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Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

File No. S7-11-08
Interactive Data to Improve Financial Reporting
Release Nos. 33-8924; 34-57896; 39-2455

KPMG LLP is pleased to respond to the request by the Securities and Exchange Commission (Commission) for comments on the proposed rule, “Interactive Data to Improve Financial Reporting” (Proposed Rule).

We support the Commission’s efforts to improve the usefulness of financial statement information by making it more accessible to investors through the use of interactive data and, as we stated in our letter to the Advisory Committee for Improvements to Financial Reporting (CIFiR) dated March 31, 2008, we agree with the Proposed Rule’s phased-in approach.

We continue to have concerns about whether XBRL is ready for broad-based market adoption. Our concerns stem from financial reporting stakeholders’ overall lack of awareness and knowledge about XBRL, and a lack of software tools for preparing and analyzing XBRL-formatted documents that are intuitive and easy to use. Accordingly, we support the Commission’s stated intent to monitor and evaluate the early stages of implementation and to make changes as considered necessary to the later stages. We encourage the Commission to establish the mechanisms that will be used to monitor implementation, and to publish the criteria that they will use to evaluate implementation and determine if adjustments are needed to the proposed implementation timeline.

Auditor Assurance

We agree that auditor assurance should not be required as part of the initial adoption of interactive data. We also agree that the Interactive Data Exhibit should not be subject to any procedures set forth under AU Sections 550, 711, and 722 (‘the AU Sections’). We encourage the Commission to work with the Public Company Accounting Oversight Board (PCAOB) to update attestation guidance that may be affected by the final rule. We expect that certain issuers will voluntarily seek assurance on their Interactive Data Exhibits and believe it will be useful for the SEC to request the PCAOB to update the May 2005 PCAOB Staff Questions and Answers, *Attest Engagements*



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Regarding XBRL Financial Information Furnished Under the XBRL Voluntary Financial Reporting Program, in consideration of such submissions.

In addition, the final rule should clearly indicate that the auditors' report on the "traditional" financial statements should not be furnished as part of the Interactive Data Exhibit. We are concerned that including the auditors' report on the financial statements in the Exhibit would inappropriately associate the auditor with the Interactive Data Exhibit and could result in investors incorrectly assuming that the audit of the financial statements incorporates the Interactive Data Exhibit.

We recognize that some issuers may choose to engage their auditors to provide an attestation examination report on the Interactive Data Exhibit. In that situation we believe the tagged attestation examination report on the Interactive Data Exhibit could be furnished as part of the Exhibit.

From a longer-term perspective, we support the recommendations provided to the Commission by CIFIIR to explore auditor assurance on interactive data to help prepare for the continuing evolution of interactive financial reporting. In addition, we believe that the fundamental question as to the subject of the auditors' assurance should be addressed (i.e., subject matter or process).

Liability Provisions

We believe that the liability provisions in the Proposed Rule are not clear and may confuse preparers, advisors and investors if not fully explained in the final rule. For example, the Proposed Rule states that the "furnished" Interactive Data Exhibit would be subject to federal securities laws in a manner similar to that of the voluntary financial reporting program; however, the liability provisions of the federal securities laws that are applicable to the "filed" traditional format documents are applicable to the "viewable interactive data." The proposing release also states that preparation of the Interactive Data Exhibit is not subject to internal control over financial reporting (ICOFR) and suggests that it is not subject to disclosure controls and procedures.¹ The Proposed Rule does not include any specific amendments to Item 307 of Regulation S-K, *Disclosure controls and procedures*, Item 308 of Regulation S-K, *Internal control over financial reporting*, or Item 601 of Regulation S-K, *Exhibits*, to this effect. It may be unclear as to the scope of the related management assessment of ICOFR and auditor attestation under Section 404 of the Sarbanes-Oxley

¹ We note that disclosure controls and procedures, as defined in Regulations 13A and 15D of the Securities Exchange Act of 1934, includes information required to be disclosed by the issuer in the reports that it files or *submits* [emphasis added] under the Act. The Proposed Rule exempts the Interactive Data Exhibit from the officer certification requirements under the Exchange Act thereby implying that the Exhibit need not be subjected to the issuer's disclosure controls and procedures.



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Act of 2002. We recommend that the final rule explicitly address these areas to avoid misunderstandings and potential delays in implementation. In addition, the final rule should make it clear whether underwriters, officers, directors and any other named experts have any liability under Sections 11 or 12 of the Securities Act of 1933 for the Interactive Data Exhibit or the viewable interactive data provided as part of a registration statement.

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, the in-line specification, and others) are within the control of preparers and therefore may be more akin to the traditional format for purposes of such liability considerations.

We also recommend that the final rule require cautionary language, similar to that used in the voluntary program (i.e., “investors should not rely on the XBRL-Related Documents in making investment decisions”), to be provided with the Interactive Data Exhibit in order to be consistent with the limited liability provisions associated with the Exhibit.

Interactive Data Exhibit Validation

We recommend that the Commission publish the validation criteria and process that will be applied when an Interactive Data Exhibit is submitted to the Commission. Understanding the validation criteria and process is critical for issuers, professional advisors and others involved in the data tagging process to meet the Commission’s expectations with regard to interactive data submissions and to facilitate higher quality submissions.

Application of Requirements

The Proposed Rule provides guidance for resubmitting Interactive Data Exhibits in amended periodic reports when financial statements are restated to correct errors. Issuers are often required to file revised financial statements to account for discontinued operations, changes in segments, and retrospective accounting changes. These revised financial statements are typically filed on Form 8-K. We recommend that the final rule provide for the submission of a revised Interactive Data Exhibit in a Form 8-K in this situation because it relates to financial statements that, when filed, supersede previously filed financial statements. We also recommend that the Commission provide a mechanism for submitting other tagged information that is filed for the purpose of updating or superseding information previously tagged.

Many times companies undergoing the initial registration process file multiple registration statement amendments with the Commission before being declared effective. In some cases these registration statements are never declared effective. To avoid unnecessary effort and cost and to provide consistency among first-time submissions, we recommend that the Commission consider



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only requiring the Interactive Data Exhibit for registration statements that become effective and provide a grace period after the effectiveness for the submission of the Interactive Data Exhibit.

Taxonomy Maintenance

The Commission's Proposed Rule and long-term vision for interactive data would result in XBRL becoming an important part of the nation's financial reporting infrastructure. Critical both to that infrastructure and to the long-term sustainability of reporting interactive data, the current US GAAP Taxonomy and the IFRS Taxonomy will require ongoing maintenance for changes in accounting guidance, common reporting practices, and technology improvements. We recommend the 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

Intersection of Interactive Data and IFRS

The Commission has two major initiatives that will likely intersect in the near future – interactive data and IFRS reporting. The intersection of these two initiatives raises questions about the cost / benefit of requiring companies to initially provide their US GAAP financial statements in interactive data if those companies shortly will be required or permitted to report under IFRS. We encourage the Commission to consider the impact of IFRS reporting on the Proposed Rule, including the timing of the phase-in period.

Complicating the intersection of interactive data and IFRS reporting are the fundamental differences between the US GAAP and IFRS taxonomies. The IFRS taxonomy has been developed to include only the financial reporting concepts that are required to be reported under IFRS. In contrast, the US GAAP taxonomy has been developed to include all of the reporting requirements of US GAAP plus common practices. As a result, the US GAAP taxonomy is significantly larger than the IFRS Taxonomy. We believe that the fundamental difference from which the taxonomies were developed needs to be resolved to promote consistency and comparability of interactive data and to assist in any transition from US GAAP to IFRS reporting. We believe that resolving the differences between these taxonomies will be a significant endeavor and, accordingly, we encourage the Commission to consider its impact on the timing of the adoption of a final rule and any proposal that would require or permit IFRS reporting.

Expanding the Use of Interactive Data

The Commission requested input on whether the use of interactive data should be expanded to other areas of financial reporting (for example, Management's Discussion and Analysis). We believe that the Proposed Rule is an appropriate step to the wider use of interactive data. However, we believe that the Commission should evaluate the implementation of any final rules that result from this



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Proposed Rule and the Proposed Rule for Mutual Funds under Release No. 33-8929 and File Number S7-12-08 before requiring additional interactive data to be provided. Additionally, we are unable to comment on whether the format of traditional filings should be replaced with interactive data until we and other marketplace participants obtain significantly more experience with interactive data. Furthermore, significant matters related to auditor assurance would need to be resolved prior to replacing currently required filings using ASCII or HTML with XBRL-formatted filings.

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We appreciate the opportunity to submit our comments on the Proposed Rule. If you have any questions regarding our comments, please contact Glen Davison, (212) 909-5839, gdavison@kpmg.com or Melanie Dolan, (202) 533-4934, mdolan@kpmg.com.

Sincerely,

KPMG LLP

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