (statements of earnings, comprehensive income, financial position and cash flows). Interest in detailed tagging of specific footnotes is limited to a small subset of the information that is currently required to be tagged under the Commission's Interactive Data requirements. With regard to detailed tagging of footnotes, we understand that users are primarily interested in the totals from certain tables that follow a standardized format (e.g., fair value and amortized cost information for investment securities). Accordingly, we estimate that roughly 75% of the volume of XBRL tagging is not actually used by investors and yet tagging the entire data set contributes to delays in filings and diffusion of data preparation and review efforts across the population of SEC registrants. The absence of investor interest in this data is further supported by the limited use of XBRL filings posted on registrant websites. Our recent survey of 40 large reporting companies confirms that most companies have had few or no questions about the XBRL tagged information they provide and website hits for XBRL tagged files posted by our companies typically is in the single digits.

The XBRL filing process takes a significant amount of time and resources during reporting time frames that are already abbreviated and stressed by factors related to the economic environment and regulatory response to it (e.g., the rapid introduction of new standards and disclosures, issuance of "Dear CFO" Letters, responses to SEC Staff comments, etc.). The time and resources devoted to XBRL reporting issues takes time away from reviewing the content of HTML filings, which most ordinary investors still use. The built-in delay in processing XBRL-tagged filings also can affect the way late changes are handled by management. If the change is deemed non-critical but improves the clarity of the filing, management is put in the untenable position of having to decide whether to make the change prior to filing (and file it late as a result) or simply file on time and accept that the document is not as good as it could be. CCR therefore believes that revisions to XBRL requirements are necessary to bring the costs of XBRL tagging in line with the more limited benefits for the small population of financial statement users that utilize tagged financial information.

Responses to Selected Questions in the Request for Comments

(b) the accuracy of the agency's estimate of the burden imposed by the collection of information

The notice in the Federal Register indicates that the internal burden, on average, is approximately 59 hours per response. This equates to a 0.15 Full-Time Equivalent (FTE). In our survey of 40 large reporting companies, our experience suggests that the actual effort to prepare these filings is substantially higher than the SEC's 0.15 FTE and can be more than 3 FTEs at some large companies. The annual costs for these efforts average approximately $200,000 per company and can approach $1 million per year for large, sophisticated issuers. Such costs include, but are not limited to, costs for software licenses, systems costs, reviews and/or audit costs. It also is important to note that we expect these annual costs to continue to rise in the future as additional disclosures are required as a result of private sector standard setting projects.

CCR also observes that the XBRL filing was expected to eventually replace the HTML filing and thus the additional burden of producing two filings was deemed to be temporary. However, based on our experience with the process of detailed tagging, we question when, if ever, stakeholders will be ready to eliminate the HTML filing, which is almost universally used by investors. Accordingly, this incremental burden of producing two versions of each filing (HTML and XBRL) will likely be with us for the foreseeable future.

(c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.

We would observe that with the commencement of detailed tagging of financial statement footnotes, the volume of tagged information has expanded to a level that it is highly likely that the quality of the data is being compromised. Large companies are required to tag thousands of individual amounts, with some companies approaching 10,000 tagged items. This volume, coupled with complexities in the way that the data are required to be coded to be presented correctly in rendered versions of the filing make it more likely that at least some filers have more than an insignificant number of unintended errors and/or inconsistencies in their filings. If specific data items are tagged incorrectly or inconsistently, then they have no utility to investors. If unintended, yet incorrect and/or inconsistent coding is determined to be a widespread issue, investors may cease consuming even the small portion of the tagged information they are currently using. Accordingly, we believe that the issues we are raising are not simply related to cost but to data quality and utility as well.

CCR believes that the burden of XBRL tagging could be reduced significantly and easily if the Commission were to modify its existing requirements to permit companies to limit their detailed tagging to elements in the basic financial statements. For most companies, this would reduce their Interactive Data compliance costs to a fraction of what they are today. It also would permit management to focus their limited resources on ensuring the accuracy and integrity of the XBRL tagged information that actually is used by investors. We also believe that the quality of both the HTML and XBRL filings would be improved if the latter were permitted to be filed a few days after the former (i.e., establish separate filing deadlines for HTML and XBRL filings).

****

CCR believes that the changes in requirements to limit the amount of detailed tagging to the basic financial statements, as proposed above, would substantially lower the burden of preparing XBRL filings and bring the costs of preparation more in line with the benefits that inure to financial statement users that consume this information. We also note that all of the footnote information would still be "block tagged" and therefore would be still available to investors that use XBRL tagged filings. We would argue that this presentation generally is more helpful for footnote information in that the block tagging provides the full context for understanding the footnote disclosures.

Members of CCR would be pleased to assist the Commission Staff in carrying forward these recommendations to specific amendments to the current XBRL filing requirements. We very much appreciate the Commission's consideration of our request and recommendations.

Sincerely,

Loretta V. Cangialosi
Chairman, Committee on Corporate Reporting
Financial Executives International

Cc: Mary Schapiro
Paul Beswick
Meredith Cross
Leslie Seidman
Virginia Meany
Susan Yount