News

The evolution of XBRL

Mike Rost | October 31, 2017

Since 2009, the U.S. Securities and Exchange Commission has required public companies, credit rating agencies, and mutual funds in the United States to submit filings using the U.S. GAAP taxonomy with XBRL tagging.

XBRL was created to standardize how companies, regulators, and investors analyze and consume financial data. Today, XBRL is used by more than 100 regulators in more than 60 countries and in an increasing number of corporations to facilitate structured data reporting, according to XBRL International. Hans Hoogervorst, chairman of the International Accounting Standards Board, estimates that 60 percent of financial statement data is being consumed electronically, and it's expected to grow.

Starting December 15, all Foreign Private Issuers (FPIs)—which use International Financial Reporting Standards (IFRS) taxonomy—must also submit their filings to the SEC with XBRL tagging. The SEC will enforce the rule for FPIs in April 2018 following a 30-day grace period. To help companies prepare, the IFRS taxonomy has been available on the SEC's online EDGAR Filer Manual since March of this year.

The next step from traditional XBRL is Inline XBRL, also known as iXBRL, which eliminates duplicative SEC filing requirements because it allows the standardized, machine-readable format to be integrated within companies' human-readable HTML filings. Inline XBRL combines the advantages of both filing types into a single, browser-friendly document. The SEC began allowing this voluntary format in the United States in June 2016, and many public companies are having early success with the new format.

The SEC's milestone to allow Inline XBRL shows the Commission's long-term commitment to structured data by using XBRL to improve data quality, increase efficiency in internal processes, and reduce regulatory burdens on registrants by eliminating the requirement to file duplicative documents.

Pressure is building from Congress and investors to improve the quality of XBRL filings, and the SEC views Inline XBRL as one way to improve data quality. The technology behind Inline XBRL enables companies to better detect the quality issues identified by the SEC.

Inline XBRL is how we advance toward the common goal of providing better data. Over time, the average investor will learn more about XBRL and Inline XBRL and will become more knowledgeable, relying on the data from enhanced technology to make better investment decisions.

There has been much discussion about future regulations. Compliance officers can expect Inline iXBRL to be required for all SEC filers over time. By 2020, the European Securities and Markets Authority (ESMA) will require that all European companies follow an XBRL filing standard.

As the demand for data consumption increases, investors and analysts will review financial information through XBRL filings. To be successful, filers need to manage risk, establish disclosure rules and procedures, and focus on data quality. This will require that filers take an integrated approach to SEC filing and choose the right technology. The best software platform is the one that can improve data quality, offer complete assurance that the data are accurate, and provide transparency to all stakeholders.

Regardless of the impending changes to rules and regulations, the solutions lie within new "future proof" technology that also enable filers to modernize their processes. Future-proof technology is a cloud-based software platform that enables controlled collaboration and secure access in an integrated environment—all features that are becoming more and more important as teamwork-oriented Millennials populate today's workforce.

Mike Rost is Vice President of Corporate Marketing at Workiva, which is the world's largest provider of technology and professional services to support XBRL filings. Mike is a founding member of XBRL International with involvement in the XBRL initiative dating back to 1999. He has also been active in industry associations, including the Open Compliance and Ethics Group (OCEG) and the Institute of Internal Auditors (IIA).

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