

PUBLICATION

SEC Adopts Inline XBRL for Tagged Financial Statement Data

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The Securities and Exchange Commission (SEC) has adopted amendments to its rules and forms that require the use of Inline eXtensible Business Reporting Language (XBRL) for financial statement information in lieu of existing XBRL requirements. According to the SEC's adopting release with respect to the amendments, "[t]he amendments are intended to improve the data's usefulness, timeliness, and quality, benefiting investors, other market participants, and other data users and to decrease, over time, the cost of preparing the data for submission to the [SEC]."

Currently, SEC reporting companies subject to the XBRL requirements (generally, those required to prepare their financial statements in accordance with U.S. generally accepted accounting principles (GAAP) or International Financial Reporting Standards) file a separate exhibit (an "Interactive Data File") to their filings. The Interactive Data File contains, among other things, the financial statement information tagged in XBRL format, while the filing itself is usually in HyperText Markup Language (HTML). The Interactive Data File presents the financial statement information in machine-readable computer code, which cannot be read by humans.

As the SEC explained in the adopting release, "Inline XBRL is both human-readable and machine-readable for purposes of validation, aggregation, and analysis." Inline XBRL allows, and the amendments require, filers to embed in the HTML document itself, instead of including such information in the Interactive Data File exhibit, the XBRL "tags" for the financial statement information contained in the corresponding filing. While Inline XBRL "eliminate[s] the need to tag a copy of the information in a separate XBRL exhibit," the balance of the information currently included in the Interactive Data File – that containing "contextual information about the XBRL tags embedded in the filing," will be included in an exhibit to the applicable SEC filing under the new requirements. Consistent with current requirements, the Inline XBRL provisions will apply to financial statement information in a filing whether such information appears in the body of the filing or in an exhibit to the filing.

As part of the amendments, the SEC is also eliminating the requirement that companies post their Interactive Data Files on their websites, noting that users of XBRL information can reliably access this data through the SEC's EDGAR website or third-party aggregators and generally do not go to individual filers' websites to obtain this information.

Notably, the SEC is not changing the currently applicable XBRL taxonomies that companies must use to provide their financial statement information in XBRL. This means that the tags currently used to generate the machine-readable XBRL data will not change, but the tags will be embedded in the filed HTML document instead of included in the Interactive Data File. The SEC will, however, "continue to monitor industry practices and market developments in disclosure technologies" and will consider changes "should future developments suggest that a more efficient or less costly reporting standard would provide at least substantively similar benefits as Inline XBRL." The SEC, as proposed, also did not change the existing provisions excluding XBRL information/the Interactive Data File from the officer certifications filed with periodic reports or auditor assurance requirements.

While the amendments will be effective 30 days after the adopting release is published in the *Federal Register*, their applicability will be phased in over a three-year period: large accelerated filers and accelerated filers that

prepare their financial statements in accordance with GAAP will become subject to Inline XBRL beginning with their first fiscal period ending on or after June 15, 2019 or June 15, 2020, respectively; all other filers will become subject to the requirements beginning with their first fiscal period ending on or after June 15, 2021, provided that filers need not comply until their first quarterly report on Form 10-Q for a fiscal period ending on or after their applicable compliance date. This includes smaller reporting companies, emerging growth companies, and foreign private issuers, none of which are currently exempted from the XBRL requirements and none of which will be exempt from the Inline XBRL requirements. Early adoption is permitted once EDGAR has been modified to accept submissions in Inline XBRL, which the SEC expects will be in March 2019.

The Inline XBRL requirements will also apply to risk/return summary information required to be filed by certain registered open-end management investment companies.