

CPRAlert

Canadian Performance Reporting

SEC Proposes “Interactive Data to Improve Financial Reporting”

On May 30, 2008, the Securities and Exchange Commission (SEC) issued its proposed rule over “Interactive Data to Improve Financial Reporting” (Release No. 33-8924) for public comment.

Over the next three years, approximately 500 Canadian companies (refer to Appendix #1) will be affected by this rule. Most of these companies will be required to provide interactive data at the same time they are providing financial information under IFRS for the first time.

The proposal requires most registrants to furnish interactive data in eXtensible Business Reporting Language (XBRL) format as additional exhibits in their registration statements, quarterly reports, and annual reports. This supplementary disclosure will consist of:

Proposed Exhibits	Proposed Interactive Data Requirements
Financial statements	Each line item is tagged.
Notes to the financial statements	Each note is individually tagged as a single block of text in the first year; each element within the notes will be individually tagged in subsequent years.
Financial statement schedules	Each schedule is individually tagged as a single block of text in the first year; each element within the schedules will be individually tagged in subsequent years.

The SEC voted unanimously to formally propose the rule; therefore, it is almost certain to be enacted. The SEC plans to phase it in over three years:

Registrant Category	Effective Date
Registrants that file using U.S. GAAP and have a worldwide public float greater than \$5 billion.	Periods ending on or after December 15, 2008.
All other large accelerated filers ¹ using U.S. GAAP.	Periods ending on or after December 15, 2009.
Most other registrants, which include all remaining filers using U.S. GAAP and foreign private issuers using IFRS (International Financial Reporting Standards).	Periods ending on or after December 15, 2010.

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The initial XBRL filing by registrants could be for an annual or interim period. For example, a registrant with a September 30 year-end, who is required to comply in the first phase, will apply the new rule for the first time to its Form 10-Q for December 31, 2008.

The interactive data will be provided to the SEC, and posted to the registrant's corporate website on the same day that the traditional electronic filings are submitted through EDGAR (Electronic Data Gathering, Analysis, and Retrieval System). However, the SEC has proposed a 30-day grace period for each registrant's initial interactive data submission, and a 30-day grace period in year two for each registrant's interactive data reporting when the footnotes and schedules will be required to be tagged in detail for the first time.

The interactive data will be considered "furnished²" for the purpose of determining liability under the Securities and Exchange acts, and will not be subject to the officer certification requirements under the Exchange Act since it is not incorporated by reference into the registration statement, proxy statement or other report.

Additional information is provided in three Appendices to help CFOs better understand of the implications of the proposed rule, and of XBRL.

Appendix #1—Schedule of Compliance for Canadian Companies

Appendix #2—Suggested Questions

Appendix #3—Suggested Reference Materials on XBRL

Appendix #1—Schedule of Compliance for Canadian Companies

The SEC has published a list of "Foreign Companies Registered and Reporting with the U.S. Securities and Exchange Commission" as at December 31, 2007³. This list is the most current one available.

According to the summary of the list, there were 451 companies incorporated in Canada registered and reporting with the SEC as at December 31, 2007.

We have estimated the number of Canadian companies required to comply with the proposed rule in each phase based on the version of the list that is summarized by country of incorporation.

Registrant Category	Estimated Number of Canadian Companies Required to Comply	Effective Date
Registrants that file using U.S. GAAP and have a worldwide public float greater than \$5 billion.	6	Periods ending on or after December 15, 2008.
All other large accelerated filers ⁴ using U.S. GAAP.	11	Periods ending on or after December 15, 2009.
Most other registrants, which include all remaining filers using U.S. GAAP and foreign private issuers using IFRS.	434	Periods ending on or after December 15, 2010 (for registrants using U.S. GAAP). Years ending on or after December 31, 2011 (for Canadian registrants adopting IFRS in 2011).

The estimated number of Canadian companies required to comply with the proposed rule in the final phase was determined under the assumption that the proposed rules would apply to Canadian registrants whose financial statements are prepared in accordance with U.S. GAAP and filed with the SEC under the cover of Form 40-F. The SEC has not yet made a decision on this issue.

Appendix #2 – Suggested Questions

These are some suggested questions to be considered by CFOs to help them better understand the issues related to the implementation of XBRL. The questions are not intended to be a precise checklist but a way to provide insight and stimulate discussion and understanding of this important topic. Readers must use their own experience and judgment.

A. Questions relating to the proposed rule and its adoption:

1. Have we reviewed the proposed rule over “Interactive Data to Improve Financial Reporting” issued by the SEC?
2. When will we be required to comply with the proposed rule? ?
3. Should we become an early adopter by participating in the XBRL Voluntary Financial Reporting Program administered by the SEC and/or the voluntary filing program administered by the Canadian Securities Administrators (CSA)?

B. Questions relating to implementation of XBRL:

1. How do we plan to meet XBRL disclosure requirements?
2. Will the implementation be done in-house (with or without the help of consultants) or outsourced to filing agents?
3. How will the implementation of XBRL affect our current operating and reporting processes?
4. How do we ensure the consistency of our XBRL disclosures with our traditional format filings?
5. What quality-control processes are required to ensure the accuracy, and reliability of the information in our XBRL disclosures?
6. Will XBRL disclosures be audited or reviewed by external auditors?
7. How well does the industry specific version of the US GAAP taxonomy, or the IFRS taxonomy support our financial characteristics and terminology?

C. Questions relating to the cost and benefit of XBRL:

1. What are the benefits, risks, and costs associated with the implementation of XBRL?
2. How can we mitigate the risks associated with the implementation of XBRL, and leverage XBRL to maximize its benefits?
3. Who is currently using XBRL and how are they benefiting? What can we learn from their experiences?

Readers are urged to continue to monitor the developments of the proposed rule. A proactive approach to the implementation of XBRL disclosures can ease the challenges of compliance.

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Appendix #3 – Suggested Reference Materials on XBRL

This is a list of some suggested reference materials on XBRL to help CFOs better understand the proposed rule, and XBRL.

1. Interactive Data–Building XBRL into Accounting Information Systems, Canadian Institute of Chartered Accountants.
2. Electronic Filing and Reporting: Emerging Technologies and Their Implications, Canadian Institute of Chartered Accountants.
3. Audit & Control–Implications of XBRL, Canadian Institute of Chartered Accountants.
http://www.cica.ca/multimedia/Download_Library/Research_Guidance/IT_Advisory_Committee/English/XBRLDec2005e.pdf
4. XBRL-XARL Research Program website–University of Waterloo CISA.
<http://accounting.uwaterloo.ca/uwcisa/xbrl-xarl.htm>
5. Proposed rule over “Interactive Data to Improve Financial Reporting” (Release No. 33-8924), Securities and Exchange Commission.
<http://www.sec.gov/rules/proposed/2008/33-8924.pdf>
6. Spotlight on Tagged Data and XBRL Initiatives for EDGAR Filings, Securities and Exchange Commission.
<http://www.sec.gov/spotlight/xbrl.shtml>
7. SEC Proposes New Way for Investors to Get Financial Information on Companies (Press Release No. 2008-85; May 14, 2008), Securities and Exchange Commission.
<http://www.sec.gov/news/press/2008/2008-85.htm>
8. Hot Topic: XBRL–A New Era in the Delivery of Financial Information?, Ernst & Young.
[http://www.ey.com/Global/assets.nsf/US/AABS_Assurance_SEC_XBRL_March2008/\\$file/HT_XBRL_3-7-08.pdf](http://www.ey.com/Global/assets.nsf/US/AABS_Assurance_SEC_XBRL_March2008/$file/HT_XBRL_3-7-08.pdf)
9. Hot Topic: SEC Announces Completion of XBRL Taxonomy, Ernst & Young.
[http://www.ey.com/Global/assets.nsf/US/AABS_Assurance_SEC_XBRL_Sept2007/\\$file/HotTopicXBRL_Taxonomy_Sept2007.pdf](http://www.ey.com/Global/assets.nsf/US/AABS_Assurance_SEC_XBRL_Sept2007/$file/HotTopicXBRL_Taxonomy_Sept2007.pdf)
10. XBRL Canada website.
<http://www.xbrl.ca>
11. XBRL US website.
<http://www.xbrl.us>
12. XBRL International website.
<http://www.xbrl.org>

1 Exchange Act reporting companies with a worldwide market value of outstanding voting and non-voting equity held by non-affiliates of \$700 million or more.

2 Furnished information does not create liability exposure to registrants because it does not become part of the registrants' reported information, and is not incorporated by reference into a registration statement, proxy statement or other report.

3 <http://www.sec.gov/divisions/corpfin/international/companies.shtml>

4 Exchange Act reporting companies with a worldwide market value of outstanding voting and non-voting equity held by non-affiliates of \$700 million or more.

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