

MEMO# 23223

January 29, 2009

SEC Staff Report on Modernizing the SEC's Disclosure System

[23223]

January 29, 2009

TO: ACCOUNTING/TREASURERS MEMBERS No. 8-09
ETF ADVISORY COMMITTEE No. 2-09
SEC RULES MEMBERS No. 10-09
SMALL FUNDS MEMBERS No. 8-09
TECHNOLOGY COMMITTEE No. 3-09
XBRL WORKING GROUP RE: SEC STAFF REPORT ON MODERNIZING THE SEC'S
DISCLOSURE SYSTEM

The Securities and Exchange Commission recently issued a report prepared by its staff on modernizing the SEC's disclosure system. [\[1\]](#) The Report, summarized below, is part of the 21st Century Disclosure Initiative established by former SEC Chairman Christopher Cox last June.

The Report discusses using technology to transition the SEC's document-based disclosure system to an interactive data disclosure system. It outlines a set of governing principles to make a modernized disclosure system more accessible and easier to use and to protect investors. It then describes the features that the staff believes a modernized disclosure system should have, including the following:

- submission of required information in an interactive data format and into a company file;
- a data warehouse designed to load, store, analyze, extract, and disseminate disclosure information in an interactive data format;

- user-friendly submission methods; and
- dissemination methods that exploit the advantages of interactive data.

The Report expresses the view that XBRL represents the most attractive method of tagging financial statements for a modernized disclosure system. It indicates that for narrative disclosures, the SEC “should consider the different possibilities” and should begin by requiring that narrative disclosures be “block-tagged.” The Report acknowledges that replacing plain text disclosure forms with interactive data would require consideration of changes to current disclosure requirements. The Report further states that the SEC may need to address the impact of interactive data “on such important disclosure concepts as liability, delivery, context, prominence, placement, auditing, and officer certifications.”

The Report discusses the potential benefits of a modernized disclosure system, including improving accessibility and usefulness of disclosure information for investors, increasing the efficiency of the reporting process for filers, and enabling the SEC to develop more advanced data management techniques and new enforcement and compliance tools. It suggests that the SEC consider establishing an advisory committee composed of investors, filers, information intermediaries, and other market representatives to consider the views expressed in the report and make its own recommendations on the creation of a modernized system based on interactive data.

Frances M. Stadler
Deputy Senior Counsel

endnotes

[1] Toward Greater Transparency: Modernizing the Securities and Exchange Commission’s Disclosure System, 21st Century Disclosure Initiative: Staff Report (January 2009) (“Report”), available at <http://www.sec.gov/spotlight/disclosureinitiative/report.pdf>. The SEC previously held a Roundtable and solicited public comment on modernizing its disclosure system; the Institute filed a comment letter. See ICI Memorandum No. 23014, dated October 23, 2008.