August 14, 2007

Mr. Christopher Cox
Chairman
Securities & Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Chairman Cox:

The Committee on Finance & Information Technology (“CFIT”) of Financial Executives International (“FEI”) desires to share a perspective on the development of XBRL (eXtensible Business Reporting Language) in the United States, a perspective that we believe requires attention.

FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. As a national technical committee of FEI, CFIT sets the agenda for and drives the dialogue at the intersection of technology and finance functions, both internally to organizations and externally as it relates to agencies, compliance activities, industry trends and users such as investors. This document represents the views of CFIT and not necessarily those of FEI.

CFIT commends the Chairman’s initiative to introduce “interactive data” (XBRL) as a means for driving reporting efficiency and transparency. XBRL represents a major initiative for CFIT; the committee has authored research papers, led preparer awareness and supported the commission and XBRL US in providing resources and input on the XBRL taxonomy and specification. The purpose of this letter is raise awareness to ensure potential roadblocks to adoption are addressed so that adoption can happen as quickly as possible.

We believe the following principles outline the gaps, discussed in more detail at the end of this document. These gaps span policy – governance and accounting – to organizational and technical sustainability. The principles also define successful adoption of XBRL in the United States:

**A Deeper, Broader Common Standard** – The goal of interactive data extends far beyond changing the reporting format, so that XBRL becomes “the” common reporting standard used by regulators, commercial interests and consumers as the business and financial reporting standard for interactive data.

**Managed Extensibility** – To fully inform investors and users about specific accounting treatments or company specific contexts when using financial statements, we need to retain the current financial reporting methodology that enables companies to clarify with appropriate information. Effectively manage the organization of company extensions to the US GAAP taxonomy over time so that extensions are coherent and useful.

**Accounting Standards and Taxonomy Harmonization** – The accounting standards processes and the taxonomy management process should be integrated into a single process. In the near future taxonomy development should parallel, not trail, standard setting. This will ensure reporting and related taxonomies have input from constituents representing financial statement preparers...
and consumers. With the discussions about IFRS and GAAP convergence and the dialog on potentially allowing US filers to at some point elect IFRS or GAAP, this harmonization effort should extend to ensuring the two approaches to taxonomies (IFRS and GAAP) are strongly compatible (perhaps even one and the same).

**Self-Evident Sustainability** – Stakeholders and constituents in the adoption of XBRL must believe in its supporting organizational constructs and the feasibility of technology standardization. Current efforts must lead to a filing process and technical structure that is sustainable in the near term as well as long term. Achieving sustainability is a priority.

Provided below are detailed examples of policy and technical issues identified by the committee. While these gaps may appear to be obvious, ensuring agreement and prioritization are essential to achieving both near term and long term goals of the Commission and other stakeholders. As a committee, we believe it is our responsibility to bring these issues forward, to ensure appropriate steps can be taken to address and resolve them before XBRL becomes the US filing standard.

FEI, through its technical committees and many of its member companies, is willing to play an active role in actions and recommendations listed in this letter. Thank you for your consideration. The committee would be happy to discuss these points in more detail at your convenience.

Sincerely,

Taylor Hawes  
Chair, Committee on Finance & Information Technology  
Financial Executives International

cc:  
Financial Accounting Foundation  
Attn: Robert De Santis

Financial Executives International  
Attn: Michael P. Cangemi

FEI Committee on Corporate Reporting  
Attn: Arnold Hanish

International Accounting Standards Committee Foundation  
Attn: Olivier Servais

XBRL-US  
Attn: Mark Bolgiano

XBRL-International  
Attn: Michael Ohata
Policy Related Issues

Governance

Roles and Responsibilities – Given the recent changes in organizations, scope of responsibilities, and recent contracts in this area, it would be very useful to have a one page summary that would describe the ongoing efforts, activities and roles of each major constituency, including the preparer. This summary would be a great help to all involved to better understand the scope and responsibilities of each group. At a minimum the roles of the SEC, XBRL-US (and any relevant sub-groups), the Financial Accounting Foundation (FAF) and the AICPA should be described.

Suggested action:
XBRL-US should draft this document. Constituencies and interested parties could then review and comment. XBRL-US may finalize and issue to a wide distribution, including their web site.

Process Steps – A clear, concise approach and process for development of the US-GAAP taxonomy, initially, and a process for review and update in the future should be developed and widely circulated to interested parties. A key step in the process should be to ensure that preparers and consumers are adequately represented in all stages of development and maintenance. Perhaps identifying and naming preparer groups that will be involved in the review process would allow for expediency (i.e., FEI’s CFIT Working Group, CFA Institute XBRL Working Group, etc.). Taxonomy development and management should include a process to add new standard elements and synchronize with regulations and accounting pronouncements as part of the normal standard setting processes.

Suggested actions:
XBRL-US should take the lead in identifying and naming the groups involved in taxonomy development, and then publicizing them widely.

The taxonomy development and management process should be circulated to the appropriate groups, adopted and followed.

Accounting/Reporting Policy

Policy regarding XBRL Taxonomies explicitly linked to GAAP – We are not aware of efforts to define the process and related policies in how XBRL is explicitly linked into the GAAP taxonomy standard setting process. As the use of electronic data as an integral component of delivering financial reports becomes prevalent, the explicit relationships between reporting concepts and relevant GAAP standards will become increasingly important to both preparers and consumers. We believe that the process steps above should clearly articulate how reporting and disclosure requirements will be integrated into the taxonomy development and maintenance processes. Further, to assist the early adopters, it would be useful to include in an exposure draft references to level of disclosure, tagging and examples of financial statement presentations.

Suggested actions:
FASB and XBRL-US should define this process, providing appropriate comment periods for stakeholders to shape the process that is adopted.

In addition, the convergence of GAAP and IFRS should be addressed to insure duplicate technology platforms that do not need to be built are in fact not being built.

Policy regarding XBRL Extensions and Standard GAAP Taxonomies – If extensions are allowed to enable company-specific presentation of tagged data, will there be a requirement for the company to “map” the extension as a sub-item under the standard GAAP Taxonomy? For example, if the standard GAAP Taxonomy is “Net Revenue”, will a company-specific extension such as “Consulting Services Revenue” be mapped as a taxonomy element extension of the standard “Net Revenue”? If this method is required, then comparability can be achieved, along with allowance for company-specific custom extensions. If this method is not required, it may be more difficult than necessary for “consumers” of interactive data to build models/methods for comparability. At a minimum, there would be value in a collaborative process between preparers and financial statement users to define a consistent standard.
**Suggested action:**
The SEC should decide if it wants to provide guidance that will assist in comparability or allow divergence. CFIT recommends that concrete, explicit decisions be made and communicated in preparation for the financial reporting ruling related to XBRL.

**Disparity in level of tagging detail**—Without an agreed set of common principles, the level of tagging for company note disclosures can and may vary depending on the perspective of the preparer. Without some well-defined principles and best practices, the Commission may experience significant disparity in the level of tagging company note disclosures. Our recommendation is to first identify the organization (FASB, XBRL-US, SEC, etc.) responsible for defining these principles, then define the principles early, and obtain feedback from the preparer community prior to mandating the standard. CFIT is interested and willing to participate in the development of these principles and best practice examples along with other supply chain participants.

**Suggested action:**
The SEC and FASB should decide if they:
1) Provide such guidance
2) Have XBRL-US provide guidance, or
3) Provide no additional guidance.

**Organizational Sustainability**

**Sustainability & Effectiveness of XBRL-US**
In support of sustainability and effectiveness of XBRL over the long term, CFIT supports XBRL-US as a supply chain agent chartered to update and maintain the XBRL taxonomy as a market driven activity funded and supported by the Commission. It is critical that XBRL-US create a governance structure through creation of a board of directors, management team and integration into relevant policy, and standards setting processes to ensure ability to drive change. This structure will ensure opportunity for participation for all those involved to provide input and feedback to enhance and develop the standard.

**Widespread US Adoption of XBRL**

**Ability to file without extensions**—If comparability and efficiencies are a goal where the objective is to provide access to research coverage and ease of analysis, then it is necessary for a high percentage of smaller companies to file at least their prime financial statements without extensions. We understand that XBRL-US taxonomy build-out has a goal for footnotes that a high percentage will not need extensions. We believe a similar goal is needed for prime financials if the goals above are to be achieved.

**Suggested action:**
XBRL-US, FASB and the SEC should develop targets in these areas and the taxonomy development approach should accommodate those targets.

**Recommendation for phased rollout**—In the Voluntary Filing Program, there are few companies choosing to include MD&A and Footnotes in their filings. While XBRL-US has initiated an effort to complete the taxonomies enabling companies to incorporate footnotes in their filings, our recommendation is to use a phased approach starting with primary financials first and phasing-in footnotes over time, as valuable lessons are learned and feedback received.

**Suggested action:**
The SEC should endorse this recommendation in their communications and approach.

**XBRL use by other Government Agencies**—While government agencies are not a focus of this current effort, the organizations involved should include other potential governmental users of interactive data (and/or perhaps include them in some of the review cycles) and, to the extent possible, insure fundamental decisions and designs favor widespread use of XBRL, as opposed to other technology approaches, for company filings.
Suggested actions:
Perhaps the Federal Deposit Insurance Corporation (FDIC) and the SEC could host a forum for other agencies to show them the benefits of XBRL. Also, the SEC could encourage the Office of Management and Budget (OMB) to endorse XBRL.

Technology Related Suggestions

XBRL Rendering – Currently, almost all of the current Voluntary Filing Program participants use a published version of their 10-Q or 10-K as the basis for tagging an XBRL instance document. At a minimum, users of XBRL filed financials should be able to read and review the document as it was originally created. We believe, as a requirement of building out the taxonomies, the XBRL Community needs to address and resolve the ‘rendering’ specification in a timely manner so that it can be used to facilitate market adoption. Note that even just for the SEC’s internal use of XBRL, there will need to be an efficient way to render XBRL filed documents, potentially both for those filed under GAAP and those filed under IFRS.

Customized XBRL Extensions – If a company creates custom extensions of a standard taxonomy, a separate taxonomy file is generated that includes the company specific extensions. For a consumer to render a company’s “instance” document, the file must be available as defined in the instance document “namespace”. If the company specific extension is moved or replaced with a current version of the document with the same name, there could possibly be problems in using or rendering the instance document. With over 5,000 financial statement filers who file 10-Qs and 10-Ks, there is a high probability this could be a problem. This risk could be mitigated by requiring a standard naming convention and placement of the company specific extensions to be filed with the “instance” document or by including company specific extensions within the instance document.

Suggested actions:
The taxonomy being developed should follow the approach described above.

FEI’s CFIT committee is sponsoring a meeting in August of leading software players to review the current XBRL-US approach to this and other items and then, if needed, propose modifications/extensions.

Tables & Segment Reporting – Currently there are multiple approaches for handling tables of numbers and company segments in the related segment disclosure. Differences in how these disclosure items are defined in use of extensions and/or context create potential challenges in how users of financial data will be able to compare and import each company’s respective data. For example, some companies might handle tables within the “context” definition, while other companies might use extensions to accomplish the same result. Our recommendation is to facilitate definition of best practices that will promote a more consistent approach for handling common financial filing requirements.

Definitions of differences in presentations – CFIT members recently selected three companies with “Defined Benefit Obligations” and compared their respective footnotes and disclosures. All three companies disclosed events that affected comparability to other companies. One included an acquisition, the next revalued their benefit obligation using updated actuarial tables, and the last contracted rate increases in their medical plan to cap the growth in medical cost. All three companies properly disclosed these events in their footnotes. Much like today, users can receive an analysis that excludes specific nuances they should be aware of when relying on a specific set of information. XBRL has the ability to provide a platform that ensures explicit relationships between reporting concepts and disclosures are reported. In this context, policy considerations for creating explicit relationships between unique reporting concepts/events (e.g. acquisitions, actuarial changes, etc.) and the other common or standard reporting requirements need to be defined.