U.S. Securities and Exchange Commissic

Speech by SEC Staff:
Remarks Before the 11th XBRL International Conference: "Better, Faster Smarter Business Reporting Using XBRL"

by

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Introduction

Thank you for that kind introduction and good morning. Let me begin by thanking you for the opportunity to address you today. As many of you are aware, we've had an open dialogue with our registrants and the XBRL community as part of our tagged data initiative this year. I hope that through our participation in this conference we can continue that dialog and work together to meet the challenges ahead.

I joined the SEC about two years ago at the request of Chairman Donaldson. During his tenure, Chairman Donaldson has been very active on a number of policy fronts - I assume that you have heard about many of his initiatives in areas such as securities disclosure reform, mutual fund reform, and most recently, market structure reform. What you may not be aware of, is that he has been just as active in taking on operational and management challenges within the agency. Among these challenges is making better use of technology not only for improved effectiveness of the agency, but also to enhance the experience of our registrants and the investing public. It is my job, as the Managing Executive for Operations and Management, to make his vision real.

Before I get too much further along in my remarks - there is one thing that hasn't changed at the SEC. Before any speech, we have to issue a standard disclaimer that our remarks are our own and do not necessarily represent those of the Commission or others on the staff. I am not certain whether any other government officials make that same kind of disclaimer, or whether it is just part of the Commission culture -- after all, we are an agency devoted to disclosure and transparency. Either way, you have been duly warned.

Because of the tight schedule, I suspect that we will have limited time for Q&A; so I encourage you to approach us during the breaks or in the hallways. Brigitte Lippmann and Jeff Naumann from the SEC staff are also attending the conference and as co-leaders of our XBRL initiative will be able to tell you more about our XBRL effort and answer questions you may

have. I also encourage you all to attend Brigitte and Jeff's session tomorrow morning to hear more details about our XBRL Voluntary Program.

Based on the agenda, I think it's safe to say that this will be an interesting day and a unique opportunity to hear the perspectives from many different participants in the financial reporting process including preparers, accountants, analysts and regulators. The theme of your conference this week is "Better, Faster Smarter Business Reporting Using XBRL"; I'd like to add two components of 'Better' for you to consider during my remarks today that are instrumental to our assessment of XBRL - "Accuracy" and "Reliability".

Tagged Data at the SEC

Over the course of the past several years there have been a number of events that have triggered a need for change in the way that corporate financial data is submitted, reviewed and disseminated to the public.

- First, the accounting and financial reporting scandals of the past several years have drawn a tremendous amount of attention to the financial reporting process. There is greater scrutiny on how quickly companies report their results and of course how to decipher the reported information. This increased attention on the financial reporting process comes at a time of ever increasing complexity in accounting and reporting standards. The end result is that there is growing demand for a better solution; transparent reporting of results by companies, and ready access to those results by investors. I should also note here that one of our primary missions at the Commission is to protect investors, and that means ALL investors. So as we think about better information provided to investors for analysis, we're not only thinking about the billion dollar pension fund manager or Wall St. analyst firms, but also the individual investors.

- Second, Section 404 of the Sarbanes Oxley Act requires both company's management and their external auditors to report on the adequacy of their internal controls for financial reporting. As many of you know we hosted a roundtable on Sarbanes-Oxley 404 issues two weeks ago, and received significant feedback on what's working and areas where more guidance is required. As management has gone through the first year of 404 implementation, they have had to document and test the process by which information flows through their organization and ultimately to their financial statements. As they move forward, it seems logical that companies will look for solutions that can streamline the flow of information and reduce the risk of errors in the process, thus enhacing the reliability of business reporting.

- And lastly, Section 408 of the Sarbanes Oxley Act requires that the SEC review the filings of all registrants at least once every three years. While we've had significant headcount increases over the past several years, more manpower alone is not a scalable solution to address the problem. We are seeking technology enablers that can assist in developing a mechanism for more efficient and comprehensive review, thus increasing the accuracy of business reporting.

SEC Actions with XBRL

Now that you have a better idea of the background for our assessment of tagged data and XBRL, let me give you a little history of our activities in this area over the past year. Our active assessment of XBRL as a data tagging technology began in earnest in early 2004. Given the potential wide impact of employing a technology like XBRL, we formed a multi-divisional task force to participate in the process to ensure that the ultimate solution we settle on meets the information needs and objectives of all users. During the year, the task force had several significant milestones including:

- Issued a press release last summer announcing our plan to assess XBRL and tagged data for use in Commission filings

- Issued a proposed rule and companion concept release in the early fall for public comment. The proposed rule suggested parameters for the XBRL Voluntary Filing Program, while the concept release generally explored the use of XBRL and tagged data including maturity of the technology, expected benefits, and estimated costs for implementation.

- We received 28 comment letters on the proposed rule and 18 comment letters on the concept release; the letters were generally supportive of the use of tagged data and the proposed parameters for the XBRL Voluntary Filing Program.

- The final rule amendments establishing the XBRL Voluntary Program were released early this year (February 3rd)

SEC XBRL Program Overview

As I mentioned earlier, Brigitte Lippmann and Jeff Naumann will be giving a presentation tomorrow which will cover more specifics of the XBRL Voluntary Filing Program, but let me take this opportunity to cover a few of the significant points. We understand that companies are already busy with the demands of their existing reporting requirements, so one of our goals in structuring the program was to make the provisions flexible enough to encourage participation.

- As the title of the program indicates, this is indeed a voluntary program - participation is open to those who would like to participate, but no submissions in XBRL are currently required. In addition, companies may start and stop their participation as they decide at any time and no prior notice is required to either start or stop participation.

- The timing for submission of XBRL documents is also flexible; they may be submitted either with the official filing to which the data relates, or subsequent to the official filing. There is no deadline for the submission of XBRL related documents, although we do encourage timely submissions.

- The XBRL related documents will be considered furnished, not filed, and there is limited liability relief for these documents.

- Our rule establishes guidelines for what data is required in the XBRL documents, however there is some flexibility in what data is provided in XBRL format and the entire disclosure documents are not required to be tagged.

While it is very early in the life of our XBRL voluntary filing program, I remain cautiously enthusiastic about XBRL and its ability to enhance the financial reporting process. We have seen 2 companies submit XBRL documents under the program thus far, and I'd like to take this opportunity to thank them for their participation. As the program continues we hope to see many more submissions, including other SEC registrants here today.

Despite our progress to date with XBRL, there are still open questions on the future adoption of the standard and whether we will see more widespread adoption of this tool. As you will see throughout this week, there is significant interest and activity around XBRL from various regulators (securities, banking and tax), exchanges and other data aggregators. As these entities are all in the business of collecting, processing and analyzing huge volumes of information, their interest is obvious. What we have yet to observe is an embracing of the standard by preparers, analysts and investors. Given their crucial role in the financial reporting process, it is important to understand what the barriers are to engaging these important communities. Based on our observations, I'd like to offer a couple of potential barriers that need to be overcome:

- First, XBRL does not yet present an off-the-shelf set of tools that preparers and consumers can utilize.

    - i. As I mentioned earlier, preparers are faced with an ever increasing level of complexity in their financial reporting requirements. To employ XBRL, they are tasked with mating these complex financial statements with an equally complex set of technologies, the XBRL Specification and the appropriate taxonomies. In order to cut through the complexity these preparers need tools, guidance and third party assistance to lead them through the process.

    - ii. Similarly, consumers of XBRL for analysis are faced with combining and comparing sets of financial statements that may be difficult to reconcile due to the flexibility offered by the XBRL standard. They will also most likely be dealing with a unique company extension taxonomy for each set of XBRL financial statements. Given the important information contained in these company extensions, they must be part of any analysis. Consumers need a rich set of tools to process these extensions along with the other XBRL documents and provide a mechanism for extracting and comparing the desired information.

- Second, the benefits of XBRL for internal use have yet to be fully demonstrated. An organization looking at XBRL as a potential new format for regulatory reporting may not see the value in moving to the standard. However an organization utilizing XBRL to improve internal reporting and management capabilities will view external reporting in XBRL as merely a logical step in their integrated reporting process. I believe more needs to be done to demonstrate these internal benefits of XBRL to further its widespread use.

- The last barrier I'd like to discuss is the future direction of the XBRL standard itself. We recognize that the standard is being developed for a global audience and stakeholders throughout the financial reporting supply chain - this is indeed a lofty goal. I wouldn't suggest abandoning this goal; however I would challenge the consortium to increasingly focus on the real life usability issues that will face many users of the standard. The development and maintenance model for

taxonomies, human-readability of XBRL documents, and change management issues are all significant and critically important to a large scale implementation of XBRL.

My comments may be construed as criticism of the complexity of the XBRL standard today, or the tools currently available - they are not intended as such. The XBRL community has shown a great level of collaboration, creativity and drive in their efforts to date and I would challenge you to channel those efforts to also remove these barriers.

How you can help

As we progress with our Voluntary Filing Program and assessment of XBRL and tagged data, we will continue to need your help. Before I continue with how you can help, let me first thank you for your collective efforts over the past 5 years. Developing a new standard such as XBRL is a tremendous undertaking, and I'd like to commend the AICPA for their vision and leadership in launching the XBRL effort. I'd also like to specifically thank those of you who have provided the Commission feedback on its proposed rule and concept release - your guidance has been invaluable in helping shape the direction of our efforts. That being said, we need your continued support and here's how you can help:

- The single most significant way you can help is to participate in the program and submit XBRL documents on EDGAR. The availability of XBRL documents to assess for both our internal assessment and for the market via our website is critical to advancing the program and XBRL in general. We recognize this has been a challenging year with other significant reporting requirements but hope that as the year continues we will see an increasing number of participants.

- For those who are not SEC registrants, consider other ways you can support participation in the program either by providing XBRL-enabled software, consulting services or other assistance.

- Provide your feedback on your experiences. We plan on structuring more formal feedback mechanisms later in the program, but in the meantime contact any of the names listed in the final rule release or email our general mailbox. Let us know about your experience with the program and XBRL, both what's working and where change may be required.

- Continue to contribute to the development of the XBRL standard - we recognize that standards take time to develop and evolve; XBRL can't continue to grow with out the valuable contributions made by this community.

Conclusion

Allow me to conclude by saying, I believe strongly in the benefits that can be derived from the use of tagged data - more accurate and reliable data made available faster and cheaper. The ever-increasing demands of the market mandate the continued adoption of enabling technologies that allow us to best fulfill our mission in protecting investors and the securities market. We do not traditionally develop new technology standards for the market, instead leveraging tools and standards that have been chosen by the market. XBRL appears to continue to emerge as a standard of choice by the business community for the tagging of financial data.

We have come a long way in our assessment of XBRL very quickly - as we continue our assessment it's important to remember that any future changes will need to be fully evaluated including possible further changes required to the EDGAR system itself or SEC rules.

Thank you again for the opportunity to speak with you today - I'm truly excited about the future promises of technologies like XBRL and the benefits to the market as a whole.

http://www.sec.gov/news/speech/spch042605pd.htm

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