

August 1, 2008

Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**RE: File No. S7-11-08, *Interactive Data to Improve Financial Reporting***

PricewaterhouseCoopers appreciates the opportunity to respond to the US Securities and Exchange Commission's (SEC or "Commission") request for comment on the proposed rule, *Interactive Data to Improve Financial Reporting* (the "SEC Proposal" or the "Release").

We support the Commission's objectives to enhance and improve the accessibility of the information available to investors. We believe the Proposed Rule marks a significant milestone in the Commission's ongoing project to advance financial reporting beyond today's paper-based forms.

While not addressing all questions included in the SEC Proposal, we have included our comments and recommendations related to the more significant aspects of the SEC Proposal for the Commission's consideration.

**General**

We support the objectives of enhanced electronic financial reporting to increase the speed and usability of financial information. The introduction of eXtensible Business Reporting Language (XBRL) is an important step in achieving more effective and efficient preparation of corporate reporting as well as consumption and analysis by users in the business reporting supply chain—management, investors, analysts, creditors, auditors, and regulators. In particular, XBRL can make business information more accessible over the internet, and over time, may facilitate timely and accurate access to external financial reporting by investors. Broader marketplace adoption of XBRL may also help maintain and enhance the competitiveness of the US capital markets, as many securities regulators outside the US have already mandated the use of XBRL for financial reporting or have announced plans to do so. These potential opportunities should motivate market participants to consider the potential benefits and implications of XBRL.

### **Mandate Readiness**

While we believe the addition of financial reporting based on interactive data is a useful enhancement to financial reporting, and agree with mandatory data tagging based on XBRL, we recognize that there are likely to be some initial implementation challenges. Despite the fact that the SEC has been conducting a voluntary filing program (VFP) for the past three years, there remains a need to create greater awareness, including a deeper understanding among preparers and users of the benefits and costs of using XBRL. Many preparers and users lack sufficient familiarity with XBRL and its process implications, and may need to begin their implementation efforts sufficiently in advance of a mandatory submission date to gain the necessary familiarity.

A number of factors will impact the implementation and the effectiveness and efficiency of preparing submissions of XBRL-formatted information in accordance with the SEC Proposal. These factors include the availability of user-friendly software solutions that 'enable' preparer efforts based on the recently-released US GAAP Taxonomy; the availability of third-party services to assist preparers in adopting XBRL and complying with the SEC Proposal; and sufficient training and guidance for preparers. Preparers will need to put in place the appropriate resources, processes, and technology. To minimize any implementation inefficiencies and improve consistency and comparability, the guidance available to preparers, such as the XBRL US Preparers Guide, should be improved to better address key issues such as company-specific extensions, tables and dimensions. In particular, the updated EDGAR Filer Manual described in the proposal should be released for comment in advance of the mandatory adoption dates. In addition, the IFRS Taxonomy should be expanded, including the addition of more granular footnote and industry content, such that a more robust taxonomy is available sufficiently in advance of the proposed adoption dates. In consideration of these factors, we believe the SEC should consider whether the proposed mandatory adoption dates are appropriate, at the time it considers the final rule.

### **Monitoring During the Phase-In Period**

As with any new technology and standards, there will be challenges associated with implementing and using XBRL for financial reporting. We believe that lessons learned from the first two phases of implementation should be considered and modifications, if necessary, be made before requiring XBRL submissions by all reporting companies.

We believe the SEC should clearly articulate its objectives for the phase-in period relative to both preparers and users. A mechanism should be established to collect and respond to input and questions on a real-time basis during the implementation effort and to assess whether the established objectives have been met. For example, the SEC might consider an XBRL 'blog' or survey for this purpose. This would not only facilitate the SEC's monitoring efforts, but would also facilitate the collection of meaningful public comment. As a result, the Commission could consider whether adjustments to the proposed implementation schedule is warranted and assess cost and benefit data in advance of the Year 2 and Year 3 mandate.

We believe the SEC should monitor the quality and accuracy of the XBRL submissions. For example, the SEC could monitor incidences of validation errors, subsequent corrections of

XBRL Exhibits, and company-specific extensions during the initial phase-in periods in order to assess the reliability of XBRL submissions.

### **Auditor Involvement**

Under the SEC Proposal, there would be no required auditor involvement with the XBRL-formatted information (including 'viewable interactive data') at this time, neither auditor assurance on the XBRL Exhibit nor any consideration by the auditor of such information under AU Sections 550, 711, and 722 ('the AU Sections'). We recommend that the SEC consider the use of cautionary language in the XBRL Exhibit (and on the SEC Viewer) to make this clear to users, similar to that used in the VFP.

We agree with the SEC that the AU Sections are not applicable to the proposed XBRL Exhibit and Viewable Interactive Data, and suggest that the SEC request that the PCAOB issue an interpretation or other communication to this effect, potentially as part of an update to the May 2005 PCAOB Staff Questions and Answers, *Attest Engagements Regarding XBRL Financial Information Furnished Under the XBRL Voluntary Financial Reporting Program*, as described below.

#### *Auditor Assurance*

We believe that as users begin to rely on XBRL-formatted financial statement information for decision making, the same level of confidence in the reliability and accuracy that they currently have on audited financial statements used in traditional format for investment decision-making will be important. As such, the SEC should continue to seek the views of preparers and users regarding the merits of, and demand for, auditor assurance on XBRL-formatted financial statements in the context of meeting user expectations and supporting investor protection.

We fundamentally believe that independent assurance on XBRL documents adds value by increasing reliability and enhancing public confidence in financial reporting, as it does today. Some suggest that the costs of implementation and any associated assurance could be excessive. While the details of any potential filing mandate and related assurance considerations need to be further defined, we believe that these suggestions exaggerate the level of effort that will likely be expended to implement XBRL and provide assurance. This belief is based on our experiences with XBRL and providing attestation engagements under the VFP. We are prepared to continue in a collaborative process with the SEC, the PCAOB and other market participants to help define an appropriate assurance framework that provides meaningful value to investors.

We expect that a number of issuers will voluntarily seek assurance-related or other permitted services on their XBRL submissions and we stand ready to meet that demand. As a result, we believe it would be appropriate and useful for the SEC to request that the PCAOB update the May 2005 PCAOB Staff Questions and Answers, *Attest Engagements Regarding XBRL Financial Information Furnished Under the XBRL Voluntary Financial Reporting Program*), for use beyond the VFP which would be discontinued under the SEC Proposal. In addition, we believe it would be beneficial for the SEC to include in the final rule guidance around the

appropriate protocol for submitting general use auditor XBRL attestation reports when a company obtains such voluntary assurance.

## **Other Matters**

### *Liability Provisions*

We are concerned that the SEC's proposed legal liability provisions may create confusion and unintended consequences in the marketplace. We believe that the Commission should clarify each of the areas described below, so that companies can avoid unnecessary costs and delays in the implementation of XBRL.

- While the Release provides the Commission's current views on various legal liability considerations associated with the XBRL Exhibit and Viewable Interactive Data, we encourage the Commission, in the final release and final rule, to more clearly state its positions as to:
  - (1) whether and when the XBRL Exhibit and the Viewable Interactive Data would be considered "furnished" versus "filed" with the Commission, and the corresponding liability standards,
  - (2) whether the controls over the preparation of an XBRL Exhibit would fall within the scope of disclosure controls and procedures (DC&P), as defined in Regulations 13A and 15D under the Securities Exchange Act or the certifications with respect to DC&P that are part of the officer certifications required under Item 601 of Regulation S-K,
  - (3) whether the XBRL Exhibit falls outside the scope of internal control over financial reporting ("ICFR"), as defined in Regulations 13A and 15D under the Securities Exchange Act and outside the scope of the related management assessment and auditor attestation requirements under Section 404 of the Sarbanes-Oxley Act of 2002, and the certifications with respect to ICFR that are part of the officer certifications required under Item 601 of Regulation S-K; and
  - (4) whether underwriters, officers, directors and experts have any liability under Sections 11 or 12 of the Securities Act for XBRL Exhibits or Viewable Interactive Data furnished as part of a registration statement.
- In light of the limited liability provisions related to the XBRL Exhibit, in contrast to traditional information that is filed, we strongly believe that the Commission should include a requirement that cautionary language be included in the XBRL Exhibit (and for Viewable Interactive Data on the SEC Viewer) to make liability provisions clear to users. Such language could be similar to that used in the VFP (i.e., 'investors should not rely on the XBRL-Related Documents in making investment decisions') and would be useful during the phase-in period.

- As the adoption of XBRL evolves, legal liability will need to be continually monitored in light of changes in circumstances, such as the elimination of the HTML-format and/or the introduction of the inline specification that embeds XBRL into a human-readable presentation. In this regard, it may be helpful for the Commission to clarify the interrelationship of 'rendering' and 'liability', and to consider that user-renderings are beyond the control of preparers, while preparer-renderings (e.g., PDF format with embedded XBRL and the in-line specification) are within the control of preparers and therefore may be more akin to the traditional format for purposes of such liability considerations. In addition, the final rule should explicitly state that management retains responsibility for XBRL submissions even when part or all of the tagging process is outsourced.
- Finally, the legal liability-related matters associated with any Viewable Interactive Data posted voluntarily on corporate websites or any general-use XBRL attestation reports issued by auditors and provided voluntarily by preparers will need to be addressed.

*Initial Public Offering (IPO) Registration Statements*

The filing of an IPO registration statement can be a fluid process in which an issuer may need to file multiple registration statement amendments, and may elect to withdraw the IPO before the filing process has been completed. Subject to the proposed phase-in, we recommend that the XBRL Exhibit only be required once the related registration statement becomes effective.

*Financial Statement Requirements*

We support the Commission's proposal not to require an interactive data submission for other financial statements that may be required of issuers, including those provided pursuant to Rules 3-05, 3-09, 3-10, 3-14 and 3-16 of Regulation S-X.

*Ongoing Maintenance of the US GAAP Taxonomy*

We recognize the critical importance of the ongoing maintenance of the US GAAP Taxonomy for changes in GAAP and SEC requirements. The SEC's maintenance and support plan, including the mechanism to be used to communicate changes to the marketplace and the plan to fund related costs, should be exposed for comment.

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We would be pleased to discuss our comments or answer any questions that the SEC staff or the Commission may have. Please contact Dave Sharpe (973-236-4208) or Brian Croteau (973-236-4345) regarding our submission.

Sincerely,

*PriceWaterhouseCoopers LLP*