

# NAREIT Financial Standards Alert



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## SEC Proposes Mandatory Adoption of XBRL

On May 14, 2008, the Securities and Exchange Commission (SEC) unanimously decided to propose a requirement that SEC registrants submit financial information in eXtensible Business Reporting Language (XBRL) format. In general, financial information formatted in XBRL would provide uniform reporting that would be electronically accessible by financial statement users in the U.S. and globally. The proposal would mandate the adoption of XBRL beginning with fiscal periods ending on or after Dec. 15, 2008 based on the following three-year, phase-in schedule:

- Year 1: Large accelerated filers using U.S. Generally Accepted Accounting Principles (U.S. GAAP) with worldwide public float of over \$5 billion (the SEC expects this group to represent approximately 500 companies);
- Year 2: Remainder of large accelerated filers using U.S. GAAP; and
- Year 3: All other SEC registrants using U.S. GAAP (including small reporting companies) or International Financial Reporting Standards (IFRS).

The XBRL financial information would include the financial statements, notes and financial statement schedules and would be filed as a new exhibit to annual and quarterly reports, as well as registration statements. The XBRL financial information would be a

supplement to the financial statements and would not replace the reports that are currently required today. According to the proposal, companies also would be required to report the XBRL financial information on their websites.

XBRL financial information would be created through specialized XBRL software that allows the user to apply “tags,” or bar codes, from the SEC’s real estate industry taxonomy to the line items in a company’s financial statements. The proposal would require first time XBRL filers to “tag” the face of the financial statements in detail and to report the notes and schedules “tagged” in summary. In the following year, the notes and schedules would then be required to be “tagged” in detail.

Public comment on the proposal should be received by the SEC no later than 60 days after its publication in the Federal Register. To read the press release issued by the SEC and/or listen to the open meeting held by the SEC on May 14, 2008, click [here](#). Click [here](#) to read NAREIT’s comment letter on the proposed U.S. XBRL taxonomy. As a result of input from NAREIT and its members, unique “tags” for real estate investment trusts have been added to the real estate industry taxonomy. Contact Sally Glenn at [sglenn@nareit.com](mailto:sglenn@nareit.com), if you are interested in participating in NAREIT’s task force that will comment on the new SEC proposal.

The SEC believes that XBRL is instrumental in the movement to harmonize global financial reporting, and it has already been adopted in several countries. Furthermore,

the International Accounting Standards Committee (IASC) Foundation issued an IFRS taxonomy in XBRL that is currently under review and is expected to be finalized in June 2008.



In a speech before the U.S. Chamber of Commerce, SEC Chairman Cox stated:

In Japan, South Korea, China, Singapore, Israel, and the Netherlands today, filing financial statements using interactive data is already mandatory. And voluntary efforts are underway in most of the countries of Europe, as well as in Canada and Australia. In the United Kingdom, both the Companies House and Her Majesty's Customs & Revenue are now accepting filings tagged in XBRL. And both Spain and Belgium use it for bank regulatory filings — as does the Federal Reserve here in the United States.

My point, of course, is that financial reporting in XBRL is taking off around the globe. And today we have the benefit of all that experience as well as our own.

In 2005, the SEC introduced a voluntary program to file XBRL financial information and since then over 75 U.S. companies have participated in the program. According to SEC representatives, this XBRL experience has been critical to the implementation and development of XBRL and has enabled the SEC to gain insight from this experience, particularly in the area of cost benefit.

If you are interested in learning more about XBRL and would like to attend a free “Getting Started with XBRL” webcast sponsored by XBRL US on May 21, 2008, register [here](#). The webcast will cover topics, such as an overview of XBRL, the implications of the SEC rule proposal, how to create XBRL-enabled financial documents and tips for getting started, plus case studies from companies who are already using XBRL. In addition, companies looking to get a head start are still welcome to join the SEC voluntary XBRL filing program or informally practice with new data tags.

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