

JOHN L. MICA, FLORIDA
MICHAEL R. TURNER, OHIO
JOHN J. DUNCAN, JR., TENNESSEE
PATRICK T. McHENRY, NORTH CAROLINA
JIM JORDAN, OHIO
JASON CHAFFETZ, UTAH
TIM WALBERG, MICHIGAN
JAMES LANKFORD, OKLAHOMA
JUSTIN AMASH, MICHIGAN
PAUL A. GOSAR, ARIZONA
PATRICK MEEHAN, PENNSYLVANIA
SCOTT DESJARLAIS, TENNESSEE
TREY GOWDY, SOUTH CAROLINA
BLAKE FARENTHOLD, TEXAS
DOC HASTINGS, WASHINGTON
CYNTHIA M. LUMMIS, WYOMING
ROB WOODALL, GEORGIA
THOMAS MASSIE, KENTUCKY
DOUG COLLINS, GEORGIA
MARK MEADOWS, NORTH CAROLINA
KERRY L. BENTIVOLIO, MICHIGAN
RON DeSANTIS, FLORIDA

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051

<http://oversight.house.gov>

September 10, 2013

CAROLYN B. MALONEY, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
JOHN F. TIERNEY, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
STEPHEN F. LYNCH, MASSACHUSETTS
JIM COOPER, TENNESSEE
GERALD E. CONNOLLY, VIRGINIA
JACKIE SPEIER, CALIFORNIA
MATTHEW A. CARTWRIGHT, PENNSYLVANIA
MARK POCAN, WISCONSIN
L. TAMMY DUCKWORTH, ILLINOIS
ROBIN L. KELLY, ILLINOIS
DANNY K. DAVIS, ILLINOIS
PETER WELCH, VERMONT
TONY CARDENAS, CALIFORNIA
STEVEN A. HORSFORD, NEVADA
MICHELLE LUJAN GRISHAM, NEW MEXICO

LAWRENCE J. BRADY
STAFF DIRECTOR

The Honorable Mary Jo White
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Ms. White:

The Committee on Oversight and Government Reform is conducting oversight of the Security and Exchange Commission's implementation and enforcement of the Interactive Data to Improve Financial Reporting rule ("Interactive Data Rule"), issued in 2009.¹ The Interactive Data Rule requires U.S. public issuers to submit financial statements in a structured data format, specifically the eXtensible Business Reporting Language (XBRL). Together with similar rules covering investment company risk-return summaries² and certain ratings agency disclosures³, the Interactive Data Rule took a first step toward opening up the SEC's disclosure data by replacing text-based documents with structured data formats. Given the SEC's integral role in protecting investors, ensuring market efficiency, and facilitating capital formation, and given the potential of structured data to help achieve these ends, the Committee seeks information regarding the SEC's implementation of the Interactive Data Rule, utilization of structured data, enforcement of reporting requirements, and future plans. The Committee requests the SEC provide a briefing to Committee staff on these issues and that you produce relevant information and documents as listed below.

Interactive data in financial reporting offers the opportunity for increased speed, accuracy and usability through automation, first by filers, then by analysts, and finally by the SEC.⁴ The SEC commissioned a set of interactive data tags, or taxonomy⁵, which assigns a unique electronic tag to each data element in a financial statement so that line items, numbers, and

¹ U.S. Securities and Exchange Commission, Final Rule: Interactive Data to Improve Financial Reporting, Securities Act Release No. 33-9002 (Jan. 30, 2009) ("Interactive Data Rule"), available at <http://www.sec.gov/rules/final/2009/33-9002.pdf>.

² U.S. Securities and Exchange Commission, Final Rule: Interactive Data to for Mutual Fund Risk/Return Summary, Securities Act Release No. 33-9006 (Feb. 11, 2009), available at <http://www.sec.gov/rules/final/2009/33-9006.pdf>.

³ U.S. Securities and Exchange Commission, Final Rule: Amendments to Rules for Nationally Recognized Statistical Rating Organizations, Securities Act Release No. 34-59342 (Feb. 2, 2009), available at <http://www.sec.gov/rules/final/2009/34-59342.pdf>.

⁴ See Interactive Data Rule at 2.

⁵ U.S. Securities and Exchange Commission, *Standard Taxonomies*, <http://www.sec.gov/info/edgar/edgartaxonomies.shtml#USGAAP2013> (last modified Jun. 7, 2013).

arithmetical relationships become machine-readable. Interactive data tagging allows computer software to process information contained in these documents, extracting and presenting data in an automated fashion in seconds; this drastically reduces labor-intensive manual processing.⁶

The Interactive Data Rule is part of a government-wide move toward structured data formats for a wide variety of federal reports and other materials. The rule was issued with the understanding that interactive data can reduce costs for filing and analysis, improve the data quality of disclosures, and provide greater transparency and access to financial information.⁷ That same year, the Administration issued the Open Government Directive, instructing agencies, where possible, to adopt structured data formats that “can be retrieved, downloaded, indexed, and searched by commonly used web search applications.”⁸ In May 2013, the President made structured data formats mandatory for executive departments by issuing an Executive Order imposing a government-wide Open Data Policy.⁹ The Administration explained that structured data formats, including XBRL, will provide better internal efficiency and public transparency than unstructured, plain-text documents.¹⁰

Four years after issuance, the SEC’s progress on the Interactive Data Rule is stagnant. According to published reports and information from former SEC employees, the agency (1) does not fully utilize the structured financial data it already collects; (2) continues to buy-back from commercial databases the same data it collects from filers; and (3) has failed to address concerns about the quality of structured-data filings.¹¹

First, given the SEC’s awareness of interactive data’s potential, it is surprising that the SEC has not yet integrated interactive data into its internal review processes to improve efficiency or reduce costs. The SEC’s Division of Corporation Finance reviews filing for compliance with disclosure and accounting requirements and, in addition to on-going targeted or selective review, is required to “undertake some level of review of each reporting company at least once every three years.”¹² The Committee has received reports that SEC staff continues to

⁶ Roman Chychyla and Alexander Kogan, *A Large-Scale Study of Discrepancies Between the Accounting Numbers in Compustat and SEC XBRL 10-K Filings*, 16 (July 31, 2013), available at SSRN: <http://ssrn.com/abstract=2304473> or <http://dx.doi.org/10.2139/ssrn.2304473>.

⁷ See Interactive Data Rule.

⁸ Memorandum from Office of Mgmt & Budget, Exec. Office of the President, to the Heads of Executive Departments and Agencies, *Open Government Directive* (May 9, 2013) available at http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-06.pdf.

⁹ Memorandum from Office of Mgmt & Budget, Exec. Office of the President, to the Heads of Executive Departments and Agencies, *Open Data Policy – Managing Information as an Asset* (May 9, 2013) available at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-13.pdf>.

¹⁰ *Id.*

¹¹ See U.S. House of Representatives Committee on Oversight and Government Reform Minority, *The SEC: Designed for Failure*, 12 (May 18, 2010) [hereinafter 2010 OGR Minority Report] available at <http://oversight.house.gov/wp-content/uploads/2012/02/20100518SECreport.pdf>, see Trevor S. Harris and Suzanne Morsfield, *An Evaluation of the Current State and Future of XBRL and Interactive Data for Investors and Analysts*, Columbia Business School Center for Excellence in Accounting and Security Analysis (Dec. 2012) [hereinafter Columbia Study] available at http://www4.gsb.columbia.edu/filemgr?&file_id=7313156, and see Chychyla, *supra* note 6.

¹² U.S. Securities and Exchange Commission, *Division of Corporation Finance Filing Review Process*, <http://www.sec.gov/divisions/corpfin/cffilingreview.htm> (last modified May 21, 2013).

manually review filings, “using printouts, pencils, and calculators.”¹³ Rather than use the wealth of structured financial data it is already collecting to automate any level of review, the SEC continues to ask Congress for more money to pay for increased staff, including more than 600 additional staff positions in each of the past three annual budget requests.¹⁴

Second, freely accessible structured data remains unutilized while the SEC buys access to commercial databases such as Compustat and Yahoo! Finance that have been shown to contain less accurate data.¹⁵ Academics have long questioned the accuracy of commercial databases.¹⁶ Now, comparative studies are able to show that “XBRL tagged information is the most complete and most accurate source of company data”¹⁷ and commercial databases “may differ from the original numbers reported by companies due to typos, missing values, [and] not-up-to date values.”¹⁸ The SEC’s failure to utilize its own superior data, resulting in a continued cost to taxpayers to access commercial databases, requires explanation.

Third, despite this proven superiority to commercial databases, the SEC’s interactive data filings still contain significant errors, which lead to skepticism about usability of the data.¹⁹ Errors in the data and deviations from the designated taxonomy reduce the value of the data, necessitating additional effort to utilize the data for automation.²⁰ While interactive data files should be as accurate and credible as plain-text filings, the SEC’s implementation of the rule failed to include sufficient guidance and proper enforcement.²¹ Utilization of the data is limited by concerns of reliability,²² but the SEC has not issued even one comment letter on any of the more than 1.4 million errors identified.²³ According to a recent study from Columbia University, the SEC’s poor data quality is the result of the “reticence (or inability) of regulators and filers to ensure that the interactive data are accurate and correctly-tagged,” which “hinder[s] the current usefulness of XBRL-tagged information.”²⁴

Moreover, investors need structured data and the SEC has given filers and markets no guidance on whether it intends to continue the transformation it began with the Interactive Data Rule.²⁵ The Columbia University study found a demand for the SEC to require additional

¹³ 2010 OGR Minority Report, *supra* note 11, at 12.

¹⁴ See U.S. Securities and Exchange Commission, *FY 2014 Congressional Budget Justification, FY 2014 Annual Performance Plan, FY 2012 Annual Performance Report* (last modified Apr. 10, 2013) available at <http://www.sec.gov/about/reports/secfy14congbudgjust.shtml>, see U.S. Securities and Exchange Commission, *In Brief FY 2013 Congressional Justification* (Feb. 2012) available at <http://www.sec.gov/about/secfy13congbudgjust.pdf>, and see U.S. Securities and Exchange Commission, *In Brief FY 2012 Congressional Justification* (Feb. 2011) available at <http://www.sec.gov/about/secfy12congbudgjust.pdf>.

¹⁵ 2010 OGR Minority Report, *supra* note 11, at 12, and Chychyla, *supra* note 6.

¹⁶ Chychyla, *supra* note 6, at 2.

¹⁷ J. Efrim Boritz and Won Gyun No, *The Quality of Interactive Data: XBRL Versus Compustat, Yahoo Finance, and Google Finance* (April 18, 2013) available at SSRN: <http://ssrn.com/abstract=2253638>.

¹⁸ Chychyla, *supra* note 6, at 2.

¹⁹ Columbia Study, *supra* note 11, at 31.

²⁰ *Id.*

²¹ Chychyla, *supra* note 6, at 18-21.

²² Columbia Study, *supra* note 11, at 31.

²³ *XBRL Consistency Suite*, xbrl.us (last visited Sep 6, 2013) <http://xbrl.us/research/pages/Csuite.aspx>.

²⁴ Columbia Study, *supra* note 11, at 37.

²⁵ *Id.* at 41.

disclosures to be submitted in structured formats.²⁶ In July, the SEC's Investor Advisory Committee called on the agency to adopt a "culture of data tagging," including the transformation of more of its forms from documents into structured data.²⁷ The SEC has not yet responded to the Advisory Committee's recommendations.²⁸

Structured data in financial regulatory reporting has the potential to create profound, positive changes: better enforcement through analytics, more efficient and more accurate reviews, improved market efficiency, cheaper capital costs, and the open data investors are demanding. These revolutionary improvements will only occur as the SEC integrates structured data into its existing review processes, enforces the quality of data submitted under the Interactive Data Rule, and articulates a vision for the transformation of its whole disclosure system from inaccessible documents into structured data.

In order to assist the Committee with its oversight, the Committee requests that you designate SEC officials to provide a briefing to the Committee staff on or before September 23, 2013. At this briefing, please be prepared to respond to the questions below.

- 1) How will the SEC enforce the quality of interactive filings?
- 2) Why has the SEC failed to issue comment letters when there are errors?
- 3) How does the SEC propose to fix the quality of XBRL formatted financial disclosures?
- 4) How will the SEC incorporate XBRL formatted financial disclosures into its review process to eliminate the manual labor currently being performed?
- 5) How is interactive data used in each division and office of the SEC?
- 6) If any office does not use interactive data, please provide an explanation as to why the data is not used.
- 7) How are commercial databases used by SEC staff?

In addition, please produce documents, in an electronic format, for each of the following requests, for the time period January 1, 2009, to the present.

- 1) Please provide a document or documents that list all costs incurred by the SEC for access to commercial databases that contain data found in filings submitted directly to the SEC.

²⁶ *Id.*

²⁷ U.S. Securities and Exchange Commission Investor Advisory Committee, Recommendations of the Investor Advisory Committee Regarding the SEC and the Need for the Cost Effective Retrieval of Information by Investors, (adopted July 25, 2013), available at <https://www.sec.gov/spotlight/investor-advisory-committee-2012/data-tagging-resolution-72513.pdf>.

²⁸ See Hudson Hollister, *Investors ask SEC to commit to "smart disclosure": replace documents with machine-readable formats*, Data Transparency Coalition (July 30, 2013, 5:36 PM) (citing Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 §911 (2010)).

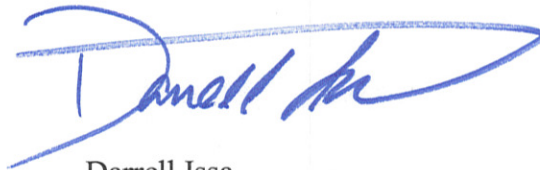
- 2) Please provide all documents relating and referring to policies and guidance to staff on the use of commercial databases.
- 3) Please provide all documents and communications, including memoranda and email, relating and referring to internal XBRL data enforcement policies, practices, and procedures, and any guidance provided to staff.
- 4) Please provide all documents and communications referring or relating to current use and planned future use of interactive data in each division and office of the SEC.
- 5) Please provide all documents that respond to the Advisory Committee's July 25, 2013, recommendations.

The Committee on Oversight and Government Reform is the principal oversight committee of the House of Representatives and may at "any time" investigate "any matter" as set forth in House Rule X. An attachment to this letter provides additional information about responding to the Committee's request.

I request that you provide the requested documents and information as soon as possible, but no later than 5:00 p.m. on September 17, 2013. When producing documents to the Committee, please deliver production sets to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format.

If you have any questions about this request, please contact Katy Rother of the Committee Staff at 202-225-5074. Thank you for your attention to this matter.

Sincerely,



Darrell Issa
Chairman

Enclosure

cc: The Honorable Elijah E. Cummings, Ranking Minority Member

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

Majority (202) 225-5074
Minority (202) 225-5051

Responding to Committee Document Requests

1. In complying with this request, you are required to produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party. Requested records, documents, data or information should not be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, or thumb drive) in lieu of paper productions.
4. Documents produced in electronic format should also be organized, identified, and indexed electronically.
5. Electronic document productions should be prepared according to the following standards:
 - (a) The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
 - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - (d) All electronic documents produced to the Committee should include the following fields of metadata specific to each document;

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH,
PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE,
SENNTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM,

CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD, INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION, BEGATTACH.

6. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, box or folder is produced, each CD, hard drive, memory stick, thumb drive, box or folder should contain an index describing its contents.
7. Documents produced in response to this request shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when the request was served.
8. When you produce documents, you should identify the paragraph in the Committee's schedule to which the documents respond.
9. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same documents.
10. If any of the requested information is only reasonably available in machine-readable form (such as on a computer server, hard drive, or computer backup tape), you should consult with the Committee staff to determine the appropriate format in which to produce the information.
11. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
12. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
13. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control.
14. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all documents which would be responsive as if the date or other descriptive detail were correct.
15. Unless otherwise specified, the time period covered by this request is from January 1, 2009 to the present.
16. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data or information, not produced because it has not been

located or discovered by the return date, shall be produced immediately upon subsequent location or discovery.

17. All documents shall be Bates-stamped sequentially and produced sequentially.
18. Two sets of documents shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building.
19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Schedule Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, email (desktop or mobile device), text message, instant message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms “person” or “persons” mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, or other units thereof.
5. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; and (b) the individual's business address and phone number.
6. The term “referring or relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is pertinent to that subject in any manner whatsoever.
7. The term “employee” means agent, borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, permanent employee, provisional employee, subcontractor, or any other type of service provider.