

United States Senate

WASHINGTON, DC 20510

July 21, 2015

The Honorable Mary Jo White
Chair
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair White:

We write to you about XBRL and the benefit of electronic information that is fully standardized, searchable, and freely available online. Open data facilitates accountability to citizens and investors, allows better management and enforcement by government, and helps to automate compliance processes. In 2014, Congress unanimously passed, and President Obama signed, the Digital Accountability and Transparency Act (DATA Act), requiring the federal government to transform its own financial information from disconnected, non-searchable documents into open data.

Most of the corporate disclosures currently collected by the Securities and Exchange Commission (SEC) have yet to be transformed from disconnected documents into open data. In 2014, however, we were pleased to note that you and other Commission leaders promised that the agency would soon make progress in this area, specifically with regard to the considered adoption of inline eXtensible Business Reporting Language (XBRL). We are writing to ask you to provide a clearer view of when such progress may occur.

As you know, in 2009 the Commission began requiring corporate issuers to file an open data version of each financial statement that is included in their quarterly and annual reports, using the XBRL open data format. With this rule, the SEC took an important first step toward bringing the benefits of open data to the corporate disclosure system. The XBRL rule promises to make company data more accessible and usable for investors, allow Commission staff to deploy analytics to detect errors and fraud, and enable filers to automate some disclosure processes.

However, because the Commission has continued to require corporate issuers to file two versions of every financial statement—once as XBRL-formatted open data and again as an old-fashioned, non-searchable text document—the original goals of the XBRL rule have not been realized.

First, faced with two separate versions of each financial statement, Commission staff have continued to focus their reviews on the document version, not the open data version. The Division of Corporation Finance has only rarely noted XBRL errors in its regular comment

letters, and in six years has issued only one Dear CFO letter addressing XBRL data quality.¹ The quality of the XBRL-formatted financial statements has suffered. A 2012 Columbia University study² and reports in the financial press³ noted widespread errors. Tech startups seeking to use the data to deliver information to investors, such as Calcbench⁴ and Tagnifi,⁵ have reported that the quality of the Commission's XBRL data is so bad that investors have been reluctant to use it.

Second, the continued separation of document-centric and open data disclosures has impeded further progress in the modernization of the Commission's corporate disclosure system. In July 2013, the Investor Advisory Committee (IAC) called for the adoption of open data formats throughout all the information the Commission collects. The Commission has not formally responded to the IAC's recommendation.

Third, issuers must separately prepare a document version and an open data version of each financial statement, and compare the two against one another before filing, which contributes to unnecessary compliance costs.

We believe that the Commission's adoption of inline XBRL will allow the original goals of the XBRL rule to be realized. The Commission seems poised to use open data to democratize access to financial information and enhance transparency. The Commission's Strategic Plan for Fiscal Years 2014-2018 promises that major efforts in data standardization and publication are underway. These commitments were reinforced in December 2014 when the Commission announced it would make the existing XBRL open data it collects more readily accessible by combining and organizing it into a structured database for bulk download by the public.

Eliminating the need for public companies to submit separate documents and open data versions of every financial statement is a necessary next step in the modernization of U.S. corporate disclosure. Accordingly, we respectfully request that you provide us with an update indicating whether, and when, you intend to seek the proposal of the necessary change to the Commission's rules.

¹ Securities and Exchange Commission, *Sample Letter Sent to Public Companies Regarding XBRL Requirement to Include Calculation Relationships* (July 2014), <http://www.sec.gov/divisions/corpfin/guidance/xbrl-calculation-0714.htm>.

² Columbia Business School Center for Excellence in Accounting and Security Analysis, *An Evaluation of the Current State and Future of XBRL and Interactive Data for Investors and Analysts* (Dec. 5, 2012) ("Columbia Report"); http://www4.gsb.columbia.edu/filemgr?&file_id=7313146.

³ See, e.g., David Trainer, *XBRL Would Be Wonderful If It Always Worked*, *Forbes* (Nov. 7, 2013), <http://www.forbes.com/sites/greatspeculations/2013/11/07/xbrl-would-be-wonderful-if-it-always-worked/>.

⁴ Calcbench, *Calcbench's 'Letter Writing' Campaign for Data Quality*, June 9, 2014, <http://blog.calcbench.com/post/88278512993/calcbenchs-letter-writing-campaign-for-data>.

⁵ Tagnifi, *Why Investors Are Not Using XBRL* (March 22, 2014), <http://www.tagnifi.com/why-investors-are-not-using-xbrl/>.

We appreciate the Commission's continued attention to this problem and look forward to continuing to work toward the full modernization of the Commission's corporate disclosure system through the transformation of document-based disclosures into open data.

Sincerely,



Mark R. Warner
U.S. Senator



Mike Crapo
U.S. Senator