

PUBLICATION

SEC Adopts Final Rules: Interactive Data to Improve Financial Reporting

February 10, 2009

The Securities and Exchange Commission recently adopted final rules that require companies to provide financial statements in interactive data format using eXtensible Business Reporting Language (XBRL).¹ The rules also require companies to post financial statements in interactive data format to their websites. To present financial statements in XBRL format, a company must code items of the financial statements with interactive data tags chosen from a standard list. The tags will provide the contextual information necessary for software to process and recognize the interactive data. The SEC adopted the rules to facilitate investor analysis of financial data and to aid in automation of regulatory filings and business data processing. In addition, information presented in XBRL format will facilitate an investor's ability to search the financial data and perform comparison analyses of financial performance across companies, reporting periods, or industries.

The interactive data rules do not alter a company's disclosure requirements under the federal securities laws. However, the rules do require a company to provide the interactive data as an exhibit to periodic reports and transition reports on Forms 10-Q, 10-K, 20-F and periodic reports on Form 40-F that contain financial statements and to Forms 8-K and 6-K that contain revised or updated financial statements. Companies must also include interactive data as an exhibit to registration statements filed under the Securities Act of 1933 if the financial statements are directly filed, rather than incorporated by reference. Notably, registration statements that contain financial statements and that are filed in connection with an initial public offering or a registration statement under the Securities Exchange Act of 1934 need not be accompanied by an interactive data exhibit.

The interactive data requirements will be phased in over a three-year period. The SEC created three categories of companies with the differing compliance dates set forth below:

First Phase:

Domestic and foreign large accelerated filers that use U.S. GAAP and have a worldwide public common equity float above \$5 billion will be required to use XBRL beginning with the first periodic report containing financial statements for fiscal periods ending on or after **June 15, 2009**.

Second Phase:

All other domestic and foreign large accelerated filers using U.S. GAAP will be required to use XBRL beginning with the first periodic report containing financial statements for fiscal period ending on or after **June 15, 2010**.

Third Phase:

Remaining filers using U.S. GAAP, including smaller companies, and all foreign companies who prepare financial statements in accordance with IFRS as issued by the IASB will be required to use XBRL beginning with the first periodic report containing financial statements for fiscal periods ending on or after **June 15, 2011**.

It is not too early to begin preparing for compliance with the SEC's interactive data rules. Baker Donelson provides EDGAR filing services for its regular public company clients and can assist you in navigating the XBRL requirements.

¹ See Interactive Data to Improve Financial Reporting, SEC Release Nos. 33-9002, 34-59324, 39-2461, IC-28609 (Jan. 30, 2009).