



No sprints: XBRL grows by running at a marathon pace

by John M. Covaleski

New York - Gaining market acceptance for XBRL - the Internet-based programming code for business reports - continues to be a drawn out process with many peaks and valleys for the accounting industry-led consortium developing the code.

The greatest peak yet occurred in June, when the Federal Deposit Insurance Corp. started work on a \$39 million reporting system that will utilize XBRL. That project was announced about a year after a valley - the downsizing of a grand XBRL-based reporting pilot program by banking giant Bank of America.

Bank of America had both planned and publicly discussed a pilot program in which some 20,000 of its commercial loan customers around the country would begin filing required financial report information in electronic formats that the bank would then convert to XBRL in order to facilitate its review of the reports. That original plan would have had accounting firms in local markets assist middle-market business customers in creating their electronic reports - an effort that could have required the services of hundreds or even thousands of accountants.

But Bank of America scaled its pilot down to just 11 commercial loan clients and about five accounting firms. The bank felt that a downsized pilot would be more workable considering the newness of XBRL, which went into formal development in 1998 by a consortium of businesses pulled together by the American Institute of CPAs.

“Part of the problem is we are inventing the wheel here with something that has not been done before,” said Jerry Clark, a senior vice president in commercial risk management operations at BoA headquarters in Charlotte, N.C. “Technologies that are proven take less time, but this is still a new technology.”

XBRL is the business report derivation of extensible mark-up language, or XML, a framework that establishes individual “tags” for elements in structured documents, allowing specific elements to be immediately accessed and grouped to meet the needs of users. By contrast, the Internet’s still dominant Hyper Text Markup Language in essence merely provides pictures of structured documents, and requires users to sort out individual elements, then copy and paste in order to use them in other applications.

While XBRL is the standard “tagging” framework for all business reports, individual versions or “taxonomies” are being developed for different classifications of businesses. A C-I taxonomy, for the broad base of commercial industrial companies, has already developed and been upgraded several times. The development of dozens of other taxonomies is likely.

The AICPA’s original effort led to the creation of a worldwide XBRL consortium, with separate efforts in eight countries, and plans for three more countries by year-end.

Although the XBRL U.S. group hailed Bank of America’s original pilot plan as a watershed event when it was announced in late 2001, they are not discouraged by the scaleback. “This is not an indication that Bank of America’s ambition for XBRL has left. It’s just that they realized that with this technology, they are running a marathon and not a short, fast race,” said Paul Penler, vice chairman at XBRL U.S.

Indeed, Clark said that the BoA pilot results are good, and the bank is hopeful of pursuing XBRL further. However, he noted that wider use by BoA remains thwarted by another market acceptance issue - a lack of software applications, particularly accounting software that has a built-in capability to tag elements in XBRL.

Because market awareness and acceptance of XBRL is still scant, software vendors have not been rushing to build this technology into their products. At the start of the year, less than half of the approximately 50 technology company members of the XBRL U.S. consortium had implemented the code in their products.

There are signs that more vendors are moving toward XBRL, but both Clark and Penler identify lack of vendor buy-in as a major hurdle to gaining broader acceptance by banks.

Meanwhile, XBRL U.S. is intensifying its focus on the financial services market as a result of the FDIC initiative. In that program, a group of technology vendors, led by Unisys Corp., of Blue Bell, Pa., are developing a \$39 million system that the FDIC will use to gather periodic "call report" financial statements from the approximately 9,000 financial institutions it regulates. The new system, to be phased in through 2004, will consolidate the collection, editing and access of reports into a repository that converts the reports into XBRL format.

The XBRL U.S. group deems bank buy-in critical because banks' use of XBRL could lead to more use by commercial loan customers and other businesses that deal with banks.

In its new banking industry initiatives, the XBRL U.S. group is working with four other major national banks in conducting pilot programs similar to the one at Bank of America. The group will not identify the other banks beyond saying that they are competitors of Bank of America, which is the country's third largest bank.

The so-called 5-50-5 program will also have CPA firms help loan clients submit their reports. Penler said that his firm, Ernst & Young, is one of the participants, but he declined to identify the others.

The U.S. XBRL group is also developing a banking and savings institution taxonomy, a set of XBRL tags designed for financial institutions' internal operations. Loan customers reporting financial information to banks in XBRL will do so with the taxonomy designed for their sector; the available C-I taxonomy accommodates the broadest single cross-section of industries of all the taxonomies being developed or considered.

In banking industry actions by software company members of the XBRL group, Moody's Risk Investment Services, of New York, and iLumen Inc., of Atlanta, have each added and are enhancing XBRL-reading capabilities in the software products that banks use in analyzing financial statements from their loan clients.

In mid-July, iLumen released an enhanced version of its "iMonitor" product that translates existing accounting software data created in the standard ASCII format into XBRL, allowing business users of most accounting software applications to ultimately report to their banks in XBRL. Rob Blake, a Microsoft Corp. member of XBRL U.S., called the enhancement an XBRL "bridge between bank customers and their financial institution."

Moreover, the XBRL development group is hopeful that the FDIC program will spur other government agencies and industry regulators to also use XBRL. "This is truly a milestone that will hopefully lead to even wider acceptance of XBRL," said Louis Matherne, the AICPA's director of business assurance and advisory services and president of the XBRL International consortium.

Penler said that some other government agencies have expressed interest, but declined to specify which ones.


Phil Walenga, assistant director of the FDIC's bank technology group and a driving force in that agency's XBRL program, recently told the newspaper Federal Computer Week that the U.S. Census Bureau has expressed interest. A Census Bureau spokesman was unavailable for comment.

In June, the National Association of Insurance Commissioners, which assimilates financial data from insurance companies, formed a committee to evaluate XBRL. However, there is no indication of when or if the Kansas City, Mo.-based group will act on XBRL.

The XBRL development group would ultimately like to see the Securities and Exchange Commission adopt XBRL as the standard for all companies that report to it. The development group has been courting the SEC since its beginnings, and has had some success.

Because of the still-limited market acceptance of XBRL, the SEC is not actively considering such a move. However, Edgar Online Inc., the Norwalk, Conn.-based provider of financial information derived from the SEC, has been among the most active members the XBRL consortium. Edgar Online also operates a Web site, www.xbrlpress.com, that is an information source on XBRL and a repository for XBRL-formatted financial reports.

However, XBRL U.S. leaders have repeatedly noted that the SEC cannot move toward requiring that companies report in XBRL until there is greater availability of software tools with XBRL capabilities. Vendors, meanwhile, are hard-pressed to add XBRL until there is market demand for it.

Still, there are indications that vendors may be moving toward XBRL. For example, Microsoft added enhanced ability to work with all XML derivations, including XBRL, to the latest version of its Office suite. And in the third quarter of this year, enterprise software giant PeopleSoft plans to add XBRL capabilities to its core financial applications, according to an XBRL U.S. newsletter. 

July 2003