

May 28, 2008

SEC Votes Yes to Propose Amendments Requiring Companies to use eXtensible Business Reporting Language, or XBRL

On May 14, 2008, the SEC announced its intent to propose amendments that would require companies to provide to the SEC financial statements in an interactive data format containing eXtensible Business Reporting Language (“XBRL”).

Background-eXtensible Business Reporting Language

XBRL is a computer language that, once adopted by SEC filers, will enable the financial and other data contained in reports filed with the SEC and delivered over the Internet to be processed directly by software applications of the users of the data, such as securities analysts and investors. A document using a current Internet language, such as HTML, typically cannot be processed directly by applications but rather must be cut and pasted or re-keyed in order to be analyzed and compared with other documents of other companies. XBRL provides an identifying tag for each individual item of data. Each tag can be read by software applications and enable the applications to automatically recognize the items of data in an SEC filing and understand the relationships among the items in a standardized manner, thus facilitating the analysis and processing of such data. Information in a XBRL document can be selected, analyzed, stored, exchanged and presented automatically in a variety of ways for various users.

Various “taxonomies” have been developed for use in the United States, based on four different industry classifications (insurance, investment management, commercial/industrial and banking/savings institutions). An XBRL “taxonomy” is a list of elements that can be used as tags for various items of information in a filing. Each element (e.g., goodwill, total assets, etc.) within a taxonomy has various characteristics associated with it, such as a standard description, a data type and relationships to other elements and information (such as method of calculation). For example, if a company tags a certain number as “cost of goods sold,” because it has been tagged as such, that number would be automatically associated with the description, “Costs incurred to produce goods for sale. May include direct materials, direct labor, overhead, depreciation and other” and could automatically be compared with a figure given the same label by a different company. Therefore, tagging an item associates an item with the information that is contained in the element and allows the item to be recognized as such by user software applications.

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XBRL Amendments

Under the SEC's proposed rule amendments, each company will be required to include an exhibit, in XBRL tagged format, with its financial statements, accompanying footnotes and schedules. The requirement to provide financial statements in an additional XBRL-tagged exhibit applies to the filing of annual and quarterly reports and registration statements that include financial statements for the fiscal periods included in such reports. Additionally, at the same time a company submits a XBRL exhibit to the SEC, it must also post such exhibit on its website. In the first year of XBRL reporting, companies are only required to tag their financial statement footnotes and schedules as blocks of text, but in the second year, must provide tags for the information included in the footnotes and schedules to the financial statements.

Companies who use U.S. GAAP and are preparing the XBRL-format exhibit are required to use data tags issued by XBRL US Inc. ("XBRL US"), a non-profit consortium contracted by the SEC to build XBRL. However, as the interactive data format is "eXtensible," companies can create custom tags if an appropriate tag for a particular line item included in the data tags issued by XBRL US cannot be located.

Three Year Phase in Schedule of XBRL

In the first year of implementation, the SEC's proposed rule amendments would apply, for fiscal periods ending on or after December 15, 2008, to domestic large accelerated filers and foreign large accelerated filers who prepare their financial statements in accordance with U.S. GAAP and have a public float exceeding \$5 billion. In the second year, all other domestic large accelerated filers and foreign large accelerated filers who use U.S. GAAP would be required to comply with the proposed rules. Finally, in the third year, XBRL reporting would be mandatory for all remaining companies who use U.S. GAAP and all foreign private issuers who prepare their financial statements in accordance with the International Financial Reporting Standards ("IFRS").

Under the SEC's proposed rule amendments, companies who fail to comply with the XBRL rules would not be deemed current in their Exchange Act reporting requirements and would therefore fail to meet the short form registration requirements and the current public information requirement for resales under Rule 144 of the Securities Act. However, a 30 day grace period would be permitted for the first XBRL-format exhibit of each filer, and also for the first XBRL-format exhibit that is required to include the footnotes and schedules tagged in detail.

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The SEC is currently soliciting comments to the proposed rules.

This alert is not intended to provide legal or accounting advice with respect to any particular situation and no legal or business decision should be based solely on its content. Questions concerning issues addressed in this Memorandum should be directed to any member of the Paul Weiss Securities Group, including:

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