European Securities and Markets Authority (ESMA)

Date 15 December 2015

Our ref. M2455629/1/20264650

Re: Response of VEUO (Dutch Association of Listed Companies) to the Public Consultation on the Regulatory Technical Standards on the European Single Electronic Format (ESEF)

Dear Madam/Sir,

Introduction
We took notice of your consultation on the European Single Electronic Format (ESEF). VEUO represents 90 percent of the listed companies in the Netherlands. We appreciate the opportunity to comment.
We recognize that you do not propose a single database with pdf-filings with annual reports from European listed companies, however, we would support such a proposal, as this would be an improvement in accessibility of financial information. We believe that improving accessibility should be dealt with first before putting a burden on listed companies.

We support electronic filing by way of PDF, as this is currently best suited for a principle-based IFRS-system which lacks for example predefined presentation models or predefined models for footnote disclosures. The current proposal however raises several concerns on which we elaborate below. These concerns relate to the considerations to make XBRL or a similar technology mandatory, in addition to pdf-filing. We have chosen to share our high level concerns instead of answering the specific questions in your consultation paper.
Lack of demand for XBRL
The consultation paper claims that XBRL is an innovation in financial reporting. That may be true, however, the consultation paper has not clarified who is in need of this particular innovation (apart from some consultants). In our experience, analysts on the capital markets rarely request any form of XBRL-based information. What should be a desirable innovation, appreciated by analysts, is the development of a tool for user-friendly web-based information on financial reports, which in parallel creates excel sheets with tables. This is a route several listed companies have gone, which can be neatly incorporated in a reporting process and is widely used.

Before considering making any technology mandatory, there should not only be a specific need but also a justification for the (considerable) associated costs. Such an analysis is missing in the consultation paper. The paper does reference to CESR aiming to undertake this analysis however, we have not heard of the results thereof. From similar requirements in the US, we know that the costs for ‘edgarizing’ the financial statements are significant and also give rise to a few days delay in issuing the numbers.

Lack of suitability of IFRS for XBRL formatting
With IFRS, the EU has chosen for a principle-based set of reporting standards and this is to be praised. We believe that it is against the nature of IFRS to start categorizing financial statements into predefined formats. Any requirement to use an electronic format should guarantee that 1) all IFRS provisions can be fulfilled and 2) that it does not introduce any new requirement that does not yet exist under IFRS. Further, we do believe that financial statements should be read in context of the disclosures and explanations, and users are better served with the full (pdf-) document than with a limited XBRL-display of existing documents.

SEC
An important regulator for IFRS financial statements, though not European, is the SEC. The SEC requires companies that report under US GAAP to file in predefined formats and considered to require XBRL-type filing for European companies. It decided not to go forward with making this type of filing mandatory, as it is unclear who is responsible for the IFRS-taxonomy, how its governance is organized and as a consequence it is unclear what the quality level of the IFRS-taxonomy is. This indeed is also a great concern for us. In our view this would not be solid ground to build on for a European body such as the ESMA.
Existing XBRL requirements
The consultation document also builds on the notion that some countries require an XBRL-type submission under local law for companies which are not listed. Sometimes, XBRL advocates use the argument that as even small companies have to use XBRL, listed companies definitely should have this requirement. We would like to counter this argument, as XBRL-type filing does not provide any added value to large/listed companies compared to an elaborate pdf, together with high profile websites. As a consequence, we believe that costly efforts and investments in XBRL-type of filing are not justified.

Conclusion
The VEUO would therefore urge ESMA to take into account the above arguments and reconsider its proposals for additional or stand-alone XBRL filing.

If you would need any further clarification on our position, please do not hesitate to contact us.

Yours sincerely,

Prof. Harm-Jan de Kluiver
Secretary-General of the VEUO