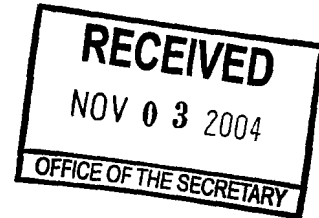October 29, 2004

The New York Society of Security Analysts
Committee for Improved Corporate Reporting
1601 Broadway, 11th floor
New York, NY 10019-7406

Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

RE: File Numbers S7-35-04 and S7-36-04

Dear Mr. Katz

The Committee for Improved Corporate Reporting (CICR) of the New York Society of Security
Analysts (NYSSA) is pleased to have this opportunity to comment on the SEC's Concept
Release and Proposed Rule regarding the potential impact and usefulness of enabling registrants
to submit supplemental financial information using the eXtensible Business Reporting Language
(XBRL) format as exhibits to EDGAR filings under the Securities Exchange Act of 1934 and the
Investment Company Act of 1940. With over 8,000 members, NYSSA is the largest chapter
society of the CFA Institute. Its mission is to serve as a forum for the exchange of information
among investment decision makers and corporate managements, maintain an active program of
continuing education and encourage the pursuit of high standards of ethics and professional
conduct. The CICR monitors, communicates and responds to issues affecting financial
reporting, corporate disclosure and accounting standards on behalf of NYSSA members.

Executive Summary. We recognize the potential of XBRL to save time and improve the quality
of security analysis. However, we have some concerns about the implementation of XBRL
which, if not addressed appropriately, could limit that potential and create other problems.

1. The uptake of XBRL is likely to be slow, unless it can be made easy to use and powerful, so
   that many applications can be developed to utilize the data. Some of our members are
   concerned that the initial specification employs a proprietary technological structure that will
   make it difficult and costly for even sophisticated users and third-party software developers
   to create applications. Consequently, we hope that XBRL International will address these
   concerns and take formal steps to incorporate input from the user community into the final
   design of the specification.

2. The adoption of XBRL is likely to result in significant one-time and ongoing costs for
   registrants. Because of its complexity, it has the potential to give rise to errors in both the
   preparation and dissemination of financial data. Consequently, the Commission should
   direct the Public Company Accounting Oversight Board to participate in its development and
   implementation. Furthermore, we believe that data from financial statements and footnotes
   of XBRL submissions should carry the same auditor attestations as in regular SEC filings.

3. Wherever possible, the core financial statements should be presented in XBRL as the registrant intended. Hopefully, the taxonomies will be sufficiently comprehensive to allow the vast majority of registrants to do so. Users can then customize these presentations to achieve the level of detail desired. The initial implementation of XBRL should focus on the core financial statements and significant items from key footnotes such as pensions, income taxes and stock options. The Commission should monitor implementation to ensure that it does not lead to a reduction in corporate disclosures.

4. The risk in permitting voluntary XBRL filings at this juncture is that many registrants may face a costly reworking of their XBRL implementation as methods and procedures are refined. While the Commission might encourage experimentation, it would be best served to oversee a full implementation of XBRL on a small subset of the registrant base to make any appropriate adjustments before it is broadly implemented. This should help to ensure that XBRL data will be widely used and minimize the implementation costs for registrants

5. Accordingly, the SEC should take steps in the initial implementation of XBRL to assess (1) how XBRL is being used by investors and analysts, (2) whether the structure of the XBRL specification facilitates broad-based use by sophisticated users and third-party software developers and (3) whether adequate safeguards are in place to ensure that the data is prepared and disseminated correctly. In this way, the Commission should be able to assess more effectively whether the benefits of full-scale implementation outweigh the costs.

Use of XBRL-tagged data. As we see it, there are several types of users of XBRL information:

Professional financial analysts. Whether on the buy-side or the sell-side, analysts use information from registrants' financial statements typically to construct financial models to assess recent historical and project future financial performance. Those analysts who follow several or all of the companies in a given industry may also develop spreadsheets that compare the performance of these companies on key financial and operating measures. Unless XBRL software applications are both powerful and easy to use, it is unlikely that analysts will use them as a substitute for or perhaps even as a supplement to their existing spreadsheet models.

Analysts who are generalists may find the ability to import a full set of XBRL financial statements along with some footnote schedules directly into a spreadsheet to be a great time saver. This, we believe, is likely to be the greatest use of XBRL. However, it is important to note that some companies already prepare and disseminate spreadsheets with financial and operating data which helps to meet this need.

The potential difficulty for any software developer is that financial statement data and presentations change regularly. In order to be useful, the various taxonomies must be structured to allow XBRL software applications to incorporate these changes easily and accurately and, if possible, adjust any previously reported information to conform to the new presentation. As every analyst knows, this can often be a tricky business. Sometimes, it requires a complete restructuring of spreadsheet models. So it may be difficult to rely upon the software without looking at the presentation of the data in the financial statements, especially in cases where the analyst is using only certain line items of data.

Many experienced analysts choose to spread the financial statements themselves, because it gives them a greater understanding of the relationships contained within the data. Often, seeing first hand the changes that a company makes to its financial statements can provide important and useful insights into its recent and future performance. At this time, it is not clear whether third-party software applications will reflect all of these nuances and insights to users.

Quantitative analysts. Quantitative analysts use data from company financial statements and other sources to perform sometimes complex analyses that span the entire universe of publicly-traded equity and debt securities. They often calculate growth rates and key ratios from the underlying data and employ sophisticated proprietary algorithms to decide whether a given security is cheap or expensive to the broader market. Currently, most quantitative analysts use data provided by third-party aggregators, such as Compustat, Bloomberg or Worldscope, in their computer models. These third-party aggregators pull data from various sources and add value by normalizing the data to adjust for differences in financial reporting and the application of accounting standards. XBRL will make it easy for these aggregators to provide more services to their customers. Consequently, many quantitative analysts may choose to stay with their existing data providers, even if XBRL is implemented on a widespread basis. Those who choose to switch to XBRL will do so only if they are willing to forego the value added services provided by the aggregators, are able to adapt their computer software models easily to use it and have confidence in the way that registrants have chosen to implement it.

Third-party data aggregators. Other third-party aggregators, such as Edgar Online, take data contained in registrants' financial statements and repackage it for dissemination to professional and individual investors. We have described how quantitative analysts use such information in the paragraph above. Individual investors (and perhaps some professionals) also get financial data from online portals, such as Yahoo Finance. Certainly, it is likely that XBRL will reduce data gathering costs for third party data aggregators. Some of the portals that utilize this data from third party providers may also find it possible to save money by sourcing the information directly. Furthermore, the widespread adoption of XBRL technology should facilitate the growth of new services for these markets. In particular, financial intermediaries, such as the major brokerage firms, may find new ways of utilizing and disseminating XBRL-tagged financial information to their analysts and clients. As such, the user of financial statements may be an indirect beneficiary of XBRL.

Individual investors. It is unclear at this time just how individual investors will benefit from XBRL technology. Some proponents of XBRL believe that it will lead to a renaissance, with more individual investors importing XBRL data directly into spreadsheets for analysis. Certainly, thanks to the growth of internet-based services, including the SEC's EDGAR system, more individual investors routinely review financial information on registrants than ever before. If new data and services are provided online, more individuals are likely to use them, as long as the financial markets remain strong. However, it is important to recognize that most investors today take little time to review financial statements, let alone perform an independent analysis of financial data. So, it is not clear how much more time they will spend on this effort.

Business media. The media may also be a big user of XBRL tagged data, for example, by automating the process of entering tables into their news articles. Over time, other applications may develop, which could be helpful to users of financial statements.

On balance, therefore, the direct use of XBRL by analysts and investors will depend greatly upon the sophistication, ease of use and cost of the software applications that are developed to work with it. Many analysts will undoubtedly choose to continue to spread the data themselves. Others may find the simplest applications, such as the ability to import a full set of financial statements directly into a spreadsheet, to be the most useful. Users that obtain their financial information from third-party sources may see new services offered over time. The audience for XBRL-tagged data may be quite limited at first but could grow over time if new software and online services from third-party developers are created that spur demand.

Presentation of data, tagging detail and effect upon disclosure. Although XBRL has the power to display financial statements in great detail, potentially using all of the information contained within the footnotes, provisions ought to be made wherever possible to allow users to see the core financial statements – income statement, balance sheet, cash flow statement and changes in shareholders' equity – as they are presented by the registrant. There is information content in these core statements, even if greater detail is available in the footnotes. Consequently, users should be able to see the data as the registrant intended. Hopefully, the taxonomies will be sufficiently robust to accommodate the vast majority of presentation formats. Users who seek greater detail can do so by creating custom displays in XBRL, using the additional information contained in the footnotes and elsewhere.

As a matter of policy, we believe that tagging of financial information should focus initially on the core financial statements and certain elements from key footnotes (i.e. pensions, income taxes, employee stock options and others). Most other information will be difficult to tag in a standardized way. The complexity of use along with frequent changes that registrants make to their disclosures may limit the usefulness of this other information for data-tagging purposes. Over time, as the use of and demand for tagged-data grows, more detailed information may be included in XBRL filings.

The Commission should also be mindful that, besides the added cost and time involved, a more extensive data tagging requirement might be resisted by registrants because of concerns about the effect of disclosure. Consequently, an extensive mandatory tagging regime could reduce disclosure. Many registrants provide certain disclosures within the footnotes and MD&A to aid those who follow the company closely. Registrants may be reluctant to make this information easier to obtain for a wider audience of investors, many of whom may be short-term oriented in their approach. Of course, given the choice, we would prefer to have registrants continue the disclosures without tagging, rather than discontinue them.

Concerns over the complex proprietary technology structure of XBRL As professional security analysts, we recognize the complexities of financial reporting. Nevertheless, the technical complexity of the XBRL specification is unwarranted and unnecessary. We believe steps should be taken to reduce the demands of the XBRL specification and strengthen XBRL industrial taxonomies in order for analysts to achieve the full potential of electronically tagged

data. One of our members, Eric Linder, has brought these concerns to our attention and has suggested changes in XBRL, which we support, that should allow analysts to access consistent and reliable data directly from instance documents. This, in turn, could facilitate greater use. In particular, all of the XBRL namespaces for items used should be referenced directly in the instance document and the level of conformity to their financial statement calculation structures should be validated there. The financial statement structure of these industrial namespaces should be made into a consistent hierarchical format to allow for comparable data from companies which supply different levels of detail. Elements should be grouped together with like items and non-comparable classification locations removed. In order to ensure the accurate reconstruction of financial statements, all items from the same reporting period should be able to be grouped in the same context without repetitious elements. XBRL International seems receptive to most of our concerns, but reluctant to make specification changes; so it is not clear whether any or all of these changes will be adopted. By requiring the elimination of unnecessary complexity, the SEC will assist in promoting an environment that encourages and facilitates the use of XBRL tagged data.

Concerns over implementation of XBRL by registrants. We understand that for many registrants, XBRL tagging is likely to be integrated into their existing accounting and financial reporting packages. Consequently, the SEC should direct the Public Company Accounting Oversight Board to work with XBRL International to ensure that the XBRL-tagged information sourced from these systems is accurate and complete. Any XBRL-data included in Commission filings that is sourced directly from the financial statements and footnotes should bear the same attestation of the registrant's accountants. Although we do not have extensive knowledge of the technical details of XBRL implementation by registrants, it seems to us that either the XBRL schema should replace registrants' charts of accounts, which is probably not practical, or that the tagging should take place on the output of the financial reporting system only and not to individual transactions. Otherwise, XBRL is likely to add another layer of complexity to registrant's accounting systems and internal control checks.

This letter represents the opinion of the CICR and not necessarily the opinions of Board of Directors of NYSSA or the broader membership, neither of which were polled on this issue, or the employers of those CICR members who participated in this effort. We have provided some general comments for the Commission to consider regarding XBRL implementation, but have not commented extensively on the current proposed structure of the technology. If you should desire any additional input from the CICR or have any questions about points raised in this letter, please contact Steve Percoco at (732) 499-4300.

Sincerely,

/s/ Arthur M. Fliegelman

Arthur M. Fliegelman   Stephen P. Percoco
Chair   Vice Chair
Committee for Improved Corporate Reporting   Committee for Improved Corporate Reporting