XBRL Europe answer to ESMA consultation

16th XBRL Europe Day
PARIS, February 2nd, 2016

XBRL Europe answer to ESMA consultation

ESMA preliminary conclusions

Main points of our answer and most controversial subjects

- **One or more reports filed**
- **IFRS taxonomy**
- **Extensions**
- **Granularity**
- **Big bang or phased implementation**

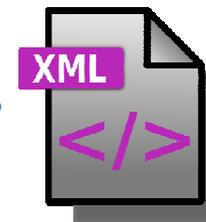# ESMA preliminary conclusions

Technological means

For the non-structured format of the ESEF, the issuer shall make use of the PDF technology.

Annual financial reports

For the structured format of the ESEF, the issuer shall make use of the [XBRL/IXBRL] technology.

IFRS Consolidated Accounts [XBRL/IXBRL]

The issuer shall use the technological version of PDF or [XBRL/IXBRL] which is compatible with those applied by the Officially Appointed Mechanism (OAM).

ESMA preliminary conclusions

Taxonomies

When making public their audited financial statements in accordance with Article 2(2) of this Regulation [, issuers shall make use of the relevant provisions of the latest available IFRS Taxonomy as endorsed in the EU [legal tool to be specified in the final RTS]

IFRS Consolidated accounts
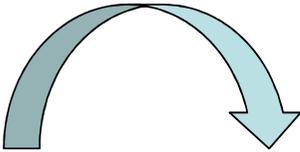
XBRL Europe answer

ESMA:
Pdf filing [mandatory] for unstructured information and
XBRL filing for structured information

One report

- We do not agree with the use of PDF as the mandatory format for reporting
- The option of providing a PDF filing in addition to an XBRL filing is unnecessary and inappropriate. A single XBRL filing should be used to encompass both structured and unstructured data.
- iXBRL and potentially other XBRL solutions may be used to provide a single filing which includes structured and unstructured data.
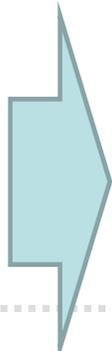
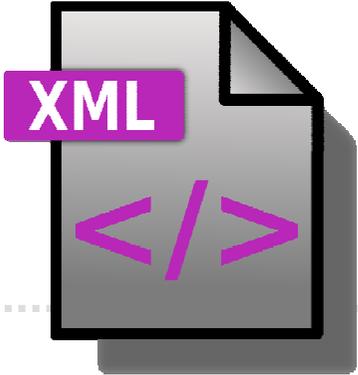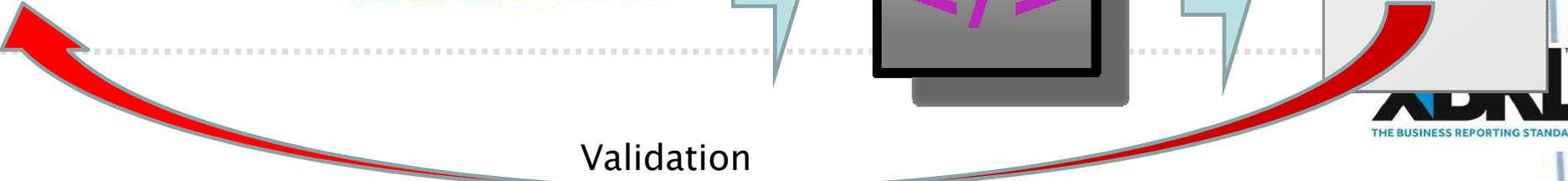# Unstructured + XBRL filing

Original publication

Dual Filing

PDF

XBRL rendering

Financial Statements

TAGGING

PDF

XML
</>

HTML

Validation

iXBRL filing

Original publication

iXBRL filing

HTML → Financial Statements TAGGING → HTML XML </>
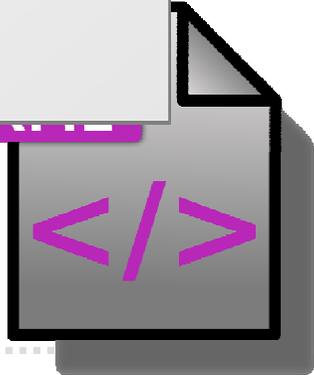
XBRL Europe answer

ESMA:
XBRL or
iXBRL ?

We recommend a technical study to look at the merits of available XBRL solutions.

- iXBRL can meet the requirements set out in the consultation document by covering both structured and unstructured data in a single filing.

- However, other XBRL solutions may also satisfy the same requirements

- iXBRL merely provides a presentation format. In other respects, iXBRL is XBRL. iXBRL simply means the inclusion of XBRL tags within ordinary, human-readable XHTML documents. This avoids the need for a separate means of converting XBRL data into human-readable form.

- The same rules apply to taxonomy extensions whether iXBRL or XBRL is being used. iXBRL does allow the publication of layouts. Issuers in the EU are using iXBRL for reporting company accounts to tax authorities and other official bodies, although not to OAMs.

XBRL Europe answer

ESMA:
Latest versions of IFRS taxonomy
[as issued by IFRS Foundation]

We agree with the use of the IFRS taxonomy issued by the IFRS Foundation as a basis for reporting under IFRS. However,

- **We consider that the IFRS Taxonomy requires completion in order to be ready for immediate use by issuers.**

- **It provides basic content and building blocks which are intended to be adapted by users to suit their requirements through an extension taxonomy.**

- **An EU extension is required to ensure that data reported under IFRS can be properly represented in XBRL and compared across companies. Only with such an extension will a large range of critical IFRS data be reported in XBRL.**

XBRL Europe answer

ESMA:
No extensions allowed
[no regulatory extensions]

**ESMA should allow regulatory or national extensions.
However,**

- **Regulatory or national extensions may be required to add extra data (elements) at the national level. ESMA should allow these, although they should be specifically authorized by ESMA.**

- **To the extent that data elements are common across Europe, we would expect them to be added directly into the IFRS taxonomy itself.**

XBRL Europe answer

ESMA:
No extensions allowed
[no company specific extensions]

Entity level extensions (to add extra data) should be permitted.
However,

- Entity level extensions (again, to add extra data) should also be permitted but only where essential.

- The general intention is to prevent such extensions from amending the basic content and relationships defined at the European or IFRS levels, so that comparability across countries and entities is maintained. To the extent that data elements are common across Europe, we would expect them to be added directly into the IFRS taxonomy itself.

- We believe that this approach best matches the data modeling process at European, national and entity levels, and is the best suited to minimization of impact on issuers and users.

- ESMA's implementation of XBRL should go through a testing phase to ensure the IFRS taxonomy and its extension provide a basis for efficient and comparable filing by companies.

XBRL Europe answer

ESMA:
Consolidated financial statements
[full tagging]

Consider the granularity of the XBRL report as far as notes to financial statements are concerned. But also,

- Extend structured electronic filing to other parts of the AFR, including, for example, the Audit Report, Statements on Carbon Disclosure and the like.

- Extend structured electronic filing to other reports, including Corporate Actions announcements by companies and press releases containing key financial data points. Such releases, typically published after market close, often heavily influence markets. Representation of key financial information in structured form would aid financial analysts across the European Union at minimal cost.

XBRL Europe answer

ESMA:
Big bang or
Phased implementation
[by company size]

Extending transition periods across different sections of industry makes little sense.

- It means that national supervisors will spend a longer time in a transition period and dealing with 'problems of the new" and bear additional costs associated with supporting parallel work flows.

- Including SMEs will increase the size of the market and increase the incentive for software vendors, who are a key part of the equation, to serve the new market. This is particularly important in Europe, where it is desirable to encourage the innovative, local software industry to serve the new mandate. A phased approach would make it more likely that implementation will come to be dominated by international software players, rather than local European ones.

- Listed SMEs are entirely capable of coping with the transition to a SEF. In the UK, for example, all companies, small and large, unlisted and listed, were included in mandatory filing in iXBRL from the outset, without any significant problem.

- SMEs would greatly benefit from the exposure of their AFRs through a SEF. Development of the Capital Market Union would be very favorable to all categories of enterprises within the EU. However, to facilitate access by SMEs to those markets, availability of financial information in a standardized format is necessary.

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Responses will be published by ESMA following the close of the consultation.