

Key Principles of an XBRL Framework

The CFA Institute Centre for Financial Market Integrity established the XBRL Working Group of CFA Institute members in early 2007. XBRL (eXtensible Business Reporting Language) represents a new technology for delivering computer readable financial information¹. The objectives of the group included conducting a survey on XBRL and incorporating the survey results into a draft position paper on the topic. Through their research, discussions, and analysis of the survey results², the Working Group developed the following key principles to outline those XBRL framework attributes they believe are necessary to maximize the investors' benefits from XBRL.

1. Core taxonomy (or structure of tagging elements) should be predefined by current financial reporting standards, including generally accepted accounting principles and other regulatory disclosure and reporting requirements.
2. Taxonomy extensibility should maintain the level of data comparability as defined by GAAP and other regulatory requirements.
3. Ultimately, companies should deliver required financial reports to regulators using the established XBRL framework.
4. The general public should have equal access to the XBRL-tagged information.
5. Regulators should develop the necessary infrastructure and protocol to ensure the timely updating of the established XBRL framework as outlined in the preceding four key principles.

These principles are intended to guide global regulators in the implementation of XBRL as their required reporting standard. As such, our use of the term "GAAP" applies to the broad application of generally accepted accounting principles and not to any specific national or international accounting standards. (The CFA Institute Centre does also hold a longer term goal of seeing the adoption of a single global accounting standard, which would include a unified XBRL taxonomy for the standard.)

The XBRL Working Group, while developing the key principles, outlined several sub-topics further clarifying the intention of each principle. The CFA Institute Centre staff and XBRL Working Group members remain open to further discussion on the developed principles so that we maintain a reasonable balance between promoting XBRL's benefits and minimizing the burden that implementation of XBRL places on the companies preparing financial reports.

¹ Additional details about "What is XBRL?" are available on the CFA Institute website:

<http://www.cfainstitute.org/centre/topics/reporting/xbrl/index.html>

² The full survey results are available on the CFA Institute website:

<http://www.cfainstitute.org/centre/topics/reporting/xbrl/topline.html>

1. Core taxonomy (or structure of tagging elements) should be predefined by current financial reporting standards, including generally accepted accounting principles and other regulatory disclosure and reporting requirements

- The elements in the core published taxonomy should follow the current approved accounting and/or regulatory requirements.
- Discrete elements for the note disclosures should provide, at a minimum, the same discrete, specified information required in the GAAP literature (e.g., individual values and specific disclosures in notes should be individually tagged in addition to the entire narrative or note disclosure as it appears in the original filing).
- The taxonomy design should allow for the grouping of related topical fields regardless of whether the elements appear on the primary financial statements or in disclosure notes (e.g., all elements related to pension information should be linked and accessible by topical grouping), thus allowing the presentation of elements from the disclosure notes and financial statements under a single topical heading.
- The elements in non-GAAP taxonomies should address the disclosure requirements of the capital market regulator (e.g., management discussion and analysis, other sections of the annual financial reports).
- The disclosure requirements of commonly reported corporate action events of capital market or other regulators (e.g., dividend announcements, stock splits, corporate restructuring, voting results) should be addressed in additional non-GAAP taxonomies.

2. Taxonomy extensibility should maintain the level of data comparability as defined by GAAP and other regulatory requirements

- The taxonomy should allow companies to report their operational performance and financial conditions. A robustly defined taxonomy should limit the need for custom extensions or company-specific tags for unique items not covered in the core taxonomy.
- When custom extensions are necessary, preparing companies should be given a specified protocol as defined by regulations or accounting literature on how to link the company-specific element(s) to the core GAAP taxonomy.
- Custom extensions should not alter the primary element definitions and calculation relationships within the published taxonomy.
- When adding a custom extension, companies should include sufficient detail in the definition and regulatory reference sections of the new element so users can understand the difference from the core taxonomy field.
- New technological features should either reduce or have a neutral impact on the need for company-specific taxonomies in order to maintain a minimum level of comparability as defined by regulations and GAAP.

3. Ultimately, companies should deliver required financial reports to regulators using the established XBRL framework

- Regulators should mandate all reports required by GAAP and other regulations be delivered exclusively through an XBRL framework.
- Reports filed should include a table of contents that identifies each section of the filing (e.g., primary financial statement, disclosure notes, MD&A) and allows for easy navigation between the various sections.
- To provide the same level of assurance currently given to filed reports, the independent review of XBRL filed reports should be part of the regular audit process. The development of a transition process will minimize duplicative efforts and costs during the implementation of the XBRL framework.
- The body of the filed report should include basic information about the reporting entity, such as legal name, industry classification, primary security ticker, report date, form type, etc.
- The XBRL framework should delineate the relationships between the values associated with the XBRL tagged values and the contextual attributes of the information (e.g., audited, restated, time period reference). Contextual information types for segment (e.g., consolidated, segmented, geographical) and scenario information (e.g., audited, restated) should be developed to assist in automated analysis.
- When developing or modifying the taxonomy, an independent, electronically-accessible review should be performed to account for the end user/investor perspective of the technical implementation and the elements (high-level categories and structure) approved.

4. The general public should have equal access to the XBRL tagged information

- Regulators that establish an XBRL reporting framework need to provide, at a minimum, a base-level application, that transforms the XBRL tagged report from a computer-readable format to a human readable/useable format. Such application should include a user-friendly interface to allow online viewing and download capability of XBRL-sourced information.
- The technology regulators use in their XBRL reporting frameworks should remain “open source”³ to promote development of and competition between third-party software providers.
- Regulators that adopt an XBRL framework should encourage the electronic redistribution of filed information—including the values and the tag—in various formats (e.g., spreadsheet, database readable, other applicable software).

³ Open source generally refers to an application and its source code that is available royalty free and allows redistribution without any restrictions. The expectation of keeping XBRL technology in this format is to promote adoption by regulators, companies and investors worldwide. This would also encourage the development of robust processing tools both internally by companies using or producing XBRL tagged information and external software companies.

- Information should be structured so that users may sort and view data either by individual elements (e.g., net income or dividends paid), by topical grouping of elements (e.g., plant, property and equipment, pension disclosures), or as a complete download of all elements (e.g., complete financial filing or a single primary statement). Also, such information should be downloadable either for individual or multiple companies.
- Regulators that adopt an XBRL framework should only define or provide analytical calculations as defined in the accounting literature. Likewise, they should only provide software that facilitates the investor's ability to make this type of calculation and analysis.

5. Regulators should develop the necessary infrastructure and protocol to ensure the timely updating of the established XBRL framework as outlined in the preceding four key principles

- The core taxonomy should be modified as needed to keep current with any changes made to the accounting or regulatory standards.
- Regulators should make regularly scheduled reviews of the custom extensions to determine the need to add new common items to the core taxonomy.
- Regulators should promptly review for adoption any technological advances approved by XBRL International.
- Regulators should coordinate updates to regulator-approved XBRL software with changes to the taxonomy and any newly-adopted XBRL technology standards.