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Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 30549

re: File Number S7-11-08
Mandatory XBRL for Financial Reporting

Dear Sir or Madam:

Most commentators on XBRL are boosters with some financial or prestige interest in its promotion and adoption. I have no such interest in XBRL's future and am not vested in its outcome. I submit my observations on the 38-page triple-column proposal on mandatory XBRL for financial reporting from the vantage point of an investor who appreciates computer technology.

The Commission's main assumption is that "financial statement information could be downloaded directly into spreadsheets, analyzed in a variety of ways using commercial off-the-shelf software, and used within investment models in other software formats." This is poppycock. As it exists today, XBRL has limited interoperability with just a few commercial software products. XBRL might improve and meet this promise in the future, but it lacks those capabilities today.

I. Introduction and Background

A. Introduction

Suggesting that XBRL is the next "Edgar" success is disingenuous. Before Edgar, an analyst or investor had to visit one of the SEC reading rooms and wait for an available microfilm machine. It wasn't just laborious. One had to be in a city with an SEC reading room. Edgar was a great leap in making filing availability ubiquitous. It was a no-brainer. XBRL isn't such a simple decision.

One great advantage to Edgar's ASCII and HTML formatted financial statements is that they are readable without an exotic viewer. XBRL-tagged financial statements can only be read with the assistance of an XBRL viewer. Any gain from using XBRL tags for investment analysis will be somewhat offset by the loss of human readability, and non-XBRL reports are more compatible with today's computers. The Commission's suggestion that it might consider eliminating ASCII and HTML formats in favor of XBRL would make Edgar LESS useful to serious investors.

XBRL boosters seem not to appreciate that financial analysis is an art, not a science. If it were a science, then XBRL might satisfy. As an art, XBRL can never be sufficiently dynamic. To suggest

that static, text-based information isn't as useful as interactive data is only true at the "science" level of financial analysis.

For example, XBRL would not help an investor determine which banks have changed their standard for classifying a loan as non-performing from 90-days past due to 120-days, or the effect thereof. Nor would it assist in interpreting the pregnant disclosures regarding off-balance sheet liabilities.

B. Current Filings Technology and Interactive Data

The supposition that there today exists XBRL software applications such as databases, financial reporting systems, and spreadsheets, which recognize and process information must be tempered with the acknowledgment that such software today has very limited XBRL capabilities. Furthermore, today's other software that are capable of performing great feats, such as pivot tables and data exchange between programs are technically complex and beyond the capability of most software users. So, how can it be expected that users will adapt to XBRL data interaction?

It is misleading for the SEC to tout that XBRL-US is a non-profit organization. XBRL-US is tax-exempt under Internal Revenue Code section 501(c)(6). That's a "business league" which is "an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit...ITS ACTIVITIES SHOULD BE DIRECTED TO THE IMPROVEMENT OF BUSINESS CONDITIONS OF ONE OR MORE LINES OF BUSINESS..." [Reg. 1.501(c)(6)-1, caps mine]. A business league is not required to promote the general commercial welfare. [Rev. Rul. 59-391]

XBRL-US is a commercial enterprise. It's not an eleemosynary organization like the World Wide Web Consortium (W3C) which develops HTML and XML among many other projects. W3C is part of Massachusets Institute of Technology and is classified under Section 501(c)(3). W3C receives funding from the National Science Foundation, Department of Education, and European Commission. Mozilla Foundation is another charity organized under Section 501(c)(3). It promotes the Firefox web browser that competes with Microsoft's Internet Explorer. Contributions to 501(c)(3) organizations are tax deductible as charitable contributions. In a 501(c)(6) organization, contributions or gifts from the general public are treated as membership support. [IRM 7.25.6.4.] The founders of XBRL-US might have organized under 501(c)(3), but didn't.

The "four viewers" that the Commission proudly announces are available on its web site are merely demonstration software. The downloadable source code is subject to an SEC-specific license, rather than the General Public License favored by volunteers drawn to open-source projects. The source code for one viewer is 413MB. (Compare that to the far more ambitious Firefox source code which is just 220MB, or OpenOffice source code with five source packages totalling 259MB.) The XBRL viewer is code-inefficient bloatware. And there are only Windows zip files available. No Linux tarballs. So development of XBRL may entrench Microsoft operating systems, to the detriment of competitors Linux and Mac.

I would be quite interested in learning how many downloads the SEC has had for its open-source XBRL code. That would give an indication of how many volunteers might work on XBRL when there so many projects involving W3C, Mozilla Foundation and Open Office that are more satisfying. They are more satisfying because the GPL license requires that modified software be passed on with the same freedoms that the original software came with, and it prohibits software patents on products containing its code. The SEC license contains no such restrictions. The SEC website includes no compiled EXE file for end-users. (Is it just intended for the enrichment of developers?) XBRL open-source development will be a niche for commercial developers, shunned by the open-source community.

There is one free commercial XBRL viewer available on the internet. That's Dragon View (and it's companion, Dragon Tag, available for $1,295) from Rivet Software. Dragon requires installation of Microsoft's .NET Framework API to operate. There is no XBRL viewer that works under Mac or Linux, making XBRL a Microsoft product. XBRL should not be allowed to entrench Microsoft. (I use Linux and OS/2 in my office in addition to Windows.) Software developers know that there is no commercial market for XBRL viewers. The only market is for tagging software. The Commission's assertion that "inexpensive" viewers "will become widely available and increasingly useful to investors" cries for substantiation.

SEC has already invested $54 million. It will require permanent, substantial, and continuing SEC annual funding for XBRL maintenance and development. That's scarce resources that could be spent elsewhere and it's very important that the SEC demonstrate that this is the best use of its funding.

The commercial interests are deploying XBRL as a marketing tool. EdgarOnline is touting XBRL for marketing its EdgarPro subscriptions, I-Metrix software, and online advertising in partnership with Microsoft. PricewaterhouseCoopers published a 56-page book hawking its XBRL expertise, and along with the other large consulting firms, looks forward to earning fees from XBRL engagements. XBRL from the beginning has been promoted by commercial and consultant interests, with development overwhelmingly paid for by government.

C. Commissioner's Multiyear Evaluation

The requirements for the Federal Deposit Insurance Corporation in selecting XBRL were quite different from the decision facing the SEC. FDIC requires reports in a standard format (like a tax return), from very similar organizations (banks). It could just as easily have chosen XML, which is what the Internal Revenue Service is using for its Modernized e-File program. The Commission has correctly noted that "bank reports require information that is more structured and less varied than the information we would require. As a result, the FDIC's efficiency gains from the use of interactive data likely would be greater than ours."

That other countries have chosen XBRL demonstrates that it is a mandatory reporting method. Nowhere have investors been lauding the availability of XBRL reports as an aid to investment

decisions. The Commission should decide that it wants XBRL to serve its own purposes. If it will eventually benefit investors, that would be a welcome development. However, XBRL should not be adopted on mere speculation. The Commission should issue a study indicating those experiences and the verified successes of the 20 countries that now use XBRL as a basis for implementing mandatory XBRL in the U.S. None has such encompassing requirements as the Commission is proposing.

The phased-in mandatory filing requires use of "the most recent and appropriate list of tags released by XBRL-US or the IASCF." The XBRL-US tag file unzips to 53MB, and that's tags for "just" 13,000 elements. It doesn't include any tagging program or viewer. The humongous size of the XBRL tag file is one of its major weaknesses. Furthermore, every time an accounting pronouncement is issued, XBRL must be updated to accommodate it. Presently, the XBRL taxonomy has not been updated to reflect FAS 141R (Business Combinations), FAS 160 (Noncontrolling Interests), or FAS 161 (Derivatives). The Commission has acknowledged that it will not presently "require interactive data for executive compensation disclosure because a definitive list of tags for this purpose is not yet completed." This executive compensation viewer is like an FDIC report. Specific information is required in a specific format that varies little. It's one of the simpler uses of XBRL, yet it has been plagued by technical issues.

This 53MB tag file will grow exponentially. Also, there are significant differences in US-GAAP and IFRS, not just in methods, but in language and definitions, requiring different tag files.

The Commission has concluded that "converting a filer's existing ASCII or HTML financial statements into interactive data would not impose a significant burden or cost." That conflicts with the Commission's own estimates. The costs are quite significant under existing law. (See VII below.) The cost may be deemed reasonable, but "insignificant," it is not.

Requiring filers to post XBRL-tagged data to the corporate website (on the same day it filed the registration statement with the Commissioner, no less) would dwarf the cost of merely tagging such information and filing it with the Commissioner. If one of the major benefits to XBRL is the ability to simultaneously review data for many issuers, then only the SEC website can provide that utility. A much better and simpler solution is to require registrants to provide an exact link to the company's SEC filing at Edgar. That way, every public company in America needn't contend with the enormous expense of revising their websites, and creating and maintaining XBRL compatibility. And the promise of multi-company data analysis could be fulfilled by the SEC itself with the best software that the SEC could develop and control. The Commission's decision not to allow companies to substitute a web link to Edgar for converting their own websites to XBRL compatibility should be reconsidered.

There is little logic and no benefit to investors to require XBRL data to be available on every registrant's website. Of course, it doesn't cost the SEC anything to disintermediate and mandate this extra cost to registrants. This part of the proposal may push more companies to drop their U.S. registration. The Commission owes taxpayers, registrants, and investors a duty to perform due diligence to ascertain that the benefits of XBRL outweigh the costs — especially if the Commission nonetheless decides to proceed with the capricious registrant's website XBRL mandate proposal.

II. Discussion of the Proposed Amendments

A. Submission of Risk/Return Summary Information

The Commission states, "We expect that the open standard feature of XBRL format will facilitate the development of applications and software, and that some of these applications may be made available to the public for free or at a relatively low cost." It is unwise to "expect" because computer trends are unpredictable. IBM lost billions on OS/2, which was far superior to Windows. Microsoft developed the ISAM database and integrated it into some products, but it quickly flopped. W3C has developed 110 open web standards and guidelines, not all of which have succeeded. The Commission shouldn't mandate an expensive XBRL proposition on mere dreams.

The test is not whether the Commission shouldn't wait to see whether interactive data format is voluntarily adopted. Rather, if there is investors demand, then XBRL will flourish. From the questions that the Commissioner seeks comments on, it appears that the Commission is more interested in the adoption of XBRL than acceptance by investors. The bottom line should be, "Do investors find XBRL useful?" Not, "How fast we get XBRL adopted?" Alternately, determine that XBRL should be adopted for the internal benefit and purposes of the Commission alone.

XBRL is an expensive proposition. Compared to filings using ASCII and HTML, tagging by registrants is costly, time-consuming, extra work. Who will use it? Has the SEC conducted a focus group and a working group? Securities analysts are ignorant of XBRL. As CFA Institute's XBRL working group member, Chris Montano, told the SEC Advisory Committee on Improvements to Financial Reporting on March 14, 2008:

> [Y]ou say XBRL to an investment professional, they'll say, Really? XBRL? What exchange is that traded
> on and what's the P/E ratio? So there's certainly a lot of education ahead of us in this standard.

Many improvements could be made to Edgar that would serve investors far better than XBRL:

1. The search engine is in desperate need of improvements and refinements: (a) a better search engine, (b) some clue on the search results as to what's inside an 8-K, (c) the ability to search for all filers using ticker symbols, not just the largest 1,000.

2. Within a company filing (a) improvements in the ability to fit screen pages for printing, (b) an option to view the registration statement in PDF format (sometimes available today at company websites), (c) consistent terms and links within filings that would simplify searches for the balance sheet and other financials, and cross-reference links to navigate from a financial statement item to the appropriate note and back (using HTML, not XBRL), and (d) links from the current 10-Q backward (or forward) to the 10-K and related 10-Qs.

3. The rudimentary listing of companies by SIC code could be vastly improved beyond SIC. Online brokerage firms already do this without XBRL.

All these improvements would still permit ASCII/HTML formatting, saving registrants hundreds of millions of dollars annually. If there be any cost savings to investment analysts from forcing all filers to switch to XBRL, it is speculative and any cost-benefit is unsubstantiated. Commercial members comprising the XBRL-US consortium are like lobbyists. They provide valuable input, but with a vested interest in the success of XBRL, should not be relied upon in any study of the cost-benefit.

B. Phase-In

1. Overview

To require mandatory XBRL filing for 500 large companies with market capitalization over $5 billion beginning for the period ended after December 15, 2008 is too swift, and probably politically motivated. What's the mad rush for? Investors are not demanding XBRL. Analysts are largely ignorant of XBRL. Simply put, XBRL has little traction. It is being pushed by special interests. If this effective date is serious, rather than a mere trial balloon, then the decision to enforce mandatory XBRL by that date, appears to have been made regardless of any comments the Commission receives by August 1. EdgarOnline has already posted to its website that the final rules will be issued between September and November, with December 2008 implementation.

I urge that at least a full 12 months be allowed for implementation by the largest companies, if XBRL must be implemented. Otherwise, the conversion of data will be more stressful than need be. XBRL isn't as simple as submitting an ASCII file electronically. The initial 500 companies have complex financials. The auditors must contend with the accuracy of the XBRL instances. There may not be enough consultants familiar with XBRL to make a smooth conversion in that short time span.

Medium-size issuers should follow at least a year later, or perhaps two, in order to remedy the problems that will arise with the first 500 group. Small issuers should be allowed even longer. They are the largest group and may have the most difficulty, and if consultants will be in tight supply, the conversion will be even more expensive.

Implementing XBRL involves a learning curve, and a cost. Stretching the effective date makes the learning curve flatter and the cost becomes cheaper.

C. Accuracy and Reliability

2. Use of Technology to Detect Errors

If error detection is a benefit to the SEC, then the Commissioner should give this as his reason for the XBRL mandate. However, in order to detect errors, the SEC will have to develop back-end software for this purpose. Remember to add that to the SEC budget.

The suggestion that the open-source nature would assist in corrections will only be as good as the number of and enthusiasm of volunteers working on XBRL. The Commission should evaluate how much unpaid support it can count on. Otherwise, errors will simply be reported to the SEC, which would be faced with budgeting the cost of the software modifications.

V. Cost-Benefit Analysis

Though the cost to registrants to comply with tagging XBRL information may not be unreasonable, the Commission owes taxpayers, registrants, and investors a duty to perform due diligence to ascertain that the benefits of XBRL outweigh the costs.

2a. More Efficient Capital Formation

The Commission asserts that XBRL will make it cost-efficient to include smaller companies in analyst reports which will reduce their capital costs. If that is true, then why mandate XBRL? Small companies should all be clamoring to send in reports under XBRL to benefit from lower capital costs. Do small companies agree that an SEC mandate of XBRL reporting is in their best interests?

VII & VIII. Compliance with Laws Governing Development of Regulations

The Commission's proposals fail to comply with laws and executive orders governing the issuance of regulations. The Regulatory Flexibility Act requires studies prior to finalizing regulations. Executive Order 12866 issued by President Bill Clinton in 1993 requires 12 principles be addressed before issuing regulations which are likely to result in "an annual effect on the economy of $100 million or more." So does the Small Business Regulating Enforcement Fairness Act. Section 553(b) of the Administrative Procedures Act requires a public hearing for new regulations, unless "impracticable, unnecessary, or contrary to the public interest." These rules require the agency to prepare a Regulatory Flexibility Analysis. President George W. Bush issued Executive Order 13272 in 2002, "Proper Consideration of Small Entities in Agency Rulemaking," which requires SBA to monitor compliance with the Regulatory Flexibility Act of 1980.

The Commission's proposal specifically states that the "average yearly burden...would be 1,164,690 internal hours and $129 million in out-of-pocket expenses per year...." This cost may be vastly understated because it omits the much larger cost of converting company websites to XBRL compatibility. The proposed rule's Initial Regulatory Flexibility Act analysis is incomplete. There is no Administrative Procedure Act statement. Truthfully, the Commission's proposals are a "major rule." However, the Commission well knows that court enforcement has been extremely lax.

One of the requirements of the Small Business Regulatory Enforcement Fairness Act is a determination of any potential effect on competition, investment, or innovation. Because XBRL is

restricted on non-Windows operating systems, this regulation may be detrimental to competition and innovation.

Final Comments

As an investor, I rely on Edgar. I have no need for XBRL. When I want to look at a company, I download the filings I'm interested in — and I read. Most investors just read some analysts' report. I check an analyst's assertion against the Edgar financials. Sometimes it's obvious that the analyst didn't read the financials. Few investors use Edgar. So, what subset of Edgar users want XBRL? Until the Commission answers that question, mandating XBRL is premature. XBRL should remain a voluntary program until that question can be answered with substantial assurance.
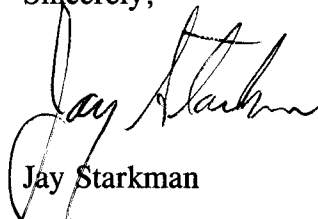
There are far more important uses for scarce SEC budget resources and registrants' capital than to implement and maintain XBRL. With so many issues facing investors and corporations, XBRL might make the "important" list, but shouldn't be on the "urgent" one. At a minimum, move back the effective date and study this project much more.

In summary, XBRL is a complex, bloated, incomplete, and expensive proposition. Its allure is based on an unproven technology with an unfulfilled promise. There is no investor demand and analysts are largely ignorant of it. It is a standard that is being promoted by commercial interests, with an eye on government funding for its development and foisting.

If the Commission decides to require XBRL filing, it should do so for its own internal benefit and purposes. There should be a long lead time to mandate XBRL filings, and no requirement that every filer convert its website to be XBRL-compatible. That will minimize the cost and force the commercial interests to prove XBRL's utility. If it's good, the commercial interests will invest their own funds and efforts into the open-source project, not merely feast at the SEC's and registrants' risk.

I also hope that the Commission will reconsider the need to comply with the Administrative Procedures Act, the Regulatory Flexibility Act, Small Business Regulating Enforcement Fairness Act, Executive Order 12866, and Executive Order 13272 before finalizing this proposed rule.

Sincerely,

Jay Starkman

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