financial executives international
COMMITTEE ON CORPORATE REPORTING

November 4, 2011

Mary Schapiro, Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro,

I am writing on behalf of the Committee on Corporate Reporting (CCR) of Financial Executives International (FEI) to recommend that the Commission undertake rulemaking action to amend certain of the requirements related to XBRL reporting. As you may recall, in February of this year CCR raised concerns related to the effect of XBRL tagging on registrant filing timelines and cost/benefit issues associated with detailed tagging footnote information. Since that time, the SEC staff has engaged in extensive outreach with preparers, financial statement users, and XBRL service providers. CCR wishes to share its views with the Commission on what was learned from this effort as well as recommendations for modifications to the requirements to help streamline registrant reporting and eliminate barriers to timely filing of financial reports for investors.

CCR wishes to first acknowledge the significant role played by Mike Starr, Deputy Chief Accountant, in facilitating the work effort on this issue. Over the past six months, CCR members have participated in a number of meetings with Mr. Starr and other members of the Commission staff to share information that enabled participants to better understand the specific issues and potential alternative solutions to the challenges posed by XBRL reporting. This included conference calls and in-person meetings that were attended by preparers, financial statement users and XBRL service providers as well as the staffs of the FASB and the SEC.

The primary issues with the 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 been adverse. Although there has been some improvement in 2011, there continue to be capacity and data quality issues associated with processes at third-party XBRL service providers that often can result in 1-2 day turnaround times in producing successive drafts of XBRL 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. 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.

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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, financial position and cash flows). Interest in detailed tagging of specific footnotes is limited to a small subset of what is currently required to be tagged under XBRL protocols. With regard to detailed tagging of footnotes, we understand that users are primarily interested in the totals from 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 the tagging of the entire data set is contributing to delays in filings and diffusion of data preparation and review efforts across the registrant population. The absence of investor interest in this data is further supported by the limited use of XBRL filings posted on registrant websites. On average, website hits for these files number 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). The time and resources devoted to XBRL reporting issues is both costly and takes time away from reviewing the content of HTML filings, which most ordinary investors still use. 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 financial statement users that utilize tagged financial information. Our specific recommendations for the Commission action are as follows:

1. Begin work immediately on a more focused approach to detailed tagging that limits its application to the core financial statements and those elements of the footnotes where there is a clear benefit: that subset of information that is standardized and directly comparable across companies and will be used by analysts/investors. This could be accomplished with a prescriptive list of footnote elements to be tagged or a tagging framework that each registrant could tailor to its particular circumstances. We wish to emphasize that even under a modified approach <u>all financial information is tagged</u> for investors to use but more of this work is performed at a higher level (i.e., block tagging).

2. Allow wholly owned subsidiaries that qualify for the abbreviated disclosure rules to be exempt from the detailed tagging requirements. For many of the same reasons underlying the concept of reduced disclosure, XBRL detailed tagging is not necessary or cost-beneficial for these registrants, whose results are already consolidated with those of the parent.

3. Permit companies to make their quarterly XBRL filings after their HTML filing is complete provided that it is filed during the required window for completing the EDGAR submissions. In this context, the XBRL filing should not be characterized as an amended filing, which carries with it such negative connotations that companies would be unwilling to avail themselves of that option. We can think of no harm that would be suffered by investors under such an approach, since XBRL tagged data is typically used for comparison with other registrants and is therefore not as useful until substantially all registrants have filed.

4. Initiate a project that will explore mechanisms that will allow registrants to efficiently and effectively submit a single filing that incorporates XBRL information.

CCR believes that the changes in requirements proposed above would substantially lower the burden of preparing XBRL filings and bring the costs of preparation more in line with benefits. We note that application of existing protocols for detailed XBRL tagging will be effective for approximately 10,000 SEC registrants, including subsidiaries that follow limited disclosure, in July of 2012. All of the issues that large filers have experienced with detailed tagging could potentially be magnified when smaller, less-sophisticated companies attempt to comply. We therefore believe that action by the Commission is urgently needed.

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: James Kroeker, SEC Chief Accountant
Mike Starr, SEC Deputy Chief Accountant
Leslie Seidman, FASB Chairman
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