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United States Government Accountability Office
Washington, DC 20548

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February 25, 2009

The Honorable Christopher J. Dodd
Chairman
The Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Barney Frank
Chairman
The Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Interactive Data To Improve
Financial Reporting*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (Commission), entitled “Interactive Data To Improve Financial Reporting” (RIN: 3235-AJ71). We received the rule on January 30, 2009. It was published in the *Federal Register* as a final rule on February 10, 2009. 74 Fed. Reg. 6776.

The final rule requires companies to provide financial information in a form that is intended to improve its usefulness to investors; companies are required to provide their financial statements to the Commission and on their corporate web sites in an interactive data format using the eXtensible Business Reporting Language (XBRL). In this format, financial statement information could be downloaded directly into spreadsheets, analyzed in a variety of ways using commercial off-the-shelf software, and used within investment models in other software formats. The rule applies to public companies and foreign private issuers that prepare their financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), and foreign private issuers that prepare their financial statements using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The final rule has an effective date of April 13, 2009.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Associate General Counsel

Enclosure

cc: Florence E. Harmon
Deputy Secretary
Securities and Exchange Commission

ENCLOSURE

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
"INTERACTIVE DATA TO IMPROVE FINANCIAL REPORTING"
(RIN: 3235-AJ71)

(i) Cost-benefit analysis

The Securities and Exchange Commission (Commission) analyzed the costs and benefits of this final rule. The Commission concluded that requiring issuers to file their financial statement using the interactive data format would enable investors, analysts, and Commission staff to capture and analyze that information more quickly and at lower costs than is possible using the same financial information provided in a static format. The Commission identified several specific benefits, including an increase in the accuracy of financial disclosures, more financial information available to investors, and increased comparability and interpretation of financial data. The Commission also discussed the costs associated with this final rule, including the costs of submitting and posting interactive data and the cost of learning on the part of investors in using and analyzing financial information at the interactive data level.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

The Commission concluded that this rule has a significant impact on a substantial number of small entities. Thus, the Commission prepared a final regulatory flexibility analysis for this rule. The Commission considered alternatives that would minimize any significant adverse impact on small entities, and in this regard, the final rule provides a phase-in period for small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The Commission promulgated this final rule using the notice and comment procedures found in the Administrative Procedure Act, 5 U.S.C. § 553. On May 30, 2008, the Commission published a proposed rule in the *Federal Register* requesting

public comment. 73 Fed. Reg. 32,794. The Commission received 79 comment letters related to the proposed rule from domestic and foreign commenters, including investor groups; pension funds; corporations; accounting and law firms; vendors and service providers; individuals; and corporate, professional, and trade associations. The Commission responds to the comments in the final rule.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule contains new information collections. The Commission submitted these information collection requirements to the Office of Management and Budget for approval as required by the Act.

Statutory authorization for the rule

The Commission states that it promulgated the final rule under sections 7, 10, 19(a), and 28 of the Securities Act; sections 3, 12, 13, 14, 15(d), 23(a), 35A, and 36 of the Exchange Act; sections 314 and 319 of the Trust Indenture Act; sections 6(c), 8, 24, 30, and 38 of the Investment Company Act; and section 3(a) of the Sarbanes-Oxley Act.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to Executive Order 12,866.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to Executive Order 13,132.