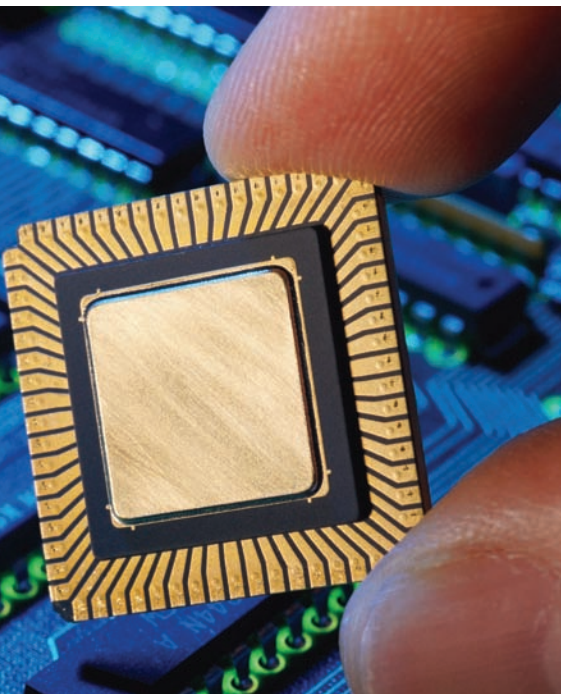


Defining Issues[®]

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SEC Proposes Mandatory XBRL Submissions

The SEC approved issuing a proposal that would require companies to submit XBRL-formatted financial statements as exhibits to their filed financial statements, phasing in the requirement over three years based on company size and whether the company uses U.S. GAAP or IFRS as issued by the IASB.¹ The requirement would apply to annual and quarterly reports, transition reports, and registration statements, and companies that maintain Web sites would have to make the information available there. The text of the proposal is not yet available to the public. It will have a 60-day comment period after publication in the Federal Register.

The SEC's interest in the XBRL computer language goes back some years and is based on the potential benefits for investors and other financial-statement users, whose XBRL-enabled software would be able to search, sort, and otherwise process and analyze reported XBRL data, without identifying needed information by reading and then re-keying it. This benefit is captured in the SEC's term "interactive data." XBRL uses defined labels (tags) to code data in ways compatible with XBRL-enabled software.

The Phase-In Schedule

XBRL reporting would be phased in by requiring companies to make submissions if they meet the following criteria applicable to each year of a three-year transition period.

- Year 1: domestic and foreign large accelerated filers that file financial statements presented in accordance with U.S. GAAP and have a worldwide public float above \$5 billion, beginning with the first fiscal period ending on or after December 15, 2008.² The SEC staff estimates that this phase would affect approximately 500 companies.
- Year 2: all other domestic and foreign large accelerated filers that file financial statements prepared in accordance with U.S. GAAP, beginning with the first fiscal period ending on or after December 15, 2009.

¹ XBRL is an abbreviation of "Extensible Business Reporting Language." The material in this newsletter, apart from what is supported by specific citations or reflects public knowledge, is based on the SEC's Open Meeting on May 14, 2008; SEC Press Release No. 2008-85, SEC Proposes New Way for Investors to Get Financial Information on Companies, May 14, 2008; and the posted version of the introductory speech by the SEC staff's James Lopez, Division Statement before the Commission Open Meeting, which, like the Press Release, is available at www.sec.gov.

² Public float is the aggregate worldwide market value of the company's outstanding voting and nonvoting common equity held by nonaffiliates. A large accelerated filer is an issuer with a public float of at least \$700 million as of the last business day of its most recently completed second fiscal quarter.

- Year 3: all remaining filers that file financial statements prepared in accordance with U.S. GAAP, including smaller reporting companies, and all foreign private issuers that prepare their financial statements in accordance with IFRS as issued by the IASB, beginning with the first fiscal period ending on or after December 15, 2010.

Filers not included in the first phase may provide XBRL exhibits early. The proposal's schedule of requirements would not apply to mutual funds.

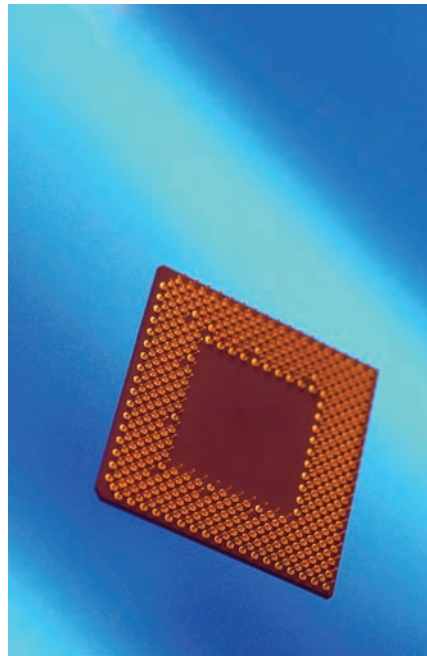
During the first two years of the three-year phase-in period, the SEC will monitor the cost of compliance and consider whether modifications should be made to the third implementation phase. The SEC staff at the meeting did not mention any form of auditor attestation associated with the XBRL exhibits.

Implementation

Affected companies would have to include the XBRL data as an exhibit to their filed periodic reports and registration statements, and the information tagged would include the company's primary financial statements, notes, and financial-statement schedules. The proposal would not affect other filing requirements.

A grace period of 30 days would be allowed in meeting the deadline for the first required XBRL exhibit. Each note to the financial

statements and financial-statement schedules in the first-year XBRL exhibits would be permitted to receive a single tag. In other words, the notes and financial-statement schedules to the first-year XBRL exhibits could be "blocked-tagged." Each element of the notes and financial-statement schedules in second-year XBRL exhibits would have to be tagged, but a grace period of 30 days would apply to the first XBRL exhibit containing fully tagged notes.



Apart from these two grace periods, XBRL exhibits would be subject to the same deadlines that apply to the related report or

registration statement. XBRL exhibits would also have to be posted to corporate Web sites at the same time if the Web site includes the financial statements. Failure to meet these deadlines would mean the filer is not current with its Exchange Act reports and could cause them to lose "short form" (e.g., Form S-3) eligibility.

Liability. XBRL exhibits submitted to the SEC would be subject to liability exposure similar to that of the SEC's voluntary XBRL-reporting program, which has been in place since 2005. Under the voluntary program, submitted XBRL information is considered "furnished," not "filed," which limits potential liability.

Taxonomies. XBRL exhibits would have to use the U.S. GAAP tagging dictionaries for coding data in XBRL (taxonomies) that have been developed by XBRL US, which has also published a guide to assist preparers. The completed taxonomies and the guide were delivered to the SEC earlier this month. Both are available at the XBRL US Web site.³ The Web site contains a list of software vendors that have or are developing programs for producing XBRL-tagged financial information. Companies submitting XBRL exhibits would be required to use the newest U.S. GAAP XBRL taxonomies as maintained by XBRL US.

³ usgaap.xbrl.us.

⁴ Sunshine Act Meeting notice for May 14, 2008, amendment for additional item, available at www.sec.gov.

⁵ Available at www.sec.gov.



XBRL Reporting for Mutual Funds?

The SEC will meet on May 21, 2008 to consider whether to propose a requirement for mutual funds to submit XBRL-enabled risk/return summary information.⁴ The meeting's purpose is consistent with the SEC's recent introduction of an XBRL-supported Mutual Fund Reader that can be used on XBRL data provided by mutual fund companies through the SEC's Voluntary Financial Reporting Program.⁵ The reader allows investors to review a fund's cost, risk, investment objectives, and strategies as well as historical performance.

The descriptive and summary statements above are not intended to substitute for the text of any SEC or U.S. GAAP requirements, the as-yet-unpublished proposal, or any standards on employing XBRL, and are not necessarily applicable to any entity's specific circumstances. Companies that wish to prepare XBRL-formatted financial statements for submission to the SEC or other purposes should rely on the texts of the applicable documents and consult their accounting and legal advisors.

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