

April 22, 2011

## SEC Provides Foreign Private Issuers with Temporary XBRL Relief for IFRS Financial Statements

On April 8, 2011, the Securities and Exchange Commission issued a no-action letter stating that foreign private issuers who use International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB) to prepare their financial statements will not be required to submit interactive data files to the SEC and post interactive data files on their websites until the SEC specifies a taxonomy, or classification system, for preparing such information.<sup>1</sup>

Although the SEC has not announced a timeline for when it expects to specify a taxonomy, foreign private issuers who prepare their financial statements in accordance with IFRS as promulgated by the IASB should continue their preparations to implement interactive data reporting in the event that the SEC specifies a taxonomy for immediate use.

### Background

In 2009, the SEC adopted rules to ensure that financial statement information could be downloaded directly into spreadsheets, analyzed in a variety of ways using commercial off-the-shelf software, and used within investment models in other software formats. Foreign private issuers who prepare their financial statements using IFRS as promulgated by the IASB are required under these rules to provide their financial statements to the SEC and on their corporate web sites in an interactive data format using the eXtensible Business Reporting Language (XBRL) for fiscal periods ending on or after June 15, 2011. These rules are discussed in our Client Alert “SEC Adopts Final Rules on Mandatory Interactive Data Tags Filings,” which is available [here](#). However, the SEC must specify on its website a taxonomy to be used before requiring foreign private issuers to use XBRL to prepare their IFRS financial statements, which it has not yet done.

### Rationale for the Temporary Relief

The Center for Audit Quality (CAQ), a public policy organization affiliated with the American Institute of Certified Public Accountants (AICPA), submitted a no-action request for three areas of relief:

- Confirming that foreign private issuers would not be required to comply with the interactive data requirements unless and until the SEC specifies an IFRS taxonomy;
- Delaying the SEC specification of an IFRS taxonomy until certain issues with the current form of the IFRS Taxonomy 2011 are addressed; and
- In the event the SEC specifies an IFRS taxonomy for immediate use, deferring the effective date for one year until June 30, 2012 to permit foreign private issuers sufficient time to prepare.

<sup>1</sup> The No-Action Letter is available at: [www.sec.gov/divisions/corpfin/cf-noaction/2011/caq040811.htm](http://www.sec.gov/divisions/corpfin/cf-noaction/2011/caq040811.htm).

The CAQ stated that although the IFRS Taxonomy 2011 is available, it is not sufficiently developed in its current form and may require extensive efforts by foreign private issuers to use it for interactive data tagging.

### **The SEC's Relief**

In its response, the SEC only addressed one of the three areas of relief sought by the CAQ, acknowledging that it is not possible for foreign private issuers who prepare their financial statements in accordance with IFRS to comply with the SEC until the SEC specifies on its website a taxonomy for use by such foreign private issuers. The SEC concluded that "we are of the view that foreign private issuers that prepare their financial statements in accordance with IFRS as issued by the IASB are not required to submit to the Commission and post on their corporate websites, if any, Interactive Data Files until the Commission specifies on its website a taxonomy for use by such foreign private issuers in preparing their Interactive Data Files."

### **Conclusion**

Although the SEC has stated that it currently will not require foreign private issuers to submit the interactive data files with their IFRS financial statements filed with the SEC or post such information on their websites, the duration of this relief is uncertain because the SEC has not revealed its timeline for specifying an IFRS taxonomy. Foreign private issuers will need to use XBRL and prepare their IFRS financial statements in accordance with the SEC's interactive data reporting requirements when the SEC specifies a taxonomy on its website. The SEC did not address the CAQ's request for deferral of the effective date if it were to specify an IFRS taxonomy for immediate use. In light of this uncertainty, foreign private issuers should be proactive and continue preparations to implement interactive data reporting for their IFRS financial statements.

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