Alphabet

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Er referens
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Response to: The Use of a Standard Reporting Format for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets, CESR 09-859

Alphabet AB in Sweden would like to give its response to the document CESR 09-859. Jan Bergström is the author of this reply.

The suggestions in CESR 09-859 will not meet up to its ambitions. Alphabet AB would like to show how the content and data quality is the key factor of financial reporting. The existence of XBRL, SIE and UN/CEFACT is quite enough and format should not be stated by law.

CESR should instead initiate a number of key projects, for the content. XBRL, SIE and UN/CEFACT cannot produce the content, it is politics. The most important task is to initialise tax administration harmonisation.

1. Brief – Please focus on information content instead

The document is focused on information container format, rather than harmonisation, quality, content of the information and development of information sources. It is the content that counts, not the file format. "Garbage in garbage out" is an IT-classic that never seems to fade.

Today we have the SIE, the XBRL and the UN/CEFACT information container computer file formats. Formats convertible in syntax and is available. Containers are not demanded as an issue from the CESR, SIE, the XBRL and the UN/CEFACT has that responsibility and do it. Container formats will also be there in the future, and will develop.

Demanding one container format and a specific version by law, would freeze such reporting into the present. Freeze, when the development in this field is very rapid and important. The suggested decision would rather be counter productive and the decision should not be made.

The ambitions of transparency and information supply of the CESR 09-859 document are very important and should be developed. It is very difficult in a fair way, to compare two companies in two countries. The problem of the need of compatible comparable information in an international market of Securities Admitted to Trading on Regulated Markets, would not be solved just by using the same container format.

A concept that accounting and reports should be computer based, is rather the right start of a legal demand. Make the countries agree on the assumption the client is using computerised SW tools, like everybody agree today on demanding paper and pen. Agreeing on handle manual reports in law and regulations, as exceptions. Freeing the development to exploit the capabilities of computerised accounting.

What format of general balances and legers for audit and analyse should not be frozen to a certain format. Authorities should support all basic standard formats like UN/CEFACT, XBRL GL and SIE as a good service. For special governmental reports the use of XBRL FR syntax tool is a good suggestion, but should not be fixed and frozen by law. What formats used is a matter for a common EU harmonisation of specific governmental reports. It would mean using the same data types/syntax for the same content in all the EU. From that accounting can be harmonised, accounting data and reports will be comparable.

With such an approach/demand a new governmental simplification process will be possible to start using the capabilities of computerised systems, and starting from its capabilities. It could be a good ground for much needed harmonisation processes. A demand that can get a general political and user support in the member states of the EU.

The problem with financial reports is that, as long as accounting is not internationally harmonised, the information can't be compatible and comparable. Accounting is defined locally dependent on the tax administration regulations. Accounting is mainly done to administrate tax reports. The tax reports and the balances are the aggregated business and trade administrative data, from the accounting.

The main problem is that tax administration is not harmonised, local tax authorities do not meet, not even within the EU. And all common principles of tax regulation are decisions of the finance ministers and not a harmonisation process among tax authorities. In fact the regulations are very different even between close countries. And the knowledge of conditions and development abroad are normally completely reluctant to the different local national tax authorities in each country.

A huge step is just to make the tax authorities meet and start a harmonisation process over the EU. It means finding common definitions. It does not mean a common tax policy and common tax levels, that is national politics. A harmonisation process will make a huge difference. From that, true harmonisation will be possible in all other fields of business and trade administration, to the accounting. And on top of that, a common information interchange community for analyse, can be developed.

The CESR 09-859 document represents a very strong ambition shared not only in the world of Issuers Having Securities Admitted to Trading on Regulated Markets, but to all companies, authorities and must be seen as a common need. The solution is not a defined container, not special solutions for closed user groups, but common solutions for all. It also mean that all companies should be able to use, have technical capabilities to participate in a network of information interchange. We can't have a business information society only for some companies.

The opportunities from a development by harmonisation process of accounting, trade administration and tax administration is huge. And the experience from 20 years of SIE in Sweden, tells of its potential.

The CESR is an EU organisation and the XBRL is a private US audit, LE and financial market controlled organisation. A decision like the CESR 09-859 document suggests would leave Europe and all other parties of business, trade and tax administration without true influence. That would be a very strange European leadership? The work of the EU and the CESR should be based on EUs democratic institutions, its member states and international common institutions in this field.

Alphabet AB is asking CESR to change focus to solutions for all and focus on the information content, not the information content jar. Jars should be flexible and be developed with the development of information content. The jars like SIE, XBRL and UN/CEFACT, and the use of the jars must be developed further to make true transparency possible. A decision like the suggestions of the CESR 09-859 document would freeze development and prevent the process from happening.

2. Alphabet AB

I have been secretary of the Swedish accounting data file interchange standard organisation SIE http://www.sie.se/english/english.asp and member of the XBRL Sweden board representing the SIE organisation. I have also been participating in the UN/CEFACT TBG12 accounting work group.

SIE is similar to XBRL GL but local, in use since 20 years in Sweden. Due to the benefits of SIE, hardly any accounting SW can be marketed in Sweden without the SIE-support.

The use in general is:

1. Feeding tax declaration programs and financial analyse applications with data (the original purpose of SIE)
2. Integrated work between clients, accountants and audits (that really made SIE a must, if accounting SW should be market)
3. Feeding accounting with pre-system data like from salary, payables and receivables and should also from cash registers.
4. SIE includes balances as well as option for entire ledgers

The internal audit system of the Swedish tax authority (skatteverket) (http://www.skatteverket.se/4.34a801ea1041d54f9e2800025.html) is able to convert SIE-files into it. SKV has a large number of electronic reports in own format and are frequently used by accountants and client companies. The Swedish Companies house (Bolagsverket) has a service receiving company balance data (for resale) over an XBRL FR taxonomy since a few years that is very limited in use. SIE as XBRL are private organisations, SIE is a member of SIS the Swedish national standard organisation and the Swedish branch of ISO.

3. Experiences from 20 years of SIE in use

The task of the CESR 09-859 document is not that easy and the topics should be widened and focused on the content.

The main contribution here to the CESR and its questionnaire is the experience from 20 years of the SIE format in use, reflected on the CESR document.

This can be listed in the following topics:

- The usability
- Transparency of salary, payable and receivable administration data – an audit and GAAP topic?
- Financial report production
- Tax reports is the key factor of accounting
- The CESR 09-859 XBRL operation will not solve the problem
- The party that demands data and the party that pays/produce data, are not the same
- Governmental legal force is very expensive
- Special solutions is a bad idea
- A process of harmonisation is the future path
- Make the tax authorities to meet is the first step
- The technical format solutions will come when the harmonisation job is done
- SIE, XBRL and UN/CEFACT will not harmonise, but serve it
- Also SMEs must be a part of a network solution

Other related issues are:

- Free open standards available over internet
- Lack of a common international human accounting (trade and business) language
- The first step is the numeric keyboard standard issue?
- The symbolism of the address struggle
- A common structure of the account charts
- The bank account statement as the main reference
- Including technical abilities for the SMEs
- Validation of immaterial assets
- Data format implementation quality is a main issue
- Digital archives
- Closing the circle of transparency and audit
- Create a complete system of possible rationalisations
- Somebody has to put the political demands

Answers on the CESR 09-859 questionnaire will follow.

A suggested task list for CESR will end this reply.

3.1 The usability

The usability of SIE is far larger than originally expected. The analyse and tax declaration SW market is in blossom, with good competition.

New very important usability areas has spontaneously developed and today the digitally integrated work between clients, accountants and audits on ledger based data files distributed over email, must be regarded as the most important response to the SIE specification.

The rationality factor for all parties cannot be underestimated. It has completely revolutionised work conditions, especially for the accountants and the commercial accountant consultants ability on the market.

It has also developed a huge increase in feed back opportunities for the clients, and most of all for SMEs, knowing the economic state of the company, by receiving result data in SIE-files and financial reports.

The SME audit does not anymore need to work entirely at the clients site. Audits are able to get both the accounting by file and the books to work in the audits own office. Support for electronic vouchers with the SIE files will be a huge development in usability. In the future the electronic trade documents like those of UN/CEFACT will be possible to electronically relate to the accounting. The voucher folders will be digitalised and it all will be emailable etc. This will give a future a new dimension to the word “accounting transparency”. It will mean the same change for large enterprise audits, as we see for SMEs today. The CESR ideas are very good but such factors must be considered.

The key factor for SIE is, it not only a jar but also an instruction on how to use it and make data comparable. This is possible in one country with common national tax administration, GAAP, accounting culture, standardised account chart and a data quality process.

3.2 Transparency of salary, payable and receivable administration data – an audit and GAAP topic?

Pre-systems like salary, cash register, payable and receivable administration are normally closed systems with SIE export of totals.

This works, to make a legal accounting, but limits the transparency of the accounting for auditing, the exports only tell about totals.

It is technical possible to export all details of salary, payable and receivable administration systems data in SIE files but is not yet used. It needs an instruction of how to apply it. If, it could make the entire company ledger completely transparent. UN/CEFACT and XBRL are also capable of housing true transparency but the Swedish GAAP do not so far demand transparency. And totals, not detailed exports of journals from such systems are the general practice today. This topic should be highlighted. The transparency of pre-system data could be a topic of a discussion in developing the GAAP and the CESR operations.

Today, it means that the audit must open the customers pre-system at the customers computer, to examine the data. There are no exchange file specifications but accounting for this. If demanded possible exports in files like SIE, UN/CEFACT and XBRL GL accounting, analyse tools would do. The auditing is not to produce but examine. And audit tools are much better than production applications for analyse and audit. The existence of SIE has developed a market for such special SW.

Transparency has been possible the last 20 years with SIE-files in Sweden. But the technical benefits of computerised accounting has not been taken in the account by the Swedish Accounting Standards Board (BFN) that still set up the Swedish GAAP with manual accounting in mind. The first step in development of the GAAP is demanding computerised accounting, everything else is a pure professional conservatism. Many audit organisations are impacted of old professsionals who put demands "I want it in paper!" refusing computer use.

As long as manual accounting is accepted as the rule and computerised as the exception, there will be very limited benefits of things like SIE, XBRL GL and UN/CEFACT accounting. True transparency will just be words. With the introduction of the international specifications of XBRL GL and UN/CEFACT accounting, there will be international and EU demands of computerised transparency set. And so a demand of computerised accounting, making manual accounting regarded an exception. The matter is a topic for the CESR to address and initiate.

3.3 Financial report production

Financial report production is indeed a very successful use of the SIE-file, the original purpose of SIE. The tax declaration law and regulations are so complex that the benefits in SW managed reports are very obvious. The ability to export the ledger and accounting balance data to special computer programs making financial reports, has developed a complete standard SW market for this special purpose. Business analyse financial reporting is very close to tax reporting.

In general this topic is the prime target for the CESR 09-859 document and SIE is used for in-data to such applications and the CESR 09-859 is about out-data. To get the out-data, there must be in-data.

Here XBRL is indeed demanded file format by audits and analysts. Such demand should indeed be taken seriously. The XBRL SBR-LS project will remove the topic from the debate and supply XBRL GL in-data to everyone that want the information and has it in another form.

SIE is today used in daily accounting and UN/CEFACT will be used in the daily accounting, business and trade administration. The XBRL SBR-LS will supply the XBRL community with in-data.

The general problem with financial reporting are not the container issue but data quality. It's dependent on lower layers of administrative systems and awareness of different national legal conditions impact.

3.4 Tax reports is the key factor of accounting

There are general practices of how accounting should be made.

However tax reports is the key factor of accounting. All accounting is the processing of all business and trade data (UN/CEFACT is working on) into the ledger, that tax and financial reports are based upon.

The demands of tax reports are different in every country and so by logics, accounting. Because in the clients view the only buying and usage purpose of accounting software, is the ability to perform tax administration. With that, the design ruler of accounting is to produce tax reports. The rest are just extra benefits.

The true simplification process would be making income tax reports and yearly balance reports for financial analyse to be defined the same. The tax authority is the only party able to really put legal demands on accounting, and that factor makes it define accounting. Unfortunately the CESR 09-859 is a step splitting tax and financial reports. That general view, is counter productive.

A lot of professionals in the business will not agree to the last statement, but the users and buyers of accounting computer software, do.

Audits my say differently but they normally only see the data when the trade administration is done, and believe their skill has a higher purpose. But for the companies in trade and business, the tax reports are the task, and what they pay for to have done.

A unification of tax reports and standard financial reports would contribute to a much better quality of financial reports and a much better political support, producing reports by the trading companies.

3.5 The CESR 09-859 XBRL operation will not solve the problem

The problem with the "The Use of a Standard Reporting Format for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets, CESR 09-859" operation is it is trying to make shortcuts in a conservative very slowly developing world. Shortcuts that might work in a very closed user group, like the companies with securities admitted to trading on regulated markets, <u>in one country</u>.

But:

- Being successful in a local closed user group, any statistical comparability with the rest of the society and internationally, will get lost.
- A huge risk is, the need the CESR 09-859 document describes and users will make huge mistakes mixing data from different accounting cultures. Something that will evidently lead to involuntarily very bad decisions and not being aware of it.
- It will also leave the rest of the society without a solution. And when such is made, a huge problem of the companies with securities admitted to trading on regulated markets, will be not being compatible with the new governmental administrative regulations. They must change, again.

In fact in Sweden a development of such a scenario is going on in the K-reform and it will very likely crash politically and administratively. It is better to do the real job of tax administrative harmonisation for all, within the EU, later include the US SEC and some others into the project. To be able to use the benefits of computerised accounting and transparency, we all need common grounds.

One major reason XBRL and UN/CEFACT is not including application instructions of its use, is that the use is in fact is different in every country of the EU, WTO, ISAB and UN. In fact this is the reason accounting files in XBRL GL or UN/CEFACT accounting format from two different countries will never be truly compatible without a tax administration harmonisation between countries. The most significant factor is the different national account charts. The impression is that CESR, XBRL and ISAB expects differently by use of XBRL. It is most central for data quality, that any such beliefs are reconsidered.

SIE is a national standard and apply to the Swedish legislation, tax administration and practice. By this SIE is able to have an application instruction content, in how to use it. In XBRL it is called “taxonomy” and a common taxonomy for accounting within the EU is possible, but is a huge investment in a rewarding work. The taxonomy work is not related to XBRL but to the harmonisation of the tax administration.

The perspective of this, make it obvious that accounting in every country is different due to different national tax reports. And in fact, what the trade administrations is in the base, the aggregation is the accounting. It means that a harmonisation process of tax administration is in fact the basis of harmonisation processes of accounting as well as trade administration. Accounting and trade administration harmonisation internationally is not possible without a tax administrative harmonisation process. The tax administration is the hub.

On top of it all, comes financial analyse that has to take what it gets, gets from the tax administration. The CESR 09-859 document talks about other ambitions, but that is the way the world looks like. An organised harmonisation process will give the financial analysts, a chance to get their needs on the agenda, not XBRL as format.

3.6 The party that demands data and the party that pays/produce data, are not the same

Handling in-data for financial analyse in Sweden, distribution of SIE balance files, is the prime way of doing it. There is hardly any support yet for the XBRL GL file format and there is no demand of XBRL GL from the paying customers of company administrative systems. There is a huge demand of XBRL GL from the audit and financial analyse special interest organisations.

There is a very small market of paying customers on financial report data files because the users (analysts, payer of analyse tool SW) and the producers of data (the trading companies, payers of the computer programs producing the accounting data), are not the same. SIE has the commercial concept of supporting them both, the producer is buying it to support the interactivity with the accounting consultant and so do the audits and analysts get the data by the same format.

The XBRL community do not engage the daily business and trade administration and the UN/CEFACT is working on that topic. The accounting consultants will have to work with the data and formats of the daily administration because else there will be no feedback of amendments and other interactions in the daily accounting from their part. Delivery of such data in XBRL GL format would cause extra fuzz.

This fact makes implementation of things like XBRL in production SW very slow and data for analyse very limited. There is a need of motivation for those who pay for the production of the data to have a supply of it. The CESR 09-859 has no solution to it. The only suggestion is force by law. The XBRL SBR-LS might do it instead.

3.7 Governmental legal force is very expensive

Analysts tend to try to analyse others without asking the objects first, and can hardly be seen as intellectually supported by the objects, the producers of data. The object, the producer rather wants to deliver data to whom they concern. It is a matter of integrity.

The EU has a huge project regarding simplification in governmental reports and contacts. It means that in a world of governmental administrative simplifications, there are very strong political demands on simplifications, removal of governmental demands of financial reports and statistics. In Sweden we experienced a statistical administrative riot for both companies and private persons about 20 years ago. Certainly it will not be the last riot.

3.8 Special solutions is a bad idea

What CESR is working on, is the top companies that might accept it and pay huge sums to fulfil the demands. Fulfil the demands in, to a large extent, tailor designed very expensive economy administrative systems. If those demands will be transformed to demands on all other companies there will most likely be administrative riots. The CESR work is hardly meaningful if it later results in incomparability to the rest of the society of companies, in all the member states of the EU. This is a major approach flaw to the CESR operation.

Tax reports are much more accepted by both companies and privates as a necessary thing for the state administration. However there is a very strong demand on simple and easy administrated tax administrative regulations. Even here, too complicated reports risk being meet by administrative riots.

The problem is that tax reports are not harmonised and that means that each member country of the EU is different. In its turn it means that there is a different tax administrative culture of, what is politically accepted in each of the member states.

Applying one states regulations on another would be meet with huge discontent and in worst-case administrative real bad political administrative riots. Something that could even be true election fodder, and a main topic in argumentation over the existence of the EU. The EU can't just afford putting up such demands.

3.9 A process of harmonisation is the future path

So the solution must be something else than the CESR 09-859 document suggests. A process of harmonisation can only be made by the financial and tax authorities in the EU, meet and develop a common culture. But they don't meet. And this is most likely where the key to any success of the CESR lies, not in forced XBRL reporting formats. The politics must be processed to be accepted. In Swedish we say the politics must be firmly "anchored" and that is really the issue.

The governmental tax administrations need a process to harmonise with each other. Taxmen are people usually not being pushed and they must believe they are in charge of the process, to have it initiated. It means it is a politically smooth and delicate task to perform.

3.10 Make the tax authorities to meet is the first step

<u>The only solution is to start with a common meeting with the national tax authorities in the EU,</u> just to meet.

Best start is most likely, to have no more agenda than all presenting themselves to each other and their work and way of working. They will be astonished by the huge differences even between close countries. I think the US SEC and some others would be good to involve as soon as possible in the process.

From that point the harmonisation task can start. The EU and the CESR need to act like a customer here and set up the visions and make the national governments to order and finance its tax administrations participation the process.

3.11 The technical format solutions will come when the harmonisation job is done

The file format issue is in fact no problem in the future when the harmonisation work is done. The harmonisation process will define the necessary data to be stored and transferred, and in what format is then a minor matter.

The reason a format discussion today might be a hard issue to handle, is because it implicate much bigger issues that are unsolved. Solving the bigger issues first, and the discussion will be most likely gone.

3.12 SIE, XBRL and UN/CEFACT will not harmonise, but serve it

A consequence of a harmonisation process will be that SIE, XBRL and UN/CEFACT will follow it and make certain they are compatible with the demand of data types the future common procedures of tax administration require.

Most likely we will also see a process of common accounting account charts as an immediate result of a successful tax administrative harmonisation process. We will see a fast accounting harmonisation process as well. We will se a harmonisation of financial reporting for all companies and it will include Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets.

3.13 Also SMEs must be a part of a network solution

Another flaw of the CESR 09-859 topic is that it starts from the top hugest enterprises and is assumed develop down the size of companies. One very important experience is that solutions for the huge by the huge usually expect use of resources that are not available for SMEs. One typical example is that about all electronic invoice systems are based on transport protocols to an https-server. Such normally require a fixed IP-address and is not practical applicable for SMEs. SMEs are not able to receive such invoices by in-house systems. Other solutions must be considered.

On the contrary it is better to start with the small and size up. Normally what works for the small do also work for the large. All companies must pay tax and do tax administration so it is a common agenda that has to work for all companies. That is a good start.

From such a basis solutions of special demands for the large and the different should be put on top, as extras for them, not complete special solutions. We all should share the same basis.

Many large companies have a huge number of SMEs as customers, like the internet bank. Such services try to enclosure standardised solutions locking the SME customers in. Having a transport protocol for electronic invoices where the SME has no chance setting up a receiving server force them into the enclosured systems of the banks, or leave them outside.

In a wider perspective electronic trade documents need all possible parties to join and enclosure movements leaving vast parts of the market without possible other solutions will in the end keep the majority outside the solutions. Not accepting being enclosured.

It is important that SME interests are let into the standard and harmonisation work as well. The EU commission usually do have an point on the SMEs behalf. And here it is important that the EU does in the future processes of standardisation and harmonisation.

4. Other related issues

The main demand of the CESR XBRL operation is by far a head of its time. On the other hand the present level of technical development in economy administration and financial reports are far beyond the levels in other technical areas. Far beyond such like in production technologies in the industry.

There are few places outside accounting, where data type-in punching still exists, in accounting it is the main rule. The work of SIE, XBRL and especially UN/CEFACT might change this.

We find a market where many of the client companies want rationalisations and development in the accounting field. Development processes are normally a line of different stations where many of them are beyond the horizon and will come up when the initial tasks are performed. However much of it is already issues people talk about, but very hard to perform, because previous steps are not made. Here not only the needs the CESR 09-859 document describes but also tasks like digital archives are dependent on true development and harmonisation of accounting and tax administration.

In some cases professional special interest groups holds the market back, but there are may other factors of importance. One in particular is financing the development work of business, trade, accounting and tax administration harmonisation and standard work. Another is financing the publishing of it all. Free available standards are a true starting step in the struggle meeting up to the CESR 09-859 ambitions.

4.1 Free open standards available over internet

As we see in the 4.3 section below the ISO/IEC 9995 is a buy standard.

You have to pay to read it, you must buy them concealed, before reading them. So you are not certain it is the one you are looking for, must buy it first to tell. In worst case a number of such documents must be bought to find the right one. The SIS (local ISO branch) library can't tell.

As such they are just not considered by the information technology market, they just do not read them. This is a fact the organisation boards and governments can't do anything about. By tradition the IT-market has decided that only free over internet available standards exists, others are just ignored.

Very basic standards like letter typewriting layout standards, keyboard layouts like ISO/IEC 9995 and address layouts are buy standards. In practice this means that they do not exist. This is a principal and political problem, investing in the work producing them. The IT-industry has taken over the main part of such topic areas, and old relations and set-ups do not any longer work. Areas that has been standardised for years suddenly are ignored. Instead improvised solutions are made by the IT-industry. This leads to confusion.

We can see that for instance in the postal address layouts work in UPU has collapsed. We can't get correct keyboards and letters layouts often look like from amateurs improvising. This is a true source of errors and misunderstandings.

The problem is that governments are dependent on that they are used, and especially the EU, NATO and CESR. Such organisations can't work with unofficial solutions or the entire operations will be just a huge confusion. Already in the II word war, the Allies multinational supply chain made that very obvious.

Lately the EU regulated governmental procurement processes has made this topic on the edge. Is it possible to demand a product or service fulfilling a concealed specification?

The IT-market has such volumes today and the necessity of standard work is very important (and shown by the CESR 09-859 initiative). So important that free standards over internet and financing policies of standard work should be a main topic for the EU and the CESR.

Financing policies, talking about financing organisational bodies, publishing and support of travel and lodging of experts for meeting.

4.2 Lack of a common international human accounting (trade and business) language

Lack of a common international human accounting language makes a huge problem talking about the issues. Professionals from different countries even with the same national language have very hard to understand each other. Even in many countries human language definitions are very fragmental, definitions are by logic different as long as accounting, tax, business and trade administration are not harmonised. There are problems of vague or non-existing definitions. In many languages the level of innovation of naming is very low, in some cases reluctant. This is a cause of confusion and misunderstanding that is a true topic of the EU-commission to meet.

The development of the UN/CEFACT core component libraries are in fact one of the first tries to define a huge number of standardised business objects, but naming is still poor. A commission from the EU/CESR for linguists and philosophers to handle the issue could be a very great topic for the future economic development of the EU. This has to be issued and financed and it is a topic to consider.

The UN/CEFACT or the EU commission are able to address this problem. Awareness of this problem is weak, spirits are low most likely due to the expected huge problems being successful in a standard discussion here. I clear definition of the project, having it issued and financed would however make a very different air around the task. There are certainly many other areas to continue the task outside the business area developing European languages. The UN/CEFACT core component definitions could however be a very good starting point.

This is a task for the CESR making professionals in accounting, analyse and business understands each other/communicate better nationally and internationally. How should the CESR ambitions of information interchange regarding Standard Reporting Format for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets, make any sense before knowing what we are talking about?

ISO/IEC 9995-8 defines an assignment of the 26 letters a-z to the number keys of a numeric keypad.

But the ISO/IEC 9995-4 of the numeric keypad itself cant be shown here because of IPR asking to pay for looking at it. Something that means that in the IT-industry it just do not exist.

However the ISO/IEC 9995 is used in most machines like phones, calculators lock-keypads etc but not the PC keyboard. So it remains the main source of bad financial report quality by punch errors.

The amazing thing is that the accounting type punching is in general from computer generated paper sheets. Sheets like invoices, bank account statements etc we should transfer, rather than punch.

Really simple matters aren't solved yet. If not how can we talk about higher issues then?

4.3 The first step is the numeric keyboard standard issue?

There is a need to have a common European keyboard layout that is referable to the ISO/IEC 9995 keyboard layouts for the ability to type texts in multiple languages. EU has today 23 languages and to have an open and free market we need keyboards to type its languages.

This is not a request illegalise the present keyboards but introducing a new that has the capabilities needed for our present world of work. We have to subjects:

- The PC-keypad need to be of the ISO/IEC 9995:4 123 layout
- The keyboard layout need to be able to type all the languages of the EU

4.3.1 Manual punch numeric keypad – limit errors

The punching of data from computer-generated list into computers is still today a very common way of transferring data between economy systems. We need actions from the EU to make ISO/IEC 9995:4 numeric keypad keyboards available in the market. In general old American "789"-PC-keypad layouts are available but not the ISO/IEC 9995:4 "123"-keypads. Today key punching economic data errors is the most common reason for bad data quality in economic computing.

The reason is that everything else, like phones, mobile phones calculators, door security systems keypads use ISO/IEC 9995:4. IBM and Microsoft have not met this issue and CESR ought to initiate it.

4.3.2 A common alphanumeric ISO/IEC 9995 keyboard

In fact the first step of the task of the CESR would be to act for the ISO/IEC 9995-keypad to be available. It would be a good idea to act on this matter at the same time requesting a common EU-keyboard layout to be able to type all the languages within the EU. Most likely the issue would easier be meet by the industry if a new "national" ISO/IEC 9995 keyboard layout would be demanded, including a ISO/IEC 9995:4 keypad. Mainly using all the ISO/IEC 9995 option keys as dead-keys to compose national letters.

The work within the EU, in governments and the private sector is more and more related to international work with multiple language use and with users of different nationalities working together. In this perspective the task would be of wider benefits. However the numeric keypad layout in economic accounting work stands for a huge benefit in this matter solved. There is no need for legal force for the use, the market will most likely use such an international keyboard layout quick. It is a rapid growing need in a growing internationalisation.

4.3.3 The free distribution market of computer goods

It also means that distribution of computers and keyboards will be possible in a unified European market. It is the core idea of the EU.

4.4 The symbolism of the address struggle

As we can see http://en.wikipedia.org/wiki/Postal_address the postal address layouts are different over the world. The standard work of the UPU has failed and there are a number of various layouts of postal addresses.

The previous set-up was to unite the world in one globally used layout of postal addressing defined in a pay standard. This approach has failed due to resistance in some countries and to the fact it was a pay standard. The IT-community did not read the document and improvised (every time differently). The IT-community supplies the postal services with computerised systems to read addresses by OCR. The administrative system software manufacturers designed administrative systems able to write addresses also improvising. This leads to very odd addressing from for instance US or Great Britain to the continental Europe. Fill in forms are also very odd.

An alternate strategy has been addressed this debate keeping the layouts as they are, defining common standardised address fields and add national layout instructions. That will allow databases keeping data in a standardised format and being able to type them on letters in national layouts. However this strategy has obviously also failed and if it would have been successful, due to the fact it would have been a pay standard, and so ignored (if not released by a free standard like UN/CEFACT.

The phone numbers can't be longer than 16 digits, is another such example. This due to the registers of the phone stations in the telecom networks, defined as up to 16 digits in an ITU pay standard. All the traditional telecoms and telecom system manufacturers bout and read the document. But the IT-community didn't so in about all administrative systems it has a different definition, longer or eternal, when 16 digits are enough. Nobody knows.

These definitions might be a very long way from the topic of the CESR document but reading this reply it would be quite understandable it is a symbolic first step to free some basic standards, make them work. In the end we are talking about data quality and these matters are important for the data quality in "Standard for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets".

4.5 A common structure of the account charts

One level up from the absolute basics there is a very important issue for understanding of financial reports and accounting harmonisation, the accounting account chart. A common structure of the account charts is a key factor of understanding economical data in general. Both balance data but also ledger data is hardly understandable for anyone outside the national borders, the national account charts. In many countries the account charts are completely improvised and not even a national understanding is easily possible.

In SIE, XBRL GL and UN/CEFACT accounting the account charts are defined in special sections, coded but not really explained.

So the content of the account charts are partly solved by coding, but the coding definitions are poor due to the fact it gets stuck in the same debate as a common account chart structure discussion risk to do. The XBRL FR is to a large extent such a code project but really doesn't solve the matter because in the end the users are forced to produce their own "taxonomies" that is not understandable for others. It would in fact be much easier to talk about a common account chart because then there is a larger chance the parties will understand the issue completely and well. The account chart layout is in the ever-used memory of all users of accounting and readers of balance reports, codes are for the few specialist. Talking about codes (XBRL FR or others) less opposition might appear, but the result will risk being useless, all not understanding it. In XBRL GL, SIE and UN/CEFACT accounting the any local account charts are used and declared (but not its content is not defined) in the work files.

Think about a board meeting, or yearly owners meeting, there are troubles enough understanding a national layout balance sheet, how about codes? This is in fact a very serious aspect of the CESR ambitions of financial reports.

An initiative from CESR to get a unified account chart layout would be a huge step forward in harmonisation of balance data information and accounting. Most likely it will also be a future foundation for a common harmonised tax administration and financial report culture.

4.6 The bank account statement as the main reference

4.6.1 Bank account statement

One of the key references in audit and accounting are the bank account statement records, today delivered over the internet bank in an html format special for each bank and for human reading. It is usually printed out on paper and checked with the accounting ledger manually. It is one of the key quality functions of accounting today.

This task of manual controls is a very dull accounting task and it is very likely there are manual mistakes. For larger companies this is a huge task, question is if it is really made? This task is made for computer comparison, quick and much more error free, even for huge economies. The problem is that we need a standardised computer file bank account statement.

The UN/CEFACT has made the payment token that could be seen as a bank account statement record but there is no bank account statement header. The banking group TBG5 is not interested because the banks do not demand it. And the TBG12 accounting group think it is a banking task. The audits and accountants risk losing volumes of work and the client companies rely on the EU commission to speak for them. The tax authorities are doing the job manually, and haven't seen the potential. Bank account statements in paper also have some very special variations (in sorting dates and the balances, that actually are different in internet and on paper for the same banks bank accounts. It should be a common demand from the national bank inspections and there is a need for a harmonisation process also here. This is one of the most important topics to get a good quality financial report contents and should be a task for the EU Commission and CESR could initiate the topic for them, standard format developed and demanded availability.

4.6.2 Validation data

A lot of assets (and debts) need validation in an accounting. Validation at least once a year but in many cases monthly or even daily:

- Currencies (Currency accounts and assets valued in other currencies than the accounting currency)
- Securities
- Staple goods, Raw materials, metals etc
- Fixed properties

Such information is normally listed in daily business newspapers and made for the human reader. Accounting systems need that information for validation of the assets in a ledger. With the validation information imported into the accounting system quickly the entire ledger could be validated and correct interactive financial information is possible to produce.

To be able to do that there is a need of a standard report file format for validation data and a demand on banks, like for bank account statements of availability in the internet banking systems. Also this is a task for the EU Commission that CESR could initiate and result in demands on national banking inspection authorities.

4.6.3 Pay orders

There is a strong need of transfer of pay orders from the payable to the internet bank applications and the possibilities of downloading from the banking system them for security controls in the payable.

The invoicing in electronic form as well as payments is a topic where the banks like to enclosure the business into the internet banking systems. From this perspective the banks wants the payable to be in the internet banking system and not in the accounting. Accounting wise this is a bad solution. But also the free market of financial services need competition and it should be a political demand from the EU Commission that transfer of pay orders should be standardised and available, supported in the internet banking systems.

4.6.4 Integration with electronic invoices

The present development is stepping from paper invoices to scanned invoices to electronic invoices with direct pointers to external files or embedded in the SIE, XBRL GL or UN/CEFACT accounting files. This means the entire ledger with the voucher folders will be possible to store electronically on a CD/DVD and also being emailed.

This is a huge step in rationalisation of accounting work.

However there is a need to relate the electronic vouchers with the accounting records, actually the bank account statement records. This is set, by doing the pay order, with the electronic invoice attached to it. Attached to it as a piggyback over to the bank account statement record and possible downloaded to accounting. Then the matching is done. This is a very strong feature for regular audit but also for tax audit. It is something that will give very strong transparency. However the banks thinks it is completely uninteresting.

Also this is a topic for a harmonisation of bank inspection authorities demands on banks within the EU. A topic for quality financial reporting. It is a topic for CESR to initiate to the EU Commission.

4.6.5 Credit card bills and electronic receipts

Credit card payments are growing and manual accounting of credit cards is a horror work. Lost receipts or unreadable receipts are a few of the topics here. Another is travel bills that usually are just a mess. Loose receipts are also an audit horror.

It is quite possible to use electronic invoice formats for electronic receipts with just a paid status. Such could be transferred with the credit card debit messages from the point of sales to the credit card administration. From it to the cards invoices or bank account records. From them to the accounting over the electronic invoices or electronic bank account statements. It is a quite possible project.

Even if it would mean a strong kick for the market share of credit cards the banks (that usually owns the companies in the entire credit card supply chain) are not very interested.

Also this is a topic for a harmonisation of bank inspection authorities demands on banks within the EU. A topic for quality financial reporting. It is a topic for CESR to initiate to the EU Commission.

4.7 Validation of immaterial assets

Immaterial assets are in many companies the main assets. Large sums of money could be invested in developing products and markets with a long-term payback. Accounting-wise these companies are in very bad shape, just huge costs because the assets can't be accounted right.

We can also see companies being quite bankrupt and even so there are many parties willing to buy them, due to their immaterial assets. Due to design skill, know-how, marketing capabilities.

There are immaterial assets that are formalised like patens, design protection, copyrights, domain names, company names, brands and they are very hard to validate right. By tradition, they have been a tool of information deception, especially for financial reports. There have been a lot of regulations in validation of such formalised assets in general demanding lower values than in most cases are just. Limitations in order not being able to fool the reader of financial reports. People working with financial reports are often those who are the worst able to judge the potentials of immaterial assets.

Development can't be bought, money could help a lot. But the mother of development is questioning the presence and immaterial assets.

The immaterial assets are very important parts of companies financial state and is something different than money.

The entire topic is worth a true deep analyse and harmonisation process making the EU countries (and others) to agree on a common way of validating different immaterial assets and how to document it in financial reports.

This is a topic for the CESR to initiate.

4.8 Data format implementation quality is a main issue

The data format implementation quality task might be the most important for the CESR to address to be able to fulfil its ambitions.

We have discussed data content quality, it is a lot about limiting the possible mistakes and errors. There is also a topic of the data format implementation quality, how to use the standardised formats like SIE, XBRL GL and the UN/CEFACT accounting.

Data quality is a main issue of the SIE-file transparency solved with application instructions integrated in the file specification, on how to use it and what to be aware about, application implementation tasks.

There is also a firm work of the organisation in limiting dialects and gently make file contributors to correct their file production applications. A typical such problem is on what reports should be based upon, especially what date/period data type to get correct balances for the year as well as the monthly periods. If this is not right the balance reports will be different in importing and exporting applications, of the same SIE ledger file (SIE4E).

4.8.1 Quality work is easier in one country

There is a work by Alphabet AB to make SIE "taxonomies" for XBRL GL and UN/CEFACT accounting based on the implementation instructions of SIE and makes all three compatible and convertible.

However only be true compatible within the SIE data quality instruction set and to a large extent the accounting culture, the GAAP and tax report regulation in Sweden. Any XBRL GL or UN/CEFACT accounting files else will only be compatible with itself.

These definitions are quite possible to translate and apply on a different accounting culture, the GAAP and tax report regulation. Something anyone can do. The main problem is that if more parties do there is a risk of them being incompatible, interpreting the standards differently on the same nation. That is why we have the SIE in Sweden addressing such issues.

4.8.2 The format quality issue is left out of the international standard formats XBRL and UN/CEFACT

This entire filed of data quality topic is left outside both the XBRL and the UN/CEFACT projects. Those projects define something like letters and syntax, but SIE also include the language to make files understandable. There is no common language without harmonisation.

This issue looks like to be assumed by the CESR 09-859 document, solved by anyone just by using XBRL. However, without a common accounting culture, the GAAP and tax report regulation, there will just be an empty shell like messages by letters and syntax, but no common language and understanding. It is the harmonisation that is missing.

The entire CESR operation risk to fail if this quality issue is not taken serious and be solved. The problem is to solve it there is a work of harmonisation within the EU, and possibly WTO to be able to reach the stated goals. Tax report harmonisation is the main step.

4.9 Digital archives

Digital archives are another very important field of the use of such technology as the CESR operation is working on. We can’t archive something else than what we use? Here entire ledgers and including digital vouchers makes the entire accounting digitally achievable. The digital achieving task is putting compatibility and data quality issues to its peak.

The data should not just be storable, it should be readable, understandable and correctly interpretable. Changes in tax national administrative cultures will affect the accounting culture and lead to problems reading old data, the interpretations of definitions might change in time. XBRL must have a taxonomy definition to be understandable and must be retrievable far later in time to be able to read the digital archives.

To satisfy the archiving peoples demands, is to a large extent a proof of doing the things right. The digital archives of standardised format harmonised completely transparent data is a huge treasure for an analyst of the future.

By having a focus on a task like digital archives a lot of the problems in daily use will be solved. The people working with archives know what the critical issues are and is in fact a huge expert knowledge resource for the rest of the society in this field. I think the CESR should make an initiative here.

4.10 Closing the circle of transparency and audit

To work with the content a vision from the EU Commission of “the closed circle of transparency trade, business, accounting, financial reports and audit”. This vision of true transparency is a key factor of high quality financial reports and availability of strong analyse of ledgers, in the future.

This vision to be completed need harmonisation, political demands and standard file formats and it should be a topic for debate for the CESR.

4.11 Create a complete system of possible rationalisations

The other side of the same vision is the ability to rationalise accounting, audit, trade and business administration.

It is possible today to create complete automated web-trading machines. Machines based on computer SW communicating over internet issuing orders, invoices and accounting with no human hand in touch of the daily process. This means every less automated level of trade and business administration is possible to support. The potential rationalisation and increased quality of administration is vast and should be treated with strong political visions.

Visions that makes new competition to old markets possible and development of better and wider customers supply. Easier to set up with small resources available as standard SW systems.

It is something that touches the true origins of the EU as an organisation. And the open free market of Europe.

4.12 Somebody has to put the political demands

The task for the CESR is to put the political demands on the content issues fulfilling both the visions of the CESR 09-859 document but also what can be shown in this replay. It is not a frozen file format.

It is the content. It is obvious that someone must put the statements of the visions as demands and drive the needs of the free open market forward. This could be a task of the CESR and the EU Commission.

5. Questions

Q1. 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?

No, Not freezing standard formats to a specific format and version, freeze it to the presence when the entire technology is developing.

Yes, An expectation of electronic reports and accounting used. Manual reports should be considered exceptions, if accepted. Rather electronic standard formats should be used and supported in financial reporting and governmental administration.

It would be a huge development in information availability and ability to make analyse of trade, business and company economics. A very strong rationalisation factor.

It is not possible to realise within several years, the information production and use must be harmonised and defined to make a usable comparable content, just the file format will not do it.

Q2. 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?

Formats like SIE, XBRL and UN/CEFACT already exist and all and any should be used. <u>Rather a demand of digital data reports instead of manuals will be enough.</u> What format will not matter, they will be convertible. <u>There is no need for a format decision of the CESR.</u>

Q3. 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?

Commonly harmonised standardised data in common digital formats will make all enterprises and other economical operations comparable and analysable to a level we hardly can dream of.

The main problem is that the approach of the CESR 09-859 document will not solve the task. It is not a compatible format issue but a compatible content issue. The CESR must initiate solutions on the content side. The benefits of good digital we already have by the existence of SIE, XBRL and UN/CEFACT, that anyone can use.

Q4. 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?

A decision of a specific standard reporting format will in fact freeze the necessary process in harmonising its content and delay the process. It is the information content and not the file format that is the issue.

Psychologically a decision of a mandatory report format will lead to people believe that the CESR 09-859 document ambitions are possible to do. It is like talking about the roof made not having set the ground stones. People will ask when can we move in and start to use it?

There is a huge risk users can't wait, doing what the CESR 09-859 document describes, not being aware it is not possible before the content is harmonised that is today very far away. That process hasn't even started yet. This will lead to huge data quality mistakes, mixing rubbish with junk, and that will lead to bad decision-making. Worse than without a demanded format.

If the question implicate even knowing the flaws, cheating the data quality issue. It will lead to huge confusion, be gaps of possible fraud and wrong decisions made by managers and traders, based on junk data.

If finally, it includes the harmonisation of data and quality data issues solved it might lead to the question "Who should be allowed to analyse me and my company?". It is a very strong political problem to handle,

Q5. 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.

It is huge. Restricted to the companies with securities admitted to trading on regulated markets. Here in general economy administrative systems are very expensively tailor made to a very large extent. Companies like the SAP lives mainly on huge bills for tailor making such systems.

But if we are talking about a future of all companies mainly using standard software we are also talking about huge total costs in upgrades. Costs of features the buyers (the data producers) have no demands for. These are costs hard to convince the buyer to pay.

Q6. 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.

No, both has been proven by SIE in Sweden being very much appreciated and used. The costs amending SW producing the reports are higher with richer reports. But the general cost is to start the project and do the quality proof of it. The problems are the same. With entire ledgers it is much easier to find quality flaws in the data.

In fact the complete ledger is of bigger interest than just balances. However those who wants XBRL, are interested in balances. But the trade administrative issues and digital archiving are much more interested in the complete ledger. To really make good analyse transparency in salary, payable and receivable administration must be achieved and that requires the full-extended ledger. Without that and a good knowledge of the used account charts content, true company analyse is not possible. The complete ledger is better commercially.

Q7. How would you assess the benefits of the use of standard reporting formats against the costs?

The problem is that the data users and the data producers are not the same. If imposed by law it will lead to political administrative riots by the clients even questioning the existence of the EU. It might end up as national election debate fuel.

The data producers in general are not willing to pay for it. Not financed, only a limited number of companies will deliver data, still the alternative is paper reports. This is the experience from Sweden and the financial reports to the Swedish companies house, Bolagsverket. The SW vendors ask “Who is the paying customers for this?” when asked to support it. Very few use it.

In the shadow of the EU governmental administrative simplification processes this type of legal demands are in fact the most common to be removed. A legal demand of this type would not be meet with political joy. It is likely a demand from CESR would not be meet up by many of EUs member countries.

XBRL is designed for and by the users of financial data and there are just not enough benefits for the producers, the companies having to do the accounting and reports. Data producers have no stake in XBRL.

If demanding standard formats of reports, wouldn’t UN/CEFACT financial reports be a better choice. Something that might be much easier motivating the reporting party to invest in. The benefits in trade a business administration kit would then pay for the costs producing financial reports? The analysts can on their cost convert the UN/CEFACT accounting and financial report data to XBRL?

In fact this financial gap of the issue, is a very hard political problem to meet. Most likely it need some true political inventions, to motivate the producers of the data to pay for it produced, that others would use.

Demanding force by law, the EU member states governments most likely need some real motivation to apply it. It has a huge political cost that most of them try to avoid.

Q8. Do you envisage any liability and/or audit issues arising from the use of standard reporting format?

Yes, data compatibility, comparability and transparency.

Q9. Are there any other issues CESR should take into account in the analysis of the issue?

Read above in this reply. You are starting at the end. And you should consider the harmonisation and quality issues of the data as a starting point. The format itself is of minor importance. You focus on the wrong issues. There are a lot of issues to be solved, need CESR for starting it.

6. Suggested task list for CESR

- A vision and plan for development of accounting and financial reports
- Initiate an issue of a common governmental demand of accounting and financial reports to be computerised. Manual accounting and reports should be considered the exception. New regulations and GAAP should be considered from computerised accounting and financial reporting.
- A CESR recommendation that governmental administrations should be able to receive data in standard accounting files when applicable. UN/CEFACT, XBRL GL and SIE should be considered as standard accounting files at the moment and should be expected supported by governmental administration.
- Initiate a tax administrative harmonisation process
- Demand a unified yearly tax and financial report common to all companies in the EU. Extended reports for companies that are large or different
- Initiate an analyse of what data types are needed for analyse of Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets. To define a set of information that should be the basis of future comparison between companies. Resulting in a report issued to the XBRL and UN/CEFACT projects.
- Accounting and banking integration, statements, pay orders, making audit of bank account transactions computable.
- Initiate a process for a common account chart (EC)
- Initiate an accounting harmonisation process (general functionalities, and reports)
- Initiate a development of GAAP for good common routines for validation of immaterial assets
- Initiate a change, financing of free open standards
- Initiate a topic of how to support the future standard development in the trade and business sector. Where the support of contenders of the work sessions by travel and accommodation expenses, should be special in mind.
- Initiate a development of a European standard ISO/IEC 9995:4 Keypad and ISO/IEC 9995 keyboard layout, and demand availability
- Demand the address layout issue to be solved

Regards

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