



All that's hot in the mutual fund industry

An Information Service of Money-Media

[Print](#) | [Close Window](#)

Is the SEC Missing the Mark With Interactive Data?

Article published on Aug 10, 2007

By [Medora Lee](#)

Christopher Cox's SEC has been pushing heavily — too heavily, according to some critics — into the realm of interactive data tagging of documents.

While proponents of the push say adoption of the technology is inevitable as the whole world moves online, others believe such tags will cause more problems than they solve.

Last year, the SEC awarded three separate contracts totaling \$54 million to transform the agency's public company disclosure system from a form-based electronic filing cabinet to a real-time search tool with interactive capabilities, using the eXtensible Business Reporting Language (XBRL) computer language that other federal government agencies already use. The FDIC, the Federal Reserve and the Comptroller of the Currency have been requiring banks to use XBRL to submit quarterly call reports for more than a year.

The purpose of the tags is to help standardize filings between federal agencies and help provide investors with better, more user-friendly access to key information in documents filed with the agency.

However, a recent initiative has stirred the political pot.

Recently, the SEC attempted to tag public companies conducting business in terrorist states, something that is not always a clear-cut data point. The list was met with a backlash and eventually taken down.

Among the critics were Rep. Barney Frank (D-Mass.), chairman of the House Committee on Financial Services, and Alabama's Spencer Bachus, the committee's ranking Republican.

Frank sent a [letter](#)¹ to SEC chairman Christopher Cox expressing concern over how the list was compiled, citing companies that have previously disclosed divestment from businesses in terrorist states, and other discrepancies. The SEC did not respond to request for comment as of deadline.

Max Rottersman, who runs a [blog](#)² on fund-related subjects and is an independent consultant and specialist in data collection and analysis, says interactive data such as XBRL will only cause more problems for investors doing research.

"It's way too complex that it's not going to fly," he says. A language like XML — a free, open-standard general purpose eXtensible Markup Language that most websites already use — may be a better option that's less complex for users.

Besides, Rottersman says the push to XBRL will not provide easier access to any additional insights into companies and funds. Instead, it will only make sorting standardized, reported data easier. Investors will still have to refer to the actual text filing to read pertinent information, like that often found in the footnotes of filings, which is not quantifiable and difficult to standardize. Information often found in the nitty-gritty of filings isn't easily standardized for search and sort tools.

"Politically, it's good for the SEC to say they want this tool, but the problem is, who really wants it?" Rottersman says. "The public doesn't want it. The public doesn't need it."

The SEC's quick attempt to tag companies with investments in businesses linked to terrorist states was likely "a case of politics intersecting with disclosure and regulatory issues" because terrorism, generally, is such a hot topic nowadays, says Mercer Bullard, founder of **Fund Democracy** and an investor advocate. "It was right to suspend the list to make sure the data are accurate," he says.

However, Bullard does not believe the SEC's push itself is political and says the XBRL tool will benefit shareholders, with more relevant information being disclosed in the long run. He says he believes the SEC eventually will find an appropriate process to tag information such as companies' links to terrorist nations. "The more interesting issue is what types of issues the SEC will emphasize and pick for disclosure," he says.

"Electronic tagging represents the future of SEC disclosure," Bullard says, noting that he believes it will eventually replace the mandated registration forms required now by the SEC.

"Trying to get information out of the Edgar database [a repository of text-only SEC filings] is difficult," says Niels Holch, partner at **Holch & Erickson LLP** and head of a shareholder advocacy group. "This interactive tool will make it easier to compare figures and data without having to set up your own spreadsheet."

Although Holch says the XBRL tool probably will not replace having to read filings, he sees it as "another tool for investors to use to make comparisons and make investment decisions." Ultimately, he says, the ease of use may encourage more investors to do research themselves and take a more active role in investing.

"It's the next evolution for the SEC," Holch says. "The SEC chairman is from California and has a history of working with technology companies [at an international law firm specializing for nearly 10 years in the late 1970s to mid-1980s in venture capital and corporate finance]. So this is a natural step for him to take at the SEC."

Ignites

Ignites is a copyrighted publication. Ignites has agreed to make available its content for the sole use of the employees of the subscriber

company. Accordingly, it is a violation of the copyright law for anyone to duplicate the content of Ignites for the use of any person, other than the employees of the subscriber company.

[Back to Top](#)

Links

1. http://www.house.gov/apps/list/press/financialsvcs_dem/press071307.shtml
2. <http://www.fundr2.com/>