

Regulators want smart communication

The SEC has formally proposed using technology to get important information to investors faster, more reliably and at lower cost. The proposed rule will require all US companies to provide financial information using 'interactive data', beginning next year for the largest companies and within three years for all US companies.

A wide variety of methods have been used for voluntary 'tagged' filings to date, with mixed cost savings. Of some 60 companies that voluntarily used eXtensible Business Reporting Language (XBRL) to communicate their performance to the SEC in the past year, 40% are thought to have used the widely and freely available 'add-ins' to manually tag completed company reports. Most of the remaining companies are opting to either outsource their tagging processes or to use software solutions providing automatic tagging of completed company reports, for example through XBRL tagging websites.

Time and cost savings are expected to remain limited until companies push the application of XBRL from the end of the reporting processes back into their underlying, internal report writer, assembly, review and aggregation processes. 'If business reports were cars,' said PwC partner Mike Willis, 'company reporting processes are in the pre-Henry Ford era, when each car was

custom made by dedicated craftsmen – and too expensive for everyday use.'

One company realising the potential for more automated reporting processes is United Technologies Corporation, which has used their consolidation system to generate XBRL-tagged content – financial statements, notes and narrative, including the MD&A – and to produce internal review draft documents using Wikipedia-style collaboration. Cost and time savings from these XBRL-enabled processes are estimated by the company to be 25%.

In The Netherlands, using XBRL to generate savings in the administrative burden on companies is being taken a step further with the development of an XBRL compliance taxonomy that enables a 'business-centric' filing model. This allows multiple government agencies to source their data on companies from one XBRL-formatted filing. The Dutch government cites a 90% reduction in the number of data elements required from companies, and believes this saves companies 25% in reporting costs.

'Financial executives should monitor XBRL adoption by relevant regulators and evaluate tools and features available from vendors,' Mr Willis concluded. 'Leveraging XBRL to improve internal reporting processes may also help visionary executives deliver significant improvements in the timeliness, cost and quality of information used by management and their stakeholders.'

XBRL adoption

Country	Organisation	Programme/application
Japan	Tokyo Stock Exchange (TSE), NTO, BoJ, METI	Mandatory TSE registrant financial report filings
US	Securities and Exchange Commission FFIEC/FDIC/FRS/OCC	XBRL voluntary filer programme Mandatory 'call report' filings
UK	Companies House HM Revenue and Customs	Accounts filings Company tax filings
China	China Securities Regulatory Commission	Mandatory interactive data filing for financial statements
Australia	Australian Treasurer	Standard Business Reporting
Netherlands	Ministry of Finance/Justice	Business centric model
Singapore	Accounting & Corporate Regulatory Authority	Mandatory filing for all registrants
Korea	Financial Supervisory Service/DART	Mandatory filing for all registrants

Note The IFRS XBRL Taxonomy 2008 is expected to be final by the end of June.