

THE SEC'S OVERDUE TRANSFORMATION OF CORPORATE DISCLOSURE

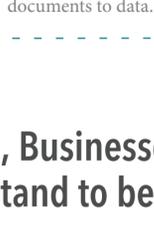


Financial regulators in the world's leading economies such as the U.K., India, China, Korea, and Japan have modernized their corporate disclosure systems to run on **DATA**.



BUT THE UNITED STATES LAGS BEHIND THE GLOBAL CURVE.

DATA NOT DOCUMENTS



Document-based formats such as PDF or HTML are **human-readable**. They work just fine for someone who wants to read a single disclosure report without carrying out analytics or comparison.

But **machine-readable** data formats like XBRL allow for instant analysis by software. By switching corporate disclosure requirements from documents to data...

Investors, Regulators, Businesses, and Entrepreneurs all stand to benefit



Investors use data for better decisions.



Regulators deploy analytics to find errors and potential fraud.



Businesses automate their compliance tasks, saving time and money.



Entrepreneurs create the software that makes all this possible.

If the U.S. Securities and Exchange Commission adopted consistent data formats (XBRL) for all its existing corporate disclosures, these benefits would be possible. **But it hasn't.**

STALLED PROGRESS AT THE SEC



Most information public companies must submit to the SEC is **still trapped in documents**, not expressed as standardized data.



In 2009, the SEC began requiring public companies to submit an XBRL version of each financial statement alongside the old-fashioned document version.

But the SEC does not enforce the quality of the XBRL version, so investors and analysts have been reluctant to use this data.

DOCUMENT VERSION IS NOT MACHINE READABLE

SMALL COMPANY DISCLOSURE SIMPLIFICATION ACT

This Act...



61% EXEMPT FROM REPORTING DATA

...instructs the SEC to stop requiring companies with annual revenues under \$250 million to submit XBRL financial statements.

Justified frustration...

The Act's supporters are right to point out that the SEC has failed to make XBRL financial statements valuable for investors, useful for agency staff, and easy for companies to report.

...But moves the SEC in the wrong direction.

The Act prevents the SEC from modernizing financial statements—and sends a message that Congress does not want the SEC to modernize other areas of corporate disclosure.

CONGRESS SHOULD HELP THE SEC FIX & EXPAND DATA REPORTING, NOT ELIMINATE IT.

SHORT TERM GOALS FOR THE SEC

- PUBLISH EXISTING DATA SO INVESTORS CAN EASILY USE IT.**
 - Until December 2014, XBRL data was only available as thousands of separate files, which investors had to combine into their own databases before analysis.
 - In December 2014, the SEC announced that it would make XBRL information available as a single database, ready to use.
- STOP COLLECTING THE SAME FINANCIAL INFORMATION TWICE.**
 - XBRL hasn't caught on inside the SEC—or in the markets—because companies still must submit financial information twice, once as a document and again as data.
 - The SEC should replace the existing duplicative system with a single submission in the inline XBRL format, which is both human readable and machine readable.
- FULL QUALITY ENFORCEMENT.**
 - The SEC does not systematically require companies to resubmit XBRL financial statements that contain errors. There are so many errors that some investors choose to rely on documents, even with data available.
 - The SEC should systematically enforce the quality of XBRL data by requiring corrections each time it detects an error.
- ADOPT DATA FORMATS FOR MORE CORPORATE DISCLOSURE INFORMATION.**
 - Beyond the financial statements, most corporate disclosure information is still collected as documents, not data.
 - The SEC should select a few simpler disclosures and transform them from documents into data.
 - The SEC should prioritize tables of contents, lists of subsidiaries, and numeric disclosures for early transformation.
 - The SEC should apply XBRL to quarterly earnings press releases.

LONG TERM GOALS

The SEC should adopt consistent data formats for all the corporate disclosures it collects.

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