

## SEC's Division of Corporation Finance "Sample Letter to Companies Regarding Their XBRL Disclosures"

On September 7, 2023, the staff of the Division of Corporation Finance (the "Division") of the Securities and Exchange Commission (the "SEC" or "Commission") published a [sample comment letter](#) (known as a "Dear Issuer" letter) to companies regarding their eXtensible Business Reporting Language (XBRL, which for purposes of this Update includes Inline XBRL) disclosures. The Division publishes "Dear Issuer" letters as a way to communicate the Division's disclosure review program's area of focus and to remind public companies of their disclosure obligations in connection with the same. This sample letter and other similar sample letters (currently totaling 18 letters) can be found [here](#) under "Other Staff Guidance and Sample Comment Letters." Other SEC guidance on XBRL and related disclosure required by [Regulation S-T](#) and the [Edgar Filer Manual](#) can be found in the Division's compliance and disclosure interpretations under "[Interactive Data](#)" and on the home page of the SEC [Office of Structured Disclosure](#).

The essential compliance point of the latest sample letter is that companies should ensure that their filings comply with applicable SEC rules that require XBRL tagging and other disclosure generally, including the specific XBRL compliance issues cited in the sample letter. The Division may, in certain cases, require companies to provide supplemental information to the Division or to file an amendment to the relevant filing.

### Background

In 2009, the SEC adopted rules requiring public companies to provide their financial information in eXtensible Business Reporting Language ("XBRL"). The SEC adopted Inline XBRL rules in June 2018 (discussed in this [Goodwin alert](#)) and March 2019 (discussed in this [Goodwin alert](#)). Inline XBRL or iXBRL is an international standard that merges machine-readable business reporting data into a human-readable HTML page. This allows users to read the HTML document and view the XBRL data in one location. Thus, the SEC's Inline XBRL rules require public companies to embed XBRL data directly into reports and registration statements filed with the SEC so that the documents are both human-readable and machine-readable. In December 2022, the Financial Data Transparency Act (the "FDTA") became law and required, among other things, that the Commission establish a program to improve the quality of the corporate financial data filed or furnished by issuers under the Securities Act of 1933 Act (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act").

### The Division's Continued Focus on XBRL Disclosures

In the past, the Division has provided comments to companies regarding their disclosure obligations as they relate to XBRL and iXBRL through the Division's selective reviews of filings made under the Securities Act and the Exchange Act. Given the enactment of the FDFTA, the Division has renewed its focus on XBRL disclosures. Thus, the "Dear Issuer" letter contains illustrative comments that, depending on the particular facts and circumstances and type of filing under review, the Division may issue to companies. As noted in the Dear Issuer letter, these sample comments do not constitute an

exhaustive list of the issues that companies should consider as they prepare their XBRL and iXBRL disclosures. Companies should consider these sample comments and additional guidance in this area as they prepare their disclosure documents. The full text of the sample comments can be found [here](#).

## **Sample XBRL Comments**

### **General XBRL Compliance (Item 405 of Regulation S-T)**

1. Relevant SEC filings (see list below) must comply with SEC requirements for XBRL generally and Inline XBRL in particular. The Division may require companies to file an amendment to the filing that includes the required Inline XBRL presentation.

### **Cover Page**

2. Common shares outstanding reported on the cover page of relevant filings should not be tagged with values that are materially different than those presented on the balance sheet. The sample comment refers to presentation of the same data using different scales (for example, presenting the whole amount on the cover page and the same amount in thousands on the balance sheet).<sup>1</sup>

### **Pay versus Performance**

3. Disclosure under Regulation S-K Item 402(v) must comply with Inline XBRL requirements under Item 405 of Regulation S-T and the EDGAR Filer Manual.
4. Although SEC rules permit companies to combine one or more sets of the relationship disclosures required by Regulation S-K Item 402(v)(5) into a single relationship graph, table, or other presentation, companies must provide separate XBRL tags for all of the required data points.

### **Financial Statements and Supplementary Data**

5. Companies should not use different XBRL elements to tag the same reported line item on the income statement from period to period unless the company is prepared to explain why its analysis supports a conclusion that the company's reported results required the differences in XBRL tagging. Alternatively, if a company concludes that the change from period to period was not necessary to communicate a change in the nature of the line item, the company should ensure that its choice will be consistent for line items from period to period.
6. Companies should ensure that the XBRL elements used for tagging income statement values are consistent with current U.S. GAAP. Companies should use custom tags only if an appropriate tag does not exist in the standard XBRL taxonomy, as required by [Item 405\(c\)\(1\)\(iii\)\(B\)](#) of Regulation S-T.

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<sup>1</sup> This comment echoes the SEC's data quality reminder that some filers are inconsistently reporting public float values and that filers should carefully review their XBRL data to ensure scaling accuracy. See SEC's Office of Structured Disclosure, Data Quality Reminder - Scaling Errors in Public Float (Nov. 20, 2019) at <https://www.sec.gov/structureddata/announcement/osd-announcement-111919-data-quality-reminder>.

## **Current SEC XBRL Requirements**

SEC XBRL requirements currently apply to the following filings and disclosures:

### ***Exchange Act***

- Periodic Reports: 10-K, 10-Q , 20-F and 40-F
- Current Reports on Forms 8-K and 6-K that contain updated or revised versions of financial statements
- Form 8-K: iXBRL cover tagging
- Proxy Statement: Executive Compensation –Pay vs Performance (periods ending on or after December 16, 2022)
- Share Repurchase (periods ending on/or after October 31, 2023)
- Form SD: Resource Extraction (March 2023, in Standard XBRL)
- Form 11-K: Employee Stock Purchase Plans (compliance required starting in 2026)

### ***Securities Act***

- XBRL is required when financial statements are physically included rather than incorporated by reference in the registration statement
- Filing Fee Data Tagging (also ‘40 Act): registration statements (July 2024 initial phase in)

## **General XBRL Compliance Reminders**

Public companies should be reminded that the Division is focused on XBRL disclosures, and all required XBRL disclosures must be properly tagged. In particular:

- Companies that file their own SEC documents should ensure that their software vendor has updated their software for Inline XBRL relating to all required XBRL disclosure requirements. Additionally, companies should undertake appropriate training for their personnel and testing prior to use of any software.
- Companies that use an outside vendor should confirm that the vendor has updated its systems to comply with the Inline XBRL amendments.

Note that a company’s process for XBRL compliance may depend on whether the company is using an integrated compliance reporting system or a stand-alone software solution.

Public companies should also consider the following:

- Assemble an XBRL and Inline XBRL reporting team and determine the technical training required, such as instruction on XBRL and Inline XBRL as well as regulatory mandates affecting the company.
- Review the SEC rules as well as educational and supporting materials on the SEC’s Web site and the IFRS Taxonomy Web site. See below for some SEC contact information and resources.
- Attend or listen to webcasts, presentations, and podcasts hosted by the SEC staff, the IFRS taxonomy staff, and others.

- Determine whether management would like to tag and create the XBRL document (i.e., the filing formatted according to XBRL rules) in-house or outsource it to a service provider.
- Consider tagging a mock filing as practice before the actual document is filed on EDGAR.

### **SEC Contacts Information and Resources**

- The [EDGAR Filer Manual](#) provides the technical requirements needed for filers to use Inline XBRL.
- For questions on Inline XBRL rule requirements and compliance related to operating company disclosure and financial statement information, please contact the Office of Chief Counsel in the Division of Corporation Finance at 202-551-3500 or using the form at [https://www.sec.gov/forms/corp\\_fin\\_interpretive](https://www.sec.gov/forms/corp_fin_interpretive). Please select “Office of Chief Counsel” in the form.
- For questions on Inline XBRL rule requirements and compliance related to fund risk/return summary information, please contact the Office of Chief Counsel in the Division of Investment Management at 202-551-6825 or [IMOCC@sec.gov](mailto:IMOCC@sec.gov).
- For questions on structured data or other technical questions such as XBRL validation, taxonomies, and data quality, please contact the Office of Structured Disclosure in the Division of Economic and Risk Analysis at 202-551-5494 or [StructuredData@sec.gov](mailto:StructuredData@sec.gov).
- For questions on submitting forms through EDGAR and other submission questions, please contact EDGAR Filer Support at 202-551-8900

## CONTACTS



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