

DIMENSIONS

SECURE
SUCCESS

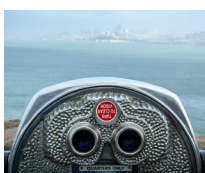
IN THIS ISSUE

APRIL 2016



Thought your XBRL files were just collecting dust at the SEC? Think again!

2



Three strategies for managing regulators' scrutiny during global M&A deals

11



RECENT DEVELOPMENTS

Bill would require disclosure in proxy or 10-K of the board's oversight for cybersecurity

13

Contact Us: www.merrillcorp.com | info@merrillcorp.com | 866.344.6755

Subscribe to future issues of *Dimensions*

©2016 Merrill Communications LLC



Thought your XBRL files were just collecting dust at the SEC? Think again!



Dimensions Newsletter Staff

XBRL is quietly but quickly becoming a key source of information relied on by the SEC, and it is spawning many innovative products for use by financial analysts and individual investors. As the major data providers incorporate the disclosures into their feeds, XBRL—now often called *structured data*—will soon be a standard part of the aggregation process. *Dimensions* explored how the regulators, the product innovators, and the data providers are currently using structured data. This trend toward widespread XBRL use places even more importance on the need for filers to ensure the accuracy of their XBRL translations, so their reported financial statements are properly analyzed and understood by regulators and investors.

The SEC's use of XBRL is expanding rapidly

The SEC's analytical tools and dashboards employ various sources of structured data, including XBRL. Mike Willis, Assistant Director at the SEC's Office of Structured Disclosure, told *Dimensions* that when he joined the SEC in 2015, he was “stunned at the level of [XBRL] use for a broad range of analytical purposes.” He explained that many of the roughly 150 staffers in the Division of Economic and Risk Analysis (DERA) use as-reported XBRL structured disclosures almost daily, and he is aware of other users in the SEC Division of Enforcement.



Mike Willis, Assistant Director, SEC Office of Structured Disclosure

According to Mr. Willis, one of the SEC's uses for XBRL-tagged information is economic analysis: "When an analysis is looking across all SEC companies—and I repeat that: all companies, from the largest to the smallest—that is when the XBRL data is very useful. Some data aggregators may focus on the largest filers. When we need an answer that covers all companies, XBRL data is the only game in town for assessing information from the entire set of corporate filers," said Willis.

The SEC's focus on data-oriented regulation is naturally leading to more use of structured data. Evidence of this trend came in the SEC's move in October 2015 to [give a significant number of its analysts](#) licenses for the data-mining XBRL platform offered by [Calcbench](#). The platform includes Calcbench's normalized metrics and raw XBRL search tools.

 "When [the SEC needs] an answer that covers all companies, XBRL data is the only game in town."

— Mike Willis, SEC, Office of Structured Disclosure

The SEC's efforts to promote the use of XBRL have also revealed market demand for XBRL financial disclosures. Over the past year or so, the [SEC has been publishing](#) on its website [datasets of XBRL-tagged information](#) from "as filed" annual and quarterly reports. Creating compilations of corporate financials removes a significant barrier to the use of the data, according to Hudson Hollister, Executive Director of the [Data Coalition](#). Before that development, he indicated to *Dimensions*, users had "to pull each individual XBRL filing from EDGAR—thousands of separate files—and combine all of them into a database yourself before you could use it."

Activity in these XBRL data feeds now ranks among the top four areas of download traffic from the SEC's website. Mr. Willis sees this as "pretty reasonable evidence of demand for XBRL structured disclosures."

Product innovators

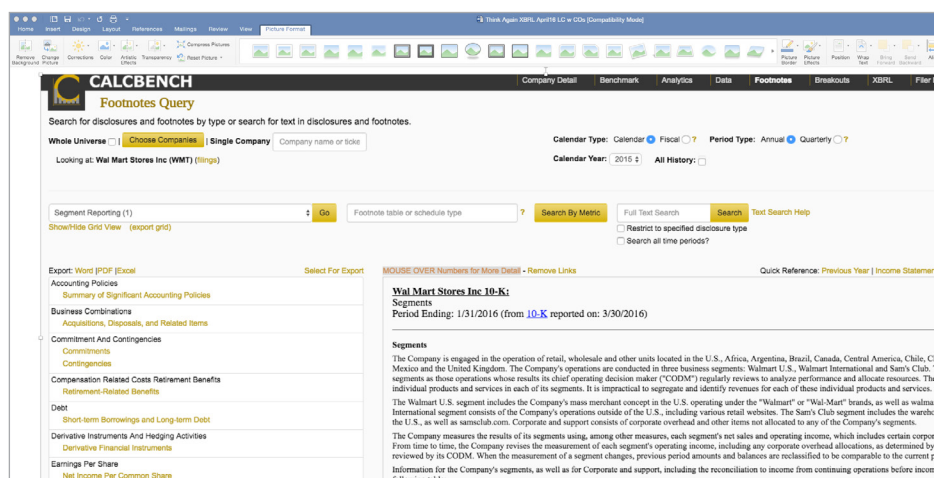
A growing number of companies are using XBRL-tagged data to create products for investors and analysts. All of these innovative products offer the user the ability to access and compare details of financial statements almost immediately after they are filed with the SEC. Here are a few of the companies with fully developed products and active users.

Calcbench: analytical and interactive features



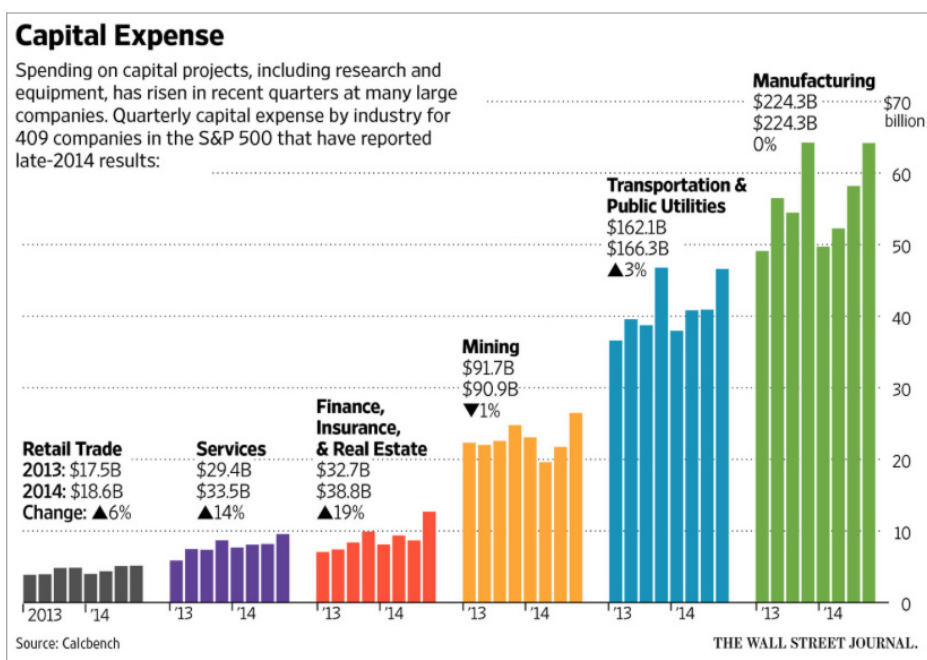
Calcbench relies almost entirely on XBRL to deliver interactive finance and accounting data from more than 9,000 publicly traded companies in the United States. In addition to the SEC, its [users](#) include analysts, auditors, academics, and CFOs. Moving beyond the mere aggregation of

financial data, Calcbench has added interactive features. For example, users can link [footnote-level data](#) from the text to the numbers in the financials and almost instantaneously generate reports on the Fortune 500's unremitted foreign earnings.



Screen shot of Calcbench's footnote query tool used on Wal-Mart's 10-K filed in March 2016

Pranav Ghai, the company's CEO, told *Dimensions* that such analytical features present new ways to analyze and compare companies quickly. "For an end user this means they could, for example, look at an income tax note and see concepts immediately," he explained. "They can see net operating loss carry-forwards for a single firm, and then ask: 'How many companies in my firm's peer group exhibit similar behavior?'" This also applies to a concept like unremitted foreign earnings." (For analysis guides, examples, and industry reports using Calcbench's tools, see www.calcbench.com/home/guides and www.calcbench.com/home/resources.)



Media example: Quarterly capital expense by industry, leveraging XBRL data

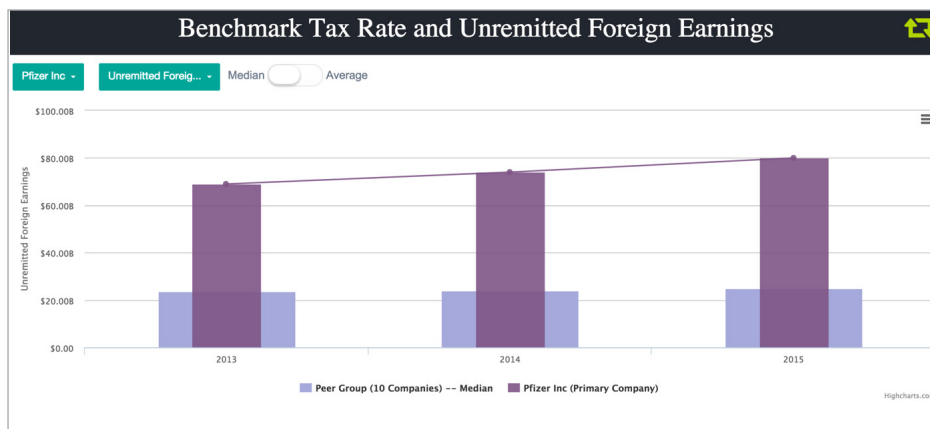
idaciti: storyboards and benchmarking charts



Another data provider that has a contract with the SEC, [idaciti](#), is harnessing the power of XBRL to let investors and analysts gain novel insights into business information. With benchmarking charts and “storyboards,” the firm’s tools let users visualize financial data as a way to help them analyze it.

The storyboards pull data directly from SEC filings to create text and charts. “We help companies learn more about potential vendors, partners, prospects, and competitors through public financial and nonfinancial data,” idaciti’s CEO Emily Huang explained to *Dimensions*. “Storyboards can include multimedia (images, videos), interactive data visualizations, word clouds, Federal Reserve macro economic indicators, and detailed data from footnotes, where real insights are often buried.”

At the heart of the platform is XBRL data from SEC filings. idaciti normalizes XBRL data against a set of over 500 key performance indicators (KPIs), which are searchable and comparable. The platform groups the indicators by “decision categories” to help users select them, Ms. Huang noted. For example, users can choose *Business Acquisition*, *Cash Flow*, *Costs of Financing*, or *Earnings*, among others.



Benchmarking chart comparing Pfizer’s unremitted foreign earnings with those of other large pharmaceuticals

The SEC has contracted with idaciti to create a customized platform based on similar technology developed by the company. Ms. Huang stated that the version used by the SEC will perform three main functions:

- **Comparison.** The rules-based *mapping engine* will let SEC users normalize as-reported data for comparability.
- **Examination.** A *flexible interface* will allow users with accounting/XBRL knowledge to map, research, and review results, all in real time.
- **Validation.** The rules-based *validation engine* will help the SEC confirm its results.

Thinknum: alternative data with XBRL tools



Thinknum is working both to combine XBRL financial data with other public information and to build visualizations of the results.

“Traditionally, investors pick companies by studying stock prices and SEC filings,” co-founder Justin Zhen told *Dimensions*. “Now investors are using cloud computing to study the tons of data companies dump on the web to find unique trends.”

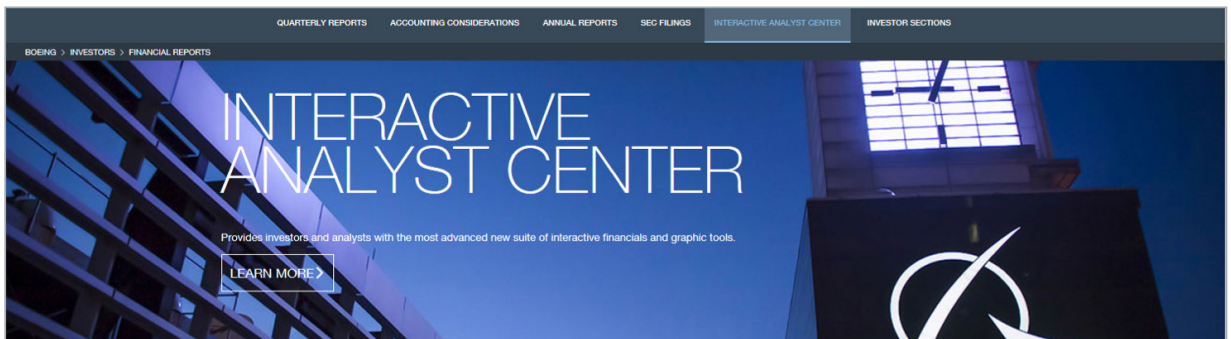
The datasets used by the company come from various sources, including corporate websites, government filings, and the millions of application program interfaces (APIs) that collect financial data. Thinknum combines this alternative data with XBRL to form an interactive tool. For example, investors can analyze Home Depot’s retail-store openings with job-postings data and compare them to the company’s revenue numbers in its SEC filings.

Virtua: Interactive Analyst Center

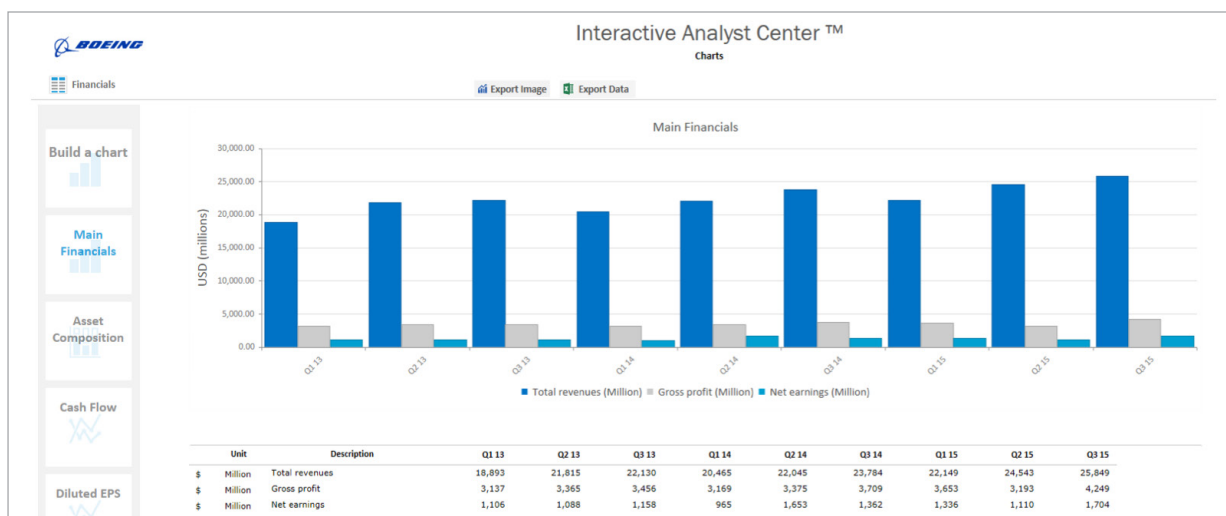


For investor-relations websites, Virtua provides an interactive database and charting center sourced from XBRL tags. The results are exportable to Microsoft Excel. Virtua’s Interactive Analyst Center incorporates as-reported financial and operating data. The Center makes a company’s financial data more easily accessible and understandable through an online spreadsheet. Andy Dettwiler, the company’s CEO, contends that one key efficiency his company has achieved in the use of XBRL data is that the financials require far less validation than those delivered through traditional methods.

To illustrate, here is how Boeing uses the Interactive Analyst Center:



When the user clicks on www.boeing.com/investors/ and scrolls down to *Financial Reports > Interactive Analyst Center*, the following is part of what opens on Boeing's website:



TagniFi: low cost and efficiency



Numerous data-product companies have demonstrated the efficiency advantages of XBRL over traditional methods. TagniFi

states that it makes investment-grade financial data available for less than the cost of a cellphone plan. It does this by using mostly XBRL-tagged data to collect information from financial statements quickly and at a low cost. “We believe our technology is 90% more efficient than the traditional data collection process, which is heavily dependent on people keying data into a database,” TagniFi CEO Chad Sandstedt explained to *Dimensions*. The low cost and the efficiency, he believes, allow the company to make financial data available to investors who previously did not have an easy or affordable way to access that type of information. Its product also includes an Excel add-in that gives users the ability to link any cell in their spreadsheet to data in financial statements filed with the SEC.

9W Search: Ask 9W



9W Search uses XBRL data “as it was intended to be used,” in the words of the CEO Susan Strausberg, a co-founder of EDGAR Online.

When users type keywords into Ask 9WSearch, such as “revenue of XYZ Company,” the answer quickly appears. Ms. Strausberg told *Dimensions* that the company is committed to “democratizing” financial information in SEC filings by making the data easily obtainable by both regular and professional investors. 9W Search is also working with IBM Watson to develop a version of its technology that uses artificial intelligence along with XBRL-tagged financial data to return questions with “predictive analytic” data. Try the company’s tool at 9W Search and on the stock-quote page at www.TheStreet.com.

From 9W Search



Apple Inc - AAPL

Company Information, financials, footnotes and more

AAPL - Instant Answers ASK 9W

9W Search - Try the financial answer engine

*9W Search feature,
showing stock-quote
page on The Street*




Questions



Type a business or financial keyword into the box -
for example cash, revenue, footnotes, price...
there are thousands of choices.

Please note: 9W provides information on equities, not on funds

Instant Answer

Share ASK9W







APPLE INC (AAPL) reported Revenue per Employee of \$2.12MM in their latest Annual report for the period ending September 26th, 2015

Source: 10-K filed on 10/28/2015

Save / Share this Answer



Get Access Now!


The ultimate financial
answer engine.

Related Questions

[View AAPL's Business Description](#)

[What did AAPL report for Revenue per Employee in 2013?](#)

[How did Revenue per Employee for AAPL in 2014 compare to 2013?](#)

[How much Revenue per Employee did AAPL report last quarter?](#)

[APPLE INC \(AAPL\): Free Stock Analysis Report from Zacks](#)

Ask another Question

IRIS: bots to generate text



IRIS Business Services offers various XBRL services and products, including IRIS Data Consumption, which features normalized financial and nonfinancial data for public and private companies worldwide.

Combining structured financial data and artificial intelligence, one of its products uses bots to create readable text that is based on tagged XBRL data in SEC filings.

The resulting articles, available in several languages, are part of the financial-reporting content on www.myIRIS.com. This feature provides easy-to-read information on a wide swath of companies worldwide, including many small and mid-cap firms that do not usually receive coverage from traditional sources. When found, errors in XBRL tagging are highlighted in the articles. However, XBRL data feeds will often be instantly distributed without the luxury of fact checking before release. IRIS plans to expand its article database to include companies that file outside the US, as the company works with XBRL filing requirements and regulators in many countries.

New Constructs: analytics based on XBRL



Data from these XBRL product innovators is allowing other types of companies to develop or improve their own services. For example, [New Constructs](#), an independent research firm with daily updated reports on 3,000 stocks, 400 ETFs, and 7,000 mutual funds, uses XBRL data from Calcbench to validate its own proprietary data collection and modeling. According to CEO David Trainer, XBRL helps the company get the scale and speed it needs to create high-quality analytics. His company's reports, all based on XBRL data, are regularly cited by the [media](#), including [Barron's](#), *USA Today*, CNBC, and Fox Business, and appear in Mr. Trainer's popular blog at the website of *Forbes*.

Major data aggregators

Glen Doggett, director of professional standards for [CFA Institute](#), confirms that major data providers Bloomberg and S&P Capital IQ are starting to incorporate XBRL into their data-collection processes.



“These firms find that using XBRL-tagged data improves their current extraction processes and adds information that they were not getting before. The main obstacle that has slowed adoption of XBRL data is concern about data quality.”

– Glenn Doggett, CFA Institute

“We use [XBRL] in the US, Japan, Taiwan, and other markets,” said David Coluccio, of S&P Capital IQ, at an XBRL US conference, *Improving Financial Analysis Through Structured Data*. “The main thing here is to take the data and bring it into the internal database where the analysts collect the data and then do their quality checks.” He added that “XBRL helps in being able to extract values fairly quickly into a database, but because of the quality issues, it still requires people to look at the data and be sure it is accurate.”

Data-quality issues notwithstanding, Mr. Doggett believes that the major providers are trying to “make something out of the XBRL data” as part of their structured database products. Given the large number of users Bloomberg and S&P Capital IQ have, the consumption of XBRL data will at some point be considered mainstream. In fact, XBRL may eventually become standard in all financial-data feeds, just as HTML code is used in all websites.

That day might arrive sooner than many realize. At the XBRL US conference, Mr. Coluccio predicted:

“We do believe that XBRL is going to be the future...HTML documents will no longer be used, just as we stopped filing paper documents. We support that. We also feel that if we’re on board and helping XBRL get to the point where we can process it automatically, we’ll be able to use our team of analysts to start collecting more value-added stuff that is not regularly reported in documents.”



“[Filers] need to understand that the future is happening now. There are many ‘real’ firms using the data today. The regulators are using it also. If firms assume that no one is using the data today, they will be making a big, big mistake.” – Pranav Ghai, Calcbench

Three strategies for managing regulators' scrutiny during global M&A deals



Abstracted from *Sharing Regulatory Risk in Global M&A*
By Mark Van De Voorde, Barry Pupkin, and Stephen Chelberg
Vistaulic Company, Easton PA (MVDV); Squire Patton Boggs,
Washington DC (BP) and Tokyo, Japan (SC)
ACC Docket, Vol. 33, No. 10, Pgs. 29-34

Parties to global M&A deals face significant scrutiny from antitrust or national-security regulators around the world. For example, the Committee on Foreign Investment in the United States (CFIUS) is an inter-agency federal entity with members from Treasury, Justice, Homeland Security, Commerce, Defense, State, and other departments. Increasingly aggressive, CFIUS assesses whether a deal threatens national security, scrutinizing those that would cede control of US companies to buyers from China, Russia, or the Middle East, or that would sell critical infrastructure or technologies to foreign countries. Parties can deploy a few strategies to lessen or rebalance the risk of opposition from CFIUS and other regulators, suggest attorneys Mark Van De Voorde, Barry Pupkin, and Stephen Chelberg.

1 Hell-or-high-water clause. Using a “hell-or-high-water clause,” which is almost certainly the most burdensome strategy, obligates the buyer to take remedial measures, change the deal, or do whatever else the regulators might demand (such as divestitures or limitations on sales or marketing). A seller might accept a watered-down clause, under which the buyer would agree to divest only specified assets or assets below a specified value, or might instead seek a buyer with a lower offer and fewer regulatory risks.

2 Heaven-sent fee for either side. Both parties usually favor a different strategy: the reverse breakup fee, which the buyer must pay if regulators oppose the deal. The seller receives partial compensation for having chosen a riskier buyer that was offering a higher price; and the buyer caps its risk, as if there were liquidated damages. Before agreeing on a sum, the authors note, both parties must engage in tough risk evaluation. The seller will want the fee to reflect the potential risks of a failed merger, including loss of customers, vendors, and valuable personnel. The buyer will try to find out as much as possible about the seller, which might be reluctant to disclose confidential data to the buyer (most likely also a competitor). While the highest-known fee is the approximately \$4 billion that AT&T paid T-Mobile due to DOJ and FCC opposition, a 2008 survey described in an ABA antitrust publication showed fees after 2003 varying from 0.4% to 16% of a deal's equity value.

3 Date to bury a deal stuck in regulatory limbo. The parties in deals that regulators are apt to oppose generally prefer the third strategy: a date when either side can terminate. Only the buyer wants a date as far off as possible. Antitrust regulators, although not CFIUS, are a concern when agreeing on a termination date. The merger-control waiting period in the United States is 30 days, but the closing could be held up for at least six months: Suppose the antitrust regulator takes 60 days to evaluate the deal's effect on competition and then asks for more data; the buyer and seller challenge that request but then comply and have to wait another 30 days; and the regulator still wishes to enjoin the deal or impose conditions. Other countries' conditions could delay the closing further. For example, the Ministry of Commerce of China might take months to accept a merger-control form for review. The ABA's 2008 survey found that termination dates were two to 18 months in the future; the average was slightly under, and the median was exactly, one year.

A blending of the three strategies could balance risk, the authors suggest, injecting more certainty and fairness into a deal.

Abstracted from **ACC Docket**, published by Ass'n of Corporate Counsel, 1025 Connecticut Ave. NW, Ste. 200, Washington DC 20036. To subscribe, call (202) 293-4103; or visit www.acc.com/accdocket.



Bill would require disclosure in proxy or 10-K of the board's oversight for cybersecurity

Corporate cybersecurity has become an urgent priority for boards of directors. Theft of customers' personal and financial data by criminal hackers is costly to redress and can severely damage a company's reputation. Politically motivated vandalism and disruption—such as North Korea's [punitive hacking of Sony Pictures Entertainment](#) in 2014—can have a devastating impact on corporate operations and employee morale. Perhaps even worse is the threat of cyber espionage seeking to steal vital business secrets. (A [study by PricewaterhouseCoopers](#) suggests that such data breaches can be “extinction-level events.”)

As these menaces mount, concerns are rising about board oversight of cybersecurity. According to the [Los Angeles Times](#), while there were 44% more online attacks against large companies in 2014 than in 2013, only 11% of boards at publicly traded companies reported in 2015 that they have a high-level understanding of cybersecurity issues.

In response to these concerns, Congress is considering legislation intended to help investors gauge the level of directors' cybersecurity expertise. The [Cybersecurity Disclosure Act of 2015](#) was introduced in December 2015 by Senators Jack Reed (D–RI) and Susan Collins (R–ME). It would require every publicly traded US company to disclose how much (if any) cybersecurity expertise its directors hold. Lauded as a bipartisan effort, the bill is summarized in a [press release](#) from Senator Reed's office and is being considered by the US Senate Committee on Banking, Housing, and Urban Affairs.

If the bill becomes law, the SEC will have to promulgate final rules within 360 days of enactment, requiring public companies to disclose, in either the proxy statement or Form 10-K, whether any board member “has expertise or experience in cybersecurity.” The definition of appropriate “expertise and experience,” which would be set by the SEC and the National Institute of Standards and Technology, could include professional credentials in data security. Companies where no directors are qualified in cybersecurity would have to “describe what other cybersecurity steps taken by the reporting company were taken into account” when the directors were nominated. Moreover, the filer would have to explain why these measures are sufficiently stringent to make director expertise in cybersecurity unnecessary.



Senator Jack Reed



Senator Susan Collins

“Cybersecurity is one of the most significant and enduring challenges businesses face and should be accounted for as part of the corporate risk management process,” states Senator Reed, a senior member of the Senate Banking Committee, in his press release announcing the bill.



“Investors and customers deserve a clear understanding of whether public companies are prioritizing cybersecurity and whether they have directors who can play an effective role in cyber-risk oversight.” – Senator Jack Reed (D–RI)

“This legislation will highlight how focused firms are in terms of data security and safeguarding private information and should encourage more companies to improve their cybergovernance.”