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# SEC Requires the Use of Inline XBRL in Certain Filings

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## Introduction

On June 28, 2018, the SEC issued a [final rule](#)<sup>1</sup> that requires registrants to use the Inline eXtensible Business Reporting Language (iXBRL) format in their submissions of operating company financial statement information and fund risk/return summary information. The final rule is effective 30 days after its publication in the *Federal Register*, and its requirements will be phased in over three years, starting with large accelerated filers.

This *Heads Up* summarizes the final rule and related financial reporting implications. It also highlights some key considerations regarding the final rule's implementation.

## Background

Since 2009, registrants have been required<sup>2</sup> to submit an interactive data file<sup>3</sup> exhibit (in an XBRL format) along with their official HTML<sup>4</sup> (or, less commonly, ASCII<sup>5</sup>) documents that are

<sup>1</sup> SEC Final Rule Release No. 33-10514, *Inline XBRL Filing of Tagged Data*.

<sup>2</sup> In accordance with SEC Regulations S-K and S-T and the EDGAR filer manual.

<sup>3</sup> As described in footnote 39 of the final rule, an "Interactive Data File currently consists of an instance document and other documents as described in the [EDGAR] Filer Manual. The instance document contains the XBRL tags for the information contained in the corresponding data in the Related Official Filing to satisfy the content and format requirements in Rule 405. The other documents in the Interactive Data File contain contextual information about the XBRL tags."

<sup>4</sup> HyperText Markup Language.

<sup>5</sup> American Standard Code for Information Interchange.

filed on certain forms.<sup>6</sup> In addition, in March 2017, the SEC announced the availability of the IFRS<sup>®</sup> Taxonomy<sup>7</sup> for foreign private issuers (FPIs) that prepare financial statements under IFRS Standards. As a result of the announcement, FPIs are also required to use XBRL in their financial data submitted to the SEC.<sup>8</sup> With iXBRL, registrants will combine the HTML-encoded information and XBRL-encoded information into one single report rather than filing the XBRL data in an exhibit.

## Applicability and Effective Date

The final rule's iXBRL requirements for financial statement information apply to all operating company<sup>9</sup> filers — including smaller reporting companies, emerging growth companies, and foreign private issuers — that currently are required to submit financial statement information in XBRL format. The requirements for risk/return summary information apply to all mutual fund filer<sup>10</sup> that currently are required to submit risk/return summary information in XBRL format.

To give certain registrants enough time to prepare for adoption, the final rule phases in the requirements on the basis of filer category. Compliance is required with the first Form 10-Q filed after the applicable compliance date.<sup>11</sup> The compliance dates are as follows:

- Large accelerated filers that prepare their financial statements in accordance with U.S. GAAP will be required to comply beginning with fiscal periods ending on or after June 15, 2019.
- Accelerated filers that prepare such financial statements must comply beginning with fiscal periods ending on or after June 15, 2020.
- All other operating company filers that are required to submit interactive data files are required to comply beginning with fiscal periods ending on or after June 15, 2021.



### Connecting the Dots

Under the final rule, a calendar-year-end U.S. GAAP large accelerated filer will be required to use iXBRL beginning with its June 30, 2019, Form 10-Q filing; a U.S. GAAP large accelerated filer with a June 30 fiscal year-end would be required to use iXBRL in its September 30, 2019, Form 10-Q filing.

The phase-in for mutual funds is based on net asset size. Larger entities (i.e., mutual funds that together with other investment companies in the same “group of related investment companies”<sup>12</sup> have net assets of \$1 billion or more as of the end of the most recent fiscal year) are required to comply with the requirements two years after the final rule's effective date. Smaller entities (i.e., mutual funds that together with other investment companies in the same “group of related investment companies” have net assets of less than \$1 billion as of the end of the most recent fiscal year) must comply with the requirements in the third year.

<sup>6</sup> Under SEC Regulation S-K, Item 601, “Exhibits,” and other SEC rules, an interactive data file must be submitted with filings on the following forms: S-1, S-3, S-4, S-11, F1, F3, F4, F-9, F-10, 20-F, 40-F, 6-K, 8-K, 10-Q, and 10-K.

<sup>7</sup> SEC Final Rule Release No. 33-10320, *IFRS Taxonomy for Foreign Private Issuers That Prepare Their Financial Statements in Accordance With International Financial Reporting Standards as Issued by the International Accounting Standards Board*.

<sup>8</sup> See Deloitte's July 12, 2017, [Heads Up](#) for more information.

<sup>9</sup> Footnote 34 of the final rule states that “operating companies are filers subject to the financial statement information XBRL requirements of Item 601(b)(101) of Regulation S-K and Forms F-10, 20-F, 40-F and 6-K. Operating companies do not include any investment company that is registered under the Investment Company Act, any business development company (“BDC”), as defined in Section 2(a)(48) of that Act . . . or any entity that reports under the Exchange Act and prepares its financial statements in accordance with Article 6 of Regulation S-X . . . as well as asset-backed issuers.”

<sup>10</sup> Footnote 36 of the final rule indicates that the “risk/return summary is set forth in Items 2, 3, and 4 of Form N-1A under the Securities Act and the Investment Company Act.”

<sup>11</sup> As stated in footnote 178 of the final rule, “Form 10-Q filers will not become subject to the Inline XBRL requirements with respect to Form 10-K or any other form, however, until after they have been required to comply with the Inline XBRL requirements for their first Form 10-Q for a fiscal period ending on or after the applicable compliance date for the respective category of filers.”

<sup>12</sup> As defined in footnote 1 of the final rule.

The final rule eliminates the requirement for an operating company and a mutual fund to post its interactive data file on its Web site and eliminates the 15-business-day filing period for risk/return summary XBRL data.<sup>13</sup>

## iXBRL Data Quality

The final rule reflects the SEC's increased focus on data quality and emphasizes that the SEC staff uses the XBRL data to "efficiently analyze large quantities of information in support of risk assessment, rulemaking, and enforcement activities." In addition, XBRL data is used by investors, analysts, economists, data aggregators, academics, and filers seeking information on their peers.<sup>14</sup>

The SEC staff hopes that by requiring registrants to file only one report instead of submitting (and reconciling) two separate documents, fewer errors will result. In addition, the staff hopes that with iXBRL, there will be fewer errors such as characterizing a number as negative when it is positive, incorrect scaling, and incomplete tagging. Further, iXBRL permits registrants to use fewer extension tags (i.e., customized tags) if they no longer perceive a need for the look and presentation of their interactive data renderings to match their HTML document, which will further facilitate comparison of different entities' structured data.



### Connecting the Dots

iXBRL may contribute to an increased use of XBRL data in the marketplace because it permits users to search and analyze data quickly. Since the interactive data files and the HTML document will no longer be in different locations, users can view and analyze this data simultaneously. As part of its initial voluntary iXBRL program, the SEC gave users access to an iXBRL viewer on the EDGAR Web site. The viewer improved users' ability to search and analyze data and made data tagging details, including tagging deficiencies, more visible and transparent. Registrants should reassess their XBRL data quality, including its completeness and accuracy, as part of their transition to iXBRL.

## Key Considerations Related to Implementing the iXBRL Requirements

Registrants that use third-party vendors to prepare their interactive data files or other aspects of their EDGAR submission should assess whether those vendors are capable of preparing filings in iXBRL format. Such vendors may need to modify their software to enable it to extract iXBRL data. In addition, registrants should ensure that a filing contains no validation errors; if it does, the EDGAR system will reject the entire filing, not just the iXBRL piece.

While registrants may use third-party vendors, they retain the overall responsibility for their filings. Therefore, registrants should (1) understand how adoption of iXBRL will affect the timing and nature of their filing preparation and review processes (e.g., their ability to meet submission dates or make last-minute changes) and (2) ensure that they have personnel with appropriate expertise to review the iXBRL formatting.

## iXBRL and Disclosure Controls and Procedures

Most registrants' disclosure controls and procedures apply to the creation of interactive data files; however, the SEC specifically excludes<sup>15</sup> the use of interactive data files from the officer

<sup>13</sup> See the final rule for more information regarding the filing of the risk/return summary XBRL data.

<sup>14</sup> The final rule states, "During the second quarter of 2017, individual financial statement information XBRL exhibits were accessed on the EDGAR website approximately 53.1 million times (including approximately 13.7 million unique filing views by approximately 149,000 unique IP addresses) and individual risk/return summary XBRL exhibits were accessed approximately 6.8 million times (including approximately 839,000 unique filing views by approximately 8,000 unique IP addresses). This is the approximate equivalent of 287 exhibit views and 74 unique filing views for each filing with financial statement information XBRL data and 224 exhibit views and 28 unique filing views for each filing with risk/return summary XBRL data during the examined quarter" (footnote omitted).

<sup>15</sup> See [SEC Final Rule Release No. 33-9002, Interactive Data to Improve Financial Reporting](#).

certification requirements in Exchange Act Rules 13a-14 and 15d-14.<sup>16</sup> While the SEC has indicated that this exclusion was intended to give registrants a means of avoiding unnecessary costs, management is still responsible for the completeness, mapping, consistency and structure of its interactive data filings. Moreover, exclusion of interactive data files from the officer certification requirements does not mean that a registrant can exclude controls and procedures related to interactive data from its evaluation of disclosure controls and procedures. A registrant that submits an interactive data file with Form 10-K or Form 10-Q still must consider controls and procedures related to interactive data when complying with Exchange Act Rules 13a-15 and 15d-15<sup>17</sup> and with Regulation S-K, Item 307.<sup>18</sup>

## iXBRL Assurance Remains Voluntary

There is no requirement currently, or under the final rule, for any form of assurance related to a registrant's XBRL interactive data filing. However, audit committees and management may consider whether and, if so, what form of assurance or other types of services may be useful to the company and its investors in connection with the iXBRL requirements. Such services may include the following:

- *Readiness assessment* — An assessment of the company's capacity for sustainable iXBRL financial reporting based on the filer's financial reporting process and technology infrastructure.
- *iXBRL implementation* — Advice and recommendations related to planning for and establishing the process of conversion of financial information to iXBRL and providing recommendations for a sustainable process for ongoing reporting.
- *iXBRL training* — Knowledge transfer services ranging from awareness to in-depth technical training.
- *Agreed-upon procedures* — Application of certain agreed-upon procedures with respect to iXBRL information.

## Contacts

If you have questions about this *Heads Up* or would like information about the [services](#) Deloitte can provide, please contact our XBRL specialists:

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<sup>16</sup> Securities Exchange Act of 1934 ("Exchange Act"), Rules 13a-14 and 15d-14, "Certification of Disclosure in Annual and Quarterly Reports."

<sup>17</sup> Exchange Act Rules 13a-15 and 15d-15, "Controls and Procedures."

<sup>18</sup> SEC Regulation S-K, Item 307, "Disclosure Controls and Procedures."

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