



December 21, 2018

Brent J. Fields
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: List of Rules to be Reviewed Pursuant to the Regulatory Flexibility Act, File Number S7-25-18

Dear Mr. Fields:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the Securities and Exchange Commission's (SEC) List of Rules to be Reviewed Pursuant to the Regulatory Flexibility Act. This letter addresses the questions raised related to the importance of, and continued need for, the SEC Final Rule "Interactive Data to Improve Financial Reporting" (rule).

The American Institute of CPAs (AICPA) is the world's largest professional association representing the CPA profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession. The AICPA recently combined its strengths with The Chartered Institute of Management Accountants in creating the Association of International Certified Professional Accountants to power opportunity, trust and prosperity for people, businesses and economies worldwide. The Association represents 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. With broad reach, rigor and resources, the Association advances the reputation and quality of CPAs, Chartered Global Management Accountants (CGMAs) and accounting and finance professionals globally.

The AICPA is a strong supporter of the application of data standards for the reporting of business information. XBRL is a global nonproprietary digital standard for exchanging business information used by millions of companies around the world to report their financial information to securities regulators, lenders, tax authorities, and other regulating bodies. It allows for the information to be collected in the most timely and cost effective manner. The increased use of XBRL over the years has driven transparency and improved efficiency by helping analysts and other users of financial and business information find relevant facts within a few mouse clicks, and has enabled them to spend more time developing hypotheses, analyzing models, and thinking about results rather than data gathering. Companies that have used XBRL have benefited from their ability to reach more investors and have provided analysts with direct and transparent access to more detailed financial disclosure information.

It has been almost ten years since the rule was adopted for the largest filers. In that time, the U.S. solutions marketplace has expanded significantly and now dozens of tool and/or service providers offer XBRL creation products, as well as database and analytics offerings. The availability of free, easily accessible XBRL data has spurred the development of open source tools that make good quality financial fundamental data available to all investors. In addition, filers have reduced their cost to comply with the rule over the years. The AICPA and XBRL US conducted a comprehensive analysis¹ of smaller public companies and found that the cost of XBRL preparation declined 45% from 2014 to 2017. Findings showed that the average annual cost of XBRL preparation (preparing four filings in XBRL format) was \$5,476 per year, down from \$10,000 per year in 2014.

In June 2018, the SEC demonstrated its commitment to advance its technological capabilities and adopted a rule to require inline XBRL (iXBRL) for operating companies and mutual funds. iXBRL allows for the creation of a single document designed to be read by both humans and machines, while enabling enhanced capabilities for users of financial information and providing efficiencies for preparers. The iXBRL specification is used by companies in countries such as the UK, Japan, Denmark, Australia, and Singapore for different reporting applications. The European Securities and Markets Authority (ESMA) has mandated iXBRL to be used by issuers in the European Union (EU) and the UK to report their company financial information by 2020. We expect that by adopting iXBRL, companies may improve the creation and review process, which will have a positive impact on data quality. Because filers will need to integrate their process to create the iXBRL financial statements, the risk of tagging errors caused by creating separate files may be eliminated. iXBRL may also reduce the instances in which filers make inappropriate tagging choices or create inappropriate extensions in order to make the rendering of the separate XBRL files replicate the HTML financial statements. In addition, viewing applications for iXBRL files (specifically the SEC's Inline XBRL Viewer) include enhanced search capabilities and the ability to view the XBRL information, which may make it easier to identify errors in the XBRL files during the review process.

Over the years, increases in computational power, software capabilities, and connectivity has enabled consumption of the exponentially growing amounts of data that is continually made available. Structured data is a necessary component of the process to automatically analyse financial data. By adopting XBRL, the SEC has enabled investors access to quality structured financial information for all public companies. AICPA recognizes the importance of data quality, and we expect that in the future XBRL may become the primary format for financial statement information. Accordingly, we encourage the SEC to continue to pursue efforts to improve data quality, including evaluating the data quality efforts of others involved in the XBRL community. For example, the AICPA is a member of the XBRL US Center for Data Quality (Center), and is represented on the Center's XBRL US Data Quality Committee (Committee). The Committee's objective is to develop guidance and validation rules that can prevent or detect inconsistencies or errors in XBRL data filed with the SEC, and focuses on data quality issues that adversely affect data analysis. The Committee has released guidance and validation rules to assist filers in

¹ <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/accountingfinancialreporting/xbrl/downloadabledocuments/xbrl-costs-for-small-companies.pdf>

identifying errors, such as inappropriate positive or negative values, concepts that are no longer supported by the taxonomy, and inappropriate combinations of concepts. We recommend that the SEC encourage filers to use available guidance and validation rules issued by the Committee to help reduce errors in XBRL-formatted information.

Another component of ensuring the public trust and confidence in quality financial disclosure information is auditor involvement. The mandate of iXBRL did not change the requirements in the rule with respect to auditor responsibility for iXBRL information. Auditors are not required to apply PCAOB AS 2710 (*Other Information in Documents Containing Audited Financial Statements*), PCAOB AS 4101 (*Responsibilities Regarding Filings Under Federal Securities Statutes*), or PCAOB AS 4105 (*Reviews of Interim Financial Information*) to the Interactive Data File submitted with a company's reports or registration statements. In addition, filers are not required to obtain assurance on their Interactive Data File, or to involve third parties, such as auditors or consultants, in the creation of their Interactive Data File. However, XBRL information will be available in the public domain and will be embedded within 10-K and 10-Q filings, and as a result we expect auditor involvement with iXBRL will be of great value to users and demand for auditor involvement will evolve. As iXBRL becomes more widely used, the AICPA stands ready to assist in helping to ensure investors have confidence in the embedded information through existing or evolving types of assurance services.

In conclusion, we believe that the rule has enabled financial statement users to access financial statement data in a timely and cost efficient manner. We have seen the costs to comply with the rule reduced over the years, and we expect that the use of iXBRL will allow for further efficiencies for preparers as well as investors. We believe structured data to be an integral enabler of a financial statement user's analysis, and believe that in the future XBRL will become the primary format used for consuming financial information and conducting analysis. As such, quality of this data is paramount, and we recommend that the SEC continue to pursue efforts to improve data quality including encouraging filers to use tagging guidance and validation rules available in the market to help reduce errors in the XBRL-formatted information.

We thank you for the opportunity to express our views and we would be pleased to answer any questions that the SEC may have regarding the comments expressed in this letter. Please contact Ami Beers at ami.beers@aicpa-cima.com to discuss any questions. On behalf of the AICPA, thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry C. Melancon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barry C. Melancon, CPA
President and CEO
Association of International Certified Professional Accountants