



If you have any questions regarding this Alert, please contact any of the Venable lawyers listed below.

## Authors

**Beth Hughes**  
[erhughes@Venable.com](mailto:erhughes@Venable.com)  
703.760.1649

**Jimmy Dvorak**  
[jdvorak@Venable.com](mailto:jdvorak@Venable.com)  
703.760.1671

**Monica Klein**  
[mklein@Venable.com](mailto:mklein@Venable.com)  
703.760.1905

## SEC Adopts Rules Requiring Submission of Financial Statements in XBRL Interactive Data Format

On January 30, 2009, the Securities and Exchange Commission (the "SEC") announced its adoption of final rules requiring SEC reporting companies to provide financial statement information to the SEC in an interactive data format which will use eXtensible Business Reporting Language, or "XBRL". The XBRL format utilizes identifiers that are employed to "tag" financial information so that it may be retrieved and used by investors in various ways which the SEC believes will be useful to investors. For example, the SEC anticipates that the XBRL format will allow investors to download financial information directly into spreadsheets, analyze the information using commercial off-the-shelf software, or use the information within investment models in any of a number of other software formats.

### Issuers Affected By the New Rules

The new rules apply to domestic and foreign public companies that prepare their financial statements in accordance with generally accepted accounting principles as used in the United States ("U.S. GAAP") and foreign private issuers that prepare their financial statements using International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

### Predecessor Program

In order to evaluate the merits of interactive data reporting, in 2005 the SEC implemented a voluntary filer program that permitted participating companies to submit their financial statements with the SEC on a supplemental basis in an interactive format as exhibits to certain specified filings. Program participants continued to file their financial statements as part of the relevant reports and registration statements in American Standard Code for Information Interchange, or "ASCII," or HyperText Markup Language, or "HTML." To date, over 100 companies have participated in the voluntary filer program. As the SEC has noted, the new rules build on this voluntary program.

### XBRL Format and Process

The XBRL format employs a system of identifiers, or tags, used to mark financial information using standard definitions. These tags can be recognized and then processed by various software applications. For financial statements prepared in accordance with U.S. GAAP, a filer would use the list of tags (which is sometimes referred to as a "taxonomy") developed for U.S. financial statement reporting. [1] The tags contain descriptive labels, definitions and authoritative references to U.S. GAAP and SEC rules and regulations. Companies will also have the flexibility to create their own company-specific identifiers with respect to specific financial information that is not covered by the standard tags. Similarly, for financial statements prepared in accordance with IFRS, a filer would use a list of tags for IFRS reporting.

An issuer subject to XBRL financial reporting can either purchase software to assist it in tagging the financial information itself or it can outsource the service to a third-party provider. Once the information is tagged, in order to be reviewed and analyzed, it needs to be converted into text or financial statements by using a software application viewer. The SEC's website currently provides links for several viewers that allow the public to read and review the disclosures filed using interactive data.

The SEC has stated that the new rules requiring XBRL financial reporting are intended to be "disclosure neutral" – that is, the SEC does not intend for the new rules to have the result of requiring issuers to provide different disclosure for any particular information being presented depending on whether the format is ASCII, HTML or XBRL.

The SEC has noted that, ultimately, it believes that the benefits of implementing XBRL financial reporting will include, among other things: allowing investors, analysts, and the SEC to analyze the relevant financial information more quickly and cost effectively; facilitating performance comparisons across companies, reporting periods, and industries; and potentially increasing the speed, accuracy, and usability of financial reporting and disclosure as a result of automation of internal processes, which in turn may eventually reduce costs in financial reporting.

### Filing Requirements

Companies subject to the SEC's reporting requirements must file their registration statements and current and transition reports in ASCII or HTML format. The new rules do not change these format requirements. However, under the new rules, when an issuer files registration statements, annual and quarterly periodic reports, transition reports, and reports on Form 8-K and 6-K containing revised or updated financial statements, the issuer will be required to include the relevant financial statements and the related notes and schedules in XBRL format as an exhibit thereto. Additionally, the filer will be required to post on its corporate website the relevant financial statements, notes and schedules in XBRL format by no later than the end of the calendar day on which the information was filed or was required to be filed with the SEC, whichever is earlier. The interactive data must be posted for at least twelve (12) months on the issuer's website.

It is worth noting that during an issuer's first year of required XBRL reporting, financial statement footnotes and schedules will be tagged as a single block of text. Thereafter, the issuer must also tag the detailed quantitative disclosures within the footnotes and schedules and may, but is not required, to tag each narrative disclosure.

## Phase-in Schedule

Domestic and foreign "large accelerated filers" [2] that use U.S. GAAP and have a worldwide public common equity float above \$5 billion as of the end of the second fiscal quarter of their most recently completed fiscal year will be required to comply with the new rules beginning with their first quarterly report on Form 10-Q, or annual report on Form 20-F or Form 40-F, containing financial statements for a fiscal period ending on or after June 15, 2009.

All other domestic and foreign large accelerated filers using U.S. GAAP will be required to comply with the new rules beginning with their first quarterly report on Form 10-Q, or annual report on Form 20-F or Form 40-F, containing financial statements for a fiscal period ending on or after June 15, 2010.

All remaining SEC filers using U.S. GAAP and all non-U.S. filers that prepare their financial statements in accordance with IFRS (except as noted below) will be required to comply with the new rules beginning with their first quarterly report on Form 10-Q, or annual report on Form 20-F or Form 40-F, containing financial statements for a fiscal period ending on or after June 15, 2011.

Although the new rules require that interactive exhibits generally must be filed at the same time as the related filing, for the first exhibit required to be in XBRL format, the filer will have 30 days from the earlier of the due date or the filing date of the related filing to submit the exhibit. In the second year, there is a similar 30-day grace period for detailed tagged disclosures of the financial statement footnotes and schedules.

Neither investment companies that are registered under the Investment Company Act of 1940 (the "IC Act"), nor "business development companies" under the IC Act, are subject to the new rules.

## Noncompliance

If a filer does not comply with the new rules (including posting the information to the company website) by the required due date, the company will not be deemed to be current in its reporting requirements under the Securities Exchange Act of 1934 (the "Exchange Act") and therefore will not be able to use short form registration statements on Forms S-3, F-3 or S-8. During this period, the filer would be deemed not to have available adequate current public information for purposes of Rule 144. The foregoing disqualifications would last so long as the information is not provided. [3]

## What You Should Do

If you have any questions about the new SEC rules regarding XBRL financial reporting, please contact any of the following members of Venable's Securities practice group:

Beth Hughes  
[erhughes@Venable.com](mailto:erhughes@Venable.com)  
703.760.1649

Jimmy Dvorak  
[jdvorak@Venable.com](mailto:jdvorak@Venable.com)  
703.760.1601

Monica Klein  
[mklein@Venable.com](mailto:mklein@Venable.com)  
703.760.1905

---

[1] XBRL was developed by XBRL International, a group of over 500 organizations worldwide within the financial reporting sector. XBRL U.S., which is XBRL International's U.S. presence and is a non-profit entity made up of companies, public accounting firms, software developers and regulators, among others, has contracted with the SEC to develop the standard list of tags required for XBRL financial reporting under U.S. GAAP and SEC regulations. The U.S. GAAP taxonomy developed by XBRL U.S. was reviewed by the Financial Accounting Standards Board ("FASB") and the SEC, and FASB continues to be involved in the process of developing new tags.

[2] Generally, a "large accelerated filer" is an issuer which has met the following conditions as of the end of its fiscal year: (i) the issuer had an aggregate worldwide market value of the voting and non-voting common equity held by its non-affiliates of \$700 million or more, as of the last business day of the issuer's most recently completed second fiscal quarter; (ii) the issuer has been subject to the requirements of section 13(a) or 15(d) of the Exchange Act for a period of at least twelve calendar months; (iii) the issuer has filed at least one annual report pursuant to section 13(a) or 15(d) of the Exchange Act; and (iv) the issuer is not eligible to use the requirements for "smaller reporting companies" for its annual and quarterly SEC reports.

[3] Under the new rules, once a filer submits and posts the required interactive data, the filer will then be deemed to be current and timely for purposes of short form registration statement eligibility and determining adequate current public information under Rule 144 (provided that the filer has previously filed its financial statement information in traditional format on a timely basis and has otherwise complied with the SEC's requirements relating to short form registration statement eligibility and current public information under Rule 144).

CALIFORNIA MARYLAND NEW YORK VIRGINIA WASHINGTON, DC

1.888.VENABLE | [www.Venable.com](http://www.Venable.com)