

August 15, 2018

## SEC Adopts In-Line XBRL

*Advisory*

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Commencing in 2009, the SEC has required most issuers to submit financial statement and financial statement schedule information included in certain Exchange Act reports and Securities Act registration statements in machine-readable format using eXtensible Business Reporting Language (XBRL). The SEC also required open-end management investment companies (funds) to provide risk/return summary information from their prospectuses in XBRL format. The rules require the submission of an Interactive Data File<sup>1</sup>, including an XBRL-tagged version of the required information from the related filing, as an exhibit to the related filing. These requirements were intended to make financial information easier for investors to analyze and to assist in automating the collection of data from regulatory filings.

As a result of the wide adoption of XBRL technology, on June 28, 2018, the SEC adopted [amendments](#) to its rules requiring use of the Inline XBRL format for the submission of financial statement and fund risk/return summary information. Part of the Interactive Data File will be required to be embedded within the primary filing (which must be in HTML format), and the remainder will be included in an exhibit to that filing. In addition, the current 15 business day XBRL filing period for fund risk/return summaries has been eliminated<sup>2</sup>. In connection therewith, the SEC has added a temporary hardship exemption (for unanticipated technical difficulties) for the inability to timely file Interactive Data Files for risk/return summary information. The amendments also eliminate the previous website posting requirement for Interactive Data Files, and the cover pages of applicable forms have been amended to reflect this change.<sup>3</sup>

Issuers should note one significant consequence from this change. Currently, a major technical error in XBRL data submitted in an exhibit will result in the removal of the exhibit from the EDGAR filing, but does not prevent the primary document from being filed. With Inline XBRL, however, the EDGAR validation system will typically suspend a filing that contains any major technical error in the Interactive Data File, which will require the filing to be corrected before it can be accepted by EDGAR and considered “filed.”

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<sup>1</sup> The term “Interactive Data File” means the machine-readable computer code that presents information in XBRL electronic format pursuant to Rule 405 of Regulation S-T. The Interactive Data File currently consists of an instance document and other documents as described in the EDGAR Filer Manual. The instance document contains the XBRL tags for the information contained in the corresponding data in the related filing to satisfy the content and format requirements in Rule 405. The other documents in the Interactive Data File contain contextual information about the XBRL tags.

<sup>2</sup> For post-effective amendments filed pursuant to paragraphs (b)(1)(i), (ii), (v), or (vii) of Rule 485, Interactive Data Files must be filed either concurrently with the filing or in a subsequent amendment that is filed on or before the date that the post-effective amendment that contains the related information becomes effective; for initial registration statements and post-effective amendments filed other than pursuant to the foregoing sections, Interactive Data Files must be filed in a subsequent amendment on or before the date the registration statement or post-effective amendment that contains the related information becomes effective; and for any form of prospectus filed pursuant to Rule 497(c) or (e), funds must submit the Interactive Data File concurrently with the filing.

<sup>3</sup> The SEC’s voluntary XBRL program, currently available only to investment companies and certain other entities, has also been eliminated. Both the elimination of the website posting requirement and the termination of the voluntary program are effective as of the effective date of the amendments (30 days after publication in the *Federal Register*).

The SEC believes that the use of Inline XBRL may reduce the time and effort associated with preparing XBRL filings, simplify the review process for filers, and improve the quality and usability of XBRL data for investors, market participants, and other data users.

The Inline XBRL requirements apply to all operating company filers, including smaller reporting companies, emerging growth companies and foreign private issuers, that are currently required to submit financial statement information in XBRL. Relevant filers will become subject to Inline XBRL beginning with fiscal periods ending on or after: (i) June 15, 2019 for large accelerated filers that prepare their financial statements in accordance with U.S. GAAP; (ii) June 15, 2020 for accelerated filers that prepare their financial statements in accordance with U.S. GAAP; and (iii) June 15, 2021 for all other filers (including foreign private issuers that prepare their financial statements in accordance with IFRS). Filers may use Inline XBRL prior to the relevant compliance date once the EDGAR system has been modified to accept submissions in Inline XBRL for all forms subject to the amendments, which is anticipated to be March 2019<sup>4</sup>. Prior to the applicable compliance date, filers that do not file using Inline XBRL will continue to be required to submit the entire Interactive Data File as an exhibit.

It is important to note that Form 10-Q filers will not become subject to the Inline XBRL requirements with respect to Form 10-K or any other form until after they have been required to comply with the Inline XBRL requirements for their first Form 10-Q for a fiscal period ending on or after the applicable compliance date for the respective category of filers.

Funds (including exchange-traded funds organized as open-end management investment companies) that are subject to risk/return summary XBRL requirements will be required to comply with the Inline XBRL requirements and the elimination of the current 15 business day XBRL filing period for risk/return summary information beginning with any initial registration statement (or post-effective amendment that is an annual update to an effective registration statement) that becomes effective on or after: (i) two years after the effective date of the amendments for funds that, together with other investment companies in the same “group of related investment companies” have net assets of \$1 billion or more as of the end of their most recent fiscal year; and (ii) three years after the effective date of the amendments for the remaining funds. Although a commenter recommended a temporary modification to securities law liability provisions pertaining to the Interactive Data File for risk/return summary filings following the elimination of the 15 business day filing period, similar to the temporary modified liability provision that was put in place when the XBRL requirements were adopted in 2009, given the length of time for compliance, the SEC did not believe such a modification was necessary.

The Interactive Data File will continue to be excluded from officer certification and assurance requirements. Issuers are not prohibited from indicating in the financial statements (*e.g.*, in a footnote) the degree (or lack thereof) of auditor involvement related to the financial statement information XBRL data.

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<sup>4</sup> Operating companies may continue to voluntarily file certain Exchange Act reports in Inline XBRL prior to that time pursuant to the SEC’s existing [Exemptive Order](#), which will cease to be operative once voluntary reporting under the amendments is permitted.

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