

Update on Inline XBRL Requirement

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Client Advisory

July 11, 2018 by Steven J. Glusband and Guy Ben-Ami

Public companies, including foreign private issuers that prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") have to provide their (mandatory) financial information not only in a Hypertext Markup Language ("HTML"), which is the standard markup language for filings with the U.S. Securities and Exchange Commission ("SEC") but also in eXtensible Business Reporting Language ("XBRL") language.

XBRL is an XML standard for tagging business and financial reports to increase the transparency and accessibility of business information by using a uniform format. It is designed to allow users, such as analysts and the SEC, to more effectively sort and search the information contained in a filed report. The SEC first adopted rules requiring the use of XBRL in January 2009.

On March 1, 2017, the SEC published a proposed rule that would mandate the shift to inline eXtensible Business Reporting Language "(inline XBRL)". Inline XBRL allows filers to embed XBRL data directly into a HTML document. According to the SEC, the inline XBRL format may provide a number of benefits to companies and users of the information. The SEC indicated that "Inline XBRL could decrease filing preparation costs, improve the quality of structured data, and by improving data quality, increase the use of XBRL data by investors and other market participants."

On June 28, 2018, the SEC voted to adopt the proposed rule, which has a phase-in structure:

- Large accelerated filers that use U.S. GAAP will be required to comply with inline XBRL starting with fiscal periods ending on or after June 15, 2019.
- Accelerated filers that use U.S. GAAP will be required to comply starting with fiscal periods ending on or after June 15, 2020.
- All other filers (e.g., non-accelerated filers and IFRS filers) will be required to comply starting with fiscal periods ending on or after June 15, 2021.

Domestic issuers will be required to comply with inline XBRL starting with their first Form 10-Q filed for a fiscal period ending on or after the applicable compliance date. Foreign private issuers will have to comply starting with their first Form 20-F or Form 40-F for the applicable fiscal period or for their first 6-K for which they will choose to file required financial statements (e.g., for the purpose of the staleness rules).

We believe that inline XBRL is generally beneficial to issuers who securities are followed by analysts. At its core, inline XBRL is very similar to the existing XBRL and it does not change the categories of filers or scope of disclosures subject to XBRL requirements. One side-benefit of inline XBRL is that it eliminates the requirement to post XBRL data on issuer websites.

Both large accelerated filers and accelerated Issuers that use U.S. GAAP should consider shifting to inline XBRL now and not wait for the deadlines. Issuers shifting to inline XBRL will have the opportunity to simplify the process, which is inevitable, and will also be able to reap the benefit of not having to remember to post XBRL data files separately on their websites.

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