

## POLICY BRIEF

# DATA AND TECHNOLOGY

## Transforming the Financial Information Landscape

Although there has been much discussion about the role of technology in filing documents with regulators, this report looks at how technology can be harnessed to reform the financial reporting process end to end. We examined the effects of data and technology on the finance function—the capture/collection of data; their management, analysis, and use in the production and presentation of financial reports; and the audit of those reports. We also studied the use of technology in the delivery of financial data to all parties in the information supply chain and in the consumption of financial information by investors, regulators, and other users.

### POLICY DEVELOPMENTS

- In 2016, the US SEC announced that it will allow companies to voluntarily file structured financial statement data in a format known as Inline XBRL.
- In 2015, the European Securities and Markets Authority issued a consultation paper proposing the adoption of the European Single Electronic Format.
- In May 2014, President Obama signed the Digital Accountability and Transparency Act of 2014 (DATA Act) into law. Once implemented, it will make Federal spending data more accessible, searchable, and reliable. It will not only make it easier to understand how the Federal government spends taxpayer dollars, but it will also serve as a tool for better oversight, data-centric decision making, and innovation both inside and outside of government.

### CFA INSTITUTE COMMENTARY

We have spoken out on issues related to structured reporting. We have published the following:

- [The Role of Data and Technology in Transforming Financial Reporting](#) (*Market Integrity Insights*, September 2016)
- [DQC Continues Quest to Improve Data Quality: New Validation Rules Open for Comment](#) (*Market Integrity Insights*, July 2016)
- [SEC Filers' Errors in XBRL Format Dropped 64% by Using DQC's Validation Rules](#) (*Market Integrity Insights*, June 2016)
- [What Are the Five Things Needed To Maximize Investors' Benefits from XBRL?](#) (*Market Integrity Insights*, March 2016)
- [Cleaning Up Company Data](#) (*CFA Institute Magazine*, March 2016)
- [eXtensible Business Reporting Language: A Guide for Investors](#) (2009)

### CFA INSTITUTE VIEWPOINT

The use of data and technology can result in a more effective and efficient overall financial reporting process in which investors receive more transparent, better-quality information on a timely basis.

- **Companies:** Companies should structure data early in the financial reporting process, which will streamline their current labor-intensive processes and reduce errors in the data. It will also allow for more real-time analysis of the data.
- **Auditors:** Structuring data early in the process will allow auditors to use audit data analytics to make the audit more efficient and potentially provide users with better-quality financial information, increased reporting frequency, and possibly a higher level of assurance.
- **Regulators:** By using structured data, regulators can use data analytics to cull the structured data from financial reports to identify violations of financial reporting regulations.
- **Investors:** Investors want structured quantitative data—combined with management explanation of results in a quantitative and qualitative fashion—that are not bounded by the document in which the information is contained.

With the availability of technology to sift through data and crunch the numbers, investors could be in a better position to perform faster and better analysis. When some of their finite resources are freed up, analysts can not only research more companies but also take a closer look at the companies they already follow, which would support better-informed investment decisions.

Our vision for a future that brings greater transparency to investors includes the broader and deeper use of structured data.