

## Companies Gear Up For XBRL Reporting

### *NewRiver Joins XBRL US Consortium*

By John Morgan

The **Securities and Exchange Commission** could mandate the use of eXtensible Business Reporting Language (XBRL) in mutual fund risk return summaries by as early as the first quarter of next year, according to industry experts, putting many fund companies on the data-tagging fast track.

**XBRL US**, the U.S. version of the international consortium, has joined forces with Andover, Mass.-based mutual fund data provider **NewRiver** to make sure public companies, mutual funds and credit rating agencies are ready in time.

"The SEC is trying to nudge the industry along," said **Jeff Levering**, vice president of corporate development at NewRiver. "XBRL is able to normalize reporting across companies so it's consistent worldwide. Once you've got the taxonomies defined, it's much easier to compare companies across borders."

By making everyone speak the same reporting language, XBRL makes sure all reporting applications are consistent, reliable and interoperable, he said.

Levering said NewRiver is the first of many mutual fund experts that are visibly joining the consortium. The U.S. consortium is made up of nearly 100 companies, including **American International Group (AIG)**, **Deloitte & Touche**, **Depository Trust & Clearing Corp.**, **EDGAR Online**, the **Federal Deposit Insurance Corp.**, **Fitch Ratings**, the **Internal Revenue Service**, **Microsoft Corp.**, **Moody's Investors Service**, **Morgan Stanley**, **R.R. Donnelley** and **Thomson Financial**, among others.

"As the leading expert in delivering EDGAR-based mutual fund documents and

data, NewRiver is bringing strong subject matter expertise to the consortium," said **Russ Planitzer**, president and CEO of NewRiver. "Joining the XBRL US consortium is a part of our ongoing effort to help the industry simplify financial disclosure."

"As technology continues to move forward, information provided by funds will have to be easier for investors to use," Levering said. This will lead to the standardization of information, not of funds.

"Our business is where XBRL is going to be," he said. "We think using XBRL will help reduce costs of doing business and provide better information to clients. We want to be part of this process early."

Designed for public and private companies, XBRL uses eXtensible Markup Language (XML) data tags to describe business and financial information. XML allows users to "tag" or code each element on a business or financial report, such as units, currency, etc. These tags can be used to compare similar data elements in an endless variation of comparison charts and graphs, and can be easily converted to different languages for comparison of international companies.

#### **Not Ready for IFRS**

XBRL US has entered into a contract with the SEC to build out certain taxonomies and is working closely together with the **Financial Accounting Standards Board (FASB)** to ensure compliance with U.S. Generally Accepted Accounting Principles (GAAP), according to **Michelle Savage**, vice president of communication for XBRL US.

The SEC is currently considering switching from GAAP accounting standards to the International Financial Reporting Standards



**Jeff Levering**

(IFRS) used by China, the European Union and most of the rest of the business world (*see MME 08-04-08*).

Industry experts predict the SEC will set a mandatory conversion date sometime in the summer of 2013 for public companies, with private companies to follow soon after.

Savage said XBRL US is not currently involved in any efforts to comply with IFRS requirements, but she said if such a transition were made, companies would presumably continue to report in XBRL.

"I wouldn't say that XBRL facilitates that transfer, but it would be easier to switch from GAAP to IFRS if you're already using XBRL, so you don't have to adopt two new things at once," she said.

Many investors find current company filings with the SEC to be overly complex and detailed.

A recent report by the SEC's Advisory Committee on Improvements to Financial Reporting found that the inclusion of a short, executive summary at the beginning of a company's annual report could describe concisely the main aspects of its business and its key performance metrics.

Companies could provide better disclosure to investors about what portion of their earnings constitute cash or accrued income based on historic cost accounting and what portion represents unrealized gains or losses based on fair value estimates, the report said.

"Our recommendations would make financial reports more useful to investors,


with clearer guidelines, fewer exceptions and greater focus on really important information," said **Robert Pozen**, chairman of the SEC advisory committee.

The underlying objectives of certain accounting standards are sometimes obscured by dense language, detailed rules and numerous exemptions, the report said. Pozen recommended improved rules on off-balance sheet accounting that would lead to fewer situations where alternative accounting standards exist for the same transaction.

Pozen called for a clearer delineation of functions on interpreting accounting standards, with FASB taking the lead on broad issues and the SEC focusing on registrant-specific issues.

"The recent turmoil in the credit mar-

kets, including the liquidity problems of municipal auction-rate securities and rating downgrades of municipal bond insurers, only highlights the importance of disclosure and transparency in these markets," said SEC Chairman **Christopher Cox** in a recent speech on municipal securities disclosure. "The greater availability of information as a result of the proposed amendments could bolster investor confidence in the municipal securities market, encourage improvement in the completeness and timeliness of investment disclosures, and foster increased interest in municipal securities by retail and institutional customers."

Cox will be the keynote speaker at XBRL US's international conference, to be held in mid-October in Washington. 



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