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November 14, 2006

The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20459

Re: XBRL Taxonomy Development

Dear Chairman Cox:

The CFA Institute¹ applauds the Commission's recent RFPs to complete development of the XBRL taxonomy to US GAAP, update EDGAR to make it XBRL compatible, and provide XBRL-compatible user tools via the Commission's website. We commend the Commission on its foresight to move data filing and collection into the 21st century.

We are writing to you today in our capacity as a voice for investors, as well as investment professionals, to express concern with the current timeframe for developing the XBRL taxonomy. Foremost, we strongly support the movement towards interactive data and the Financial Accounting Foundation's (FAF) role, in conjunction with XBRL US Inc, in developing the US GAAP taxonomy. Further, we are working closely with FAF to provide input from our members and societies, who are analysts and investors that currently rely on financial reporting for making well-informed investment decisions or recommendations.

We understand that the original RFP submitted by XBRL US Inc, estimated a completion date of December 2007 for developing the XBRL taxonomy. We believe this estimated completion date is very ambitious. We now understand that the Commission would like to see the completion of the taxonomy by mid-summer, 2007, approximately six months ahead of the original deadline. Such a timeframe causes us concern.

¹ The CFA Institute, with headquarters in Charlottesville, VA, and regional offices in New York, Hong Kong and London, is a global, nonprofit professional association of more than 89,000 financial analysts, portfolio managers, and other investment professionals in more than 131 countries. Of these members more than 74,000 are holders of the Chartered Financial Analyst[®] (CFA[®]) designation. The CFA Institute membership also includes 134 Member Societies and Chapters in 55 countries and territories.



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We share the Commission's urgency to have more registrants providing XBRL-tagged data within the updated EDGAR system. However, we believe the short timeframe only provides greater risk of delivering an end product that will not meet the expectations of the "users," including the preparers of financial reports, auditors that attest to quality of the tagged data, and ultimately, the end users—investors, creditors, and investments professionals.

If XBRL is to deliver on all of its great promise, it must be delivered in a robust format. If registrants find that it does not work as promised, they may resist the efforts to encourage them to file through XBRL. If investors discover that it ultimately does not help them in their data gathering and analysis (because either the functionality is absent or the breadth of data is lacking), they simply will not use it and will continue working with the 20th century data-gathering and analysis techniques they use today.

Simply completing a taxonomic structure, with minimal testing and user input, may be possible by a mid-summer 2007 deadline. However, we believe such a short timeframe is insufficient to develop, seek comments on, and revise the taxonomy to ensure a truly robust system. In addition, we believe more time to complete the taxonomy may give the Commission the opportunity to address other related issues that could impact the taxonomy development.

Issues to consider for completing the taxonomy include:

- **Resource scheduling:** The taxonomy will require many highly specialized resources. Even under a one-year schedule, scheduling the availability of such resources would be challenging. Under a six month schedule, we question whether it will be possible.
- **Comment period:** Because XBRL is an open-source project, "users" will need to have sufficient time to review and consider the various aspects of the taxonomy. With one year, the comment period would by necessity be tight. We are skeptical that even a shortened comment period suggested under a six-month timeline would be feasible. This leaves public comment to occur once the taxonomy is released and increases the opportunity for bugs not to be caught.
- **Field testing:** Preparers, auditors, and end users will need time to test the taxonomy to determine whether it meets their needs as well as to address any key flaws that may make "tagging" data unnecessarily difficult and less reliable than intended from the users' perspective. Lack of field testing also increases the prospects for bugs not to be caught.

Some of the issues that we think the XBRL taxonomy development may provide an opportunity for the Commission to address include:



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- **Regulation S-X:** As you know Reg S-X which defines the content and requirements for the filing of financial statements was originally written in 1940. While it has been updated periodically, it remains a 20th century document. It defines financial reporting within broad industrial categories (Commercial and Industrial, Registered Investment Companies, Insurance Companies and Bank Holding Companies). It does not include categories such as technology companies. Reg S-X also defines certain specialized categories for financial reporting, for example oil and gas companies. However, the regulation is silent as too many of the complex financial instruments present in the companies of today, from intangible assets to special purpose entities. We encourage the Commission to use the XBRL taxonomy development as an opportunity to update Reg S-X.
- **US GAAP codification:** As you know, the Financial Accounting Standards Board or FASB is currently developing a U.S. GAAP Codification. The objective of the codification is to integrate and topically organize all relevant accounting guidance issued by the U.S. standard setters (FASB, AICPA, EITF, and SEC). We encourage the development of the XBRL taxonomy to follow the structure of the US GAAP codification.
- **Reconciling the US XBRL taxonomy with the global International Financial Reporting Standards (IFRS) taxonomy:** Much work has been done completing the IFRS XBRL taxonomy. In addition, U.S. and international standard setters have as a stated priority the convergence of US GAAP and IFRS. We encourage efforts to try to keep US GAAP XBRL in line with IFRS XBRL to the extent possible.
- **Tagging specific data quantified in the Management Discussion and Analysis (MD&A) and the Compensation Discussion and Analysis (CD&A):** We encourage a secondary effort to tag the MD&A as well as the new CD&A. The information contained in both of these items can be of very high importance to an investor or analyst.

We are excited about the opportunity to work with FAF, XBRL US Inc, and the Commission in successfully completing the XBRL taxonomy. We believe XBRL holds the potential to profoundly improve the ability to perform financial analysis. We look forward to any questions or comments you may have related to the issues we have addressed here.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey J. Diermeier".

Jeffrey J. Diermeier, CFA

cc: Conrad Hewitt, Chief Accountant, Office of Chief Accountant, U.S. SEC
Scott Taub, Deputy Chief Accountant, Office of Chief Accountant, U.S. SEC
Jeff Naumann, Enabling Technology Specialist, Office of Chief Accountant, U.S. SEC