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Mr. Carlo Comporti
Secretary General

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**The Use of a Standard Reporting Format for Financial Reporting of
Issuers Having Securities Admitted to Trading on Regulated Markets
(CESR Consultation 09-859)**

Dear Mr. Comporti,

In response to the above mentioned consultation, please find below BVI's¹
views on the subject at hand.

We are pleased to have the opportunity to comment on your questions as
follows:

Questions:

- 1) Do you consider that there should be a standard reporting
format for financial reporting of issuers having securities
admitted to trading on a regulated market? What kind of pros
and cons would a standard reporting format have?**

¹ BVI Bundesverband Investment und Asset Management e. V. represents the interest of the German investment fund and asset management industry. Its 88 members manage currently assets in excess of EUR 1.6 trillion both in mutual funds and mandates. For more information, please visit www.bvi.de. BVI is registered under the number [1575282143-01](#) in the EU register of interest representatives.

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BVI as an association representing the German investment and asset management industry supports standardised reporting formats for financial reporting and other types of regulatory reporting (basic information, pre trade and post trade information). Automated processing of data can be enabled only on the basis of standardised reporting.

2) If yes to Q1, do you consider that XBRL would be an appropriate format? Are there any other reporting formats that CESR should consider in this context?

We support in general the increased use of XBRL for the financial reporting issuers having securities admitted to trading on regulated markets. However, outside the area of traditional issuers, i.e. operating companies, other XML based reporting standards than XBRL are used. FundsXML (www.fundxml.org) is the recognized industry XML reporting standard for the delivery of investment fund information. This standard is accepted by the Austrian, Danish, French and German asset management associations as well as Dutch and Luxembourg based investment companies. As a result it is necessary for CESR to recognise different XML based reporting standards in different segments of the financial services industry in Europe.

3) What kind of benefits would you consider a standard reporting format to bring for issuers, investors, auditors, analysts, OAMs or other users of financial information?

The main advantage for issuers using a XML reporting format that is widely accepted by recipients is the reduced cost and effort as only one interface to investors, auditors, analysts, OAMs or other users of financial information needs to be maintained going forward. For all data recipients a single regulatory approved and required standard format offers numerous advantages such as improved comparability of data, maintenance of only one interface, automated input into data bases, and improved data quality. User and third party data vendors would benefit from receiving the data across the majority of issuers in a single electronically readable format. Manual extraction of data from financial reports could be avoided to the extent that data elements are electronically tagged. Errors resulting from manual compilation or extraction of data are avoided, leading to better data quality and less need for reconciliation with the paper based reports of an issuer. Data quality will be improved for future reports as all issuer changes to a data item at source will be automatically reflected correctly in all



systems using the standard data item in their analytics. Third party software and data vendor costs will be reduced by increased competition and the possibility to avoiding proprietary data formats going forward.

4) What kind of disadvantages would you consider a standard reporting format would cause to issuers, investors, auditors, analysts, OAMs or other users of financial information? Do you see any obstacles to such reporting?

In order to reduce the disadvantages, the standard format should be a European one which takes into account national accounting specifics. That may mean that existing data element definitions in national accounting standards must be more harmonised than it is the case today. We see no disadvantages other than the initial implementation costs of issuers and their auditors to adapt internal processes, software and systems to the new single standard in reporting. Users of financial reports could use the issuer delivered format either directly (which may lead to some implementation costs in order to adapt software and systems) or could continue to use the data in the format delivered by their preferred data sources and vendors. The data vendors would have to bear the implementation costs in the short term but could possibly profit more from the reduced number of costly manual interfaces with issuers.

5) What kind of costs (one-off or recurring) would you consider a standard reporting format would impose on issuers, investors, auditors, analysts, OAMs or other users of financial information? Please provide estimated costs, if possible.

The costs will vary with the degree of implementation of the standard by the issuers. There will be the one off costs of implementing the standard in the accounting system and procedures of the issuer. Thereafter transposing existing reports into XML based financial reports (messages) is straight forward and cheap. Converters to transpose e.g. excel sheet based financial reports into XML reports are available for a few thousand Euros. Some issuers may want to generate the data reports automatically from the data within the issuer accounting systems. This is certainly more costly than just translating existing financial reports into the standard format. It is not necessary in order to fulfil electronic reporting information. Information users could face no additional costs when the information is made available through their established data sources. Recurring costs will be reduced if the



standard format is very stable and changes are minimised from the beginning. The maintenance costs depend mainly on the frequency and the extent of changes in the standard.

6) Are the above benefits, disadvantages, obstacles and costs different if the standard reporting format would only cover income statement, balance sheet and cash flow statement instead of full financial report? Please explain the differences.

Taking into account the costs of implementation it makes sense to offer the opportunity for full implementation of the content of financial reports. The standard or standards therefore should aim to cover all information requirements needed for the different sections of the financial industry, if necessary in a phased approach starting with the more easy to implement parts of a financial report. The benefits, disadvantages, obstacles and costs would be different if the standard reporting format would cover initially only the income statement, balance sheet and cash flow statement instead of a full financial report. It is easier to define and to implement the standard on the more quantitative reporting items and their data element representations in the income statement, balance sheet and cash flow statement than the more qualitative descriptions in the notes or other parts of financial reports of companies.

7) How would you assess the benefits of the use of standard reporting formats against the costs?

With widespread adoption over the medium term in the analytical systems of issuers, investors, auditors, analysts, OAMs or other users of financial information the benefits of a the standard XML reporting format for issuers with the OAM will be extremely high and cost effective. Reusability and interoperability of common reporting items used by all CESR recognised standards would vastly reduce the complexity of current financial reporting data analysis from the source (issuer) to the end user. Data users would profit in terms of more competition among data product providers resulting in better services and products in the area of financial reporting.



8) Do you envisage any liability and/or audit issues arising from the use of standard reporting formats?

Liability and audit issues need to be discussed and addressed before the standardisation process. Such issues can be avoided to a large extent if CESR sets clear standards addressed to the issuers that want to access the capital markets. CESR should prescribe inter alia:

- the issuer's responsibility for data production and maintenance towards the specified standard ("golden copy principle"),
- the XML standard taxonomy to be used,
- a competition-neutral data model, and
- training & certification levels for issuer personnel and other issuer agents (e.g. auditors, third party data vendors) that perform the XML based financial reporting service.

Furthermore, following our experience on the use of the ISO standard securities identifier ISIN, the unencumbered use of the reporting standard must be secured in law. License fee agreements for the use of the standard in internal databases of issuers, investors, auditors, analysts, OAMs or other users of financial information must be prohibited to insure the success of the standard.

9) Are there any other issues CESR should take into account in the analysis of the issue?

CESR should allow for different recognised XML based reporting standards in the different segments of the financial services industry. The reporting requirements and conditions are not the same throughout the financial services industry. Financial reporting for example at investment fund level will be different from the financial reporting of a bank or other financial sector company. In this scenario CESR on the other hand needs to push for harmonisation of reporting elements and their XML data element representations ("tagging") across the standards and industries concerned. One possibility is to require the common use of an established data dictionary / repository by all CESR recognised standards in order to foster harmonisation of reporting items and their data element representations across standards with the view to reinforce reusability and interoperability of reporting items.



It seems worthwhile to us exploring with ISO and the parties concerned to which extent a XML (XBRL) based financial reporting set of messages fits into the ISO 20022 framework. The ISO 20022 standard² provides the financial industry with a common platform for the development of messages in a standardised XML syntax, using a modelling methodology (based on UML) to capture in a syntax-independent way financial business areas, business transactions and associated message flows; and a set of XML design rules to convert the messages described in UML into XML schemas. The business items used in financial communications, the resulting models and derived messages are stored on the ISO20022.org website in a central Financial Repository³. This flexible framework allows communities of users and message development organisations to define message sets according to an internationally agreed approach and to migrate to the use of common XML-based syntax. The ISO 20022 repository covers a multitude of data elements used in securities trading, clearing & settlement, corporate actions and reporting.

We hope you will find our comments helpful. Our response can be made public.

With kind regards

BVI Bundesverband Investment und Asset Management e.V.

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Managing Director

Signed:
Marcus Mecklenburg
Senior Vice President

² http://www.iso20022.org/UNIFI_ISO20022_standard.page

³ http://www.iso20022.org/understanding_unifi.page