

**ABI response to the CESR call
for evidence on the use of a
standard reporting format for
financial reporting of issuers
having securities admitted to
trading on regulated markets**

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Introduction

The Italian Banking Association (ABI) is pleased to have the opportunity to participate in CESR's call for evidence regarding the use of a standard reporting format for financial reporting of issuers having securities admitted to trading on regulated markets.

Since 2006, ABI is a member of the "Associazione italiana per lo sviluppo e la diffusione di tassonomie e di standard tecnologici in campo economico – finanziario (XBRL Italia)" which includes other private and public institutions. Such an Association, which in 2007 received the recognition of Italian jurisdiction by XBRL International promote XBRL and organise or sponsor the creation of taxonomies, notably for the main accounting standards for business reporting in their area. It provide an important education and marketing role, explaining the benefits of XBRL to government and private organisations and supporting implementation of XBRL.

Questions and answers:

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?

The level of standardisation of the financial reporting of issuers is still unsatisfactory and the use of electronic formats that cannot be processed is considerable. This clearly leads to diseconomies for financial operators and for the Italian system as a whole, increasingly accentuated by the European standardisation process and globalisation of the financial markets. Overcoming these critical points may be simplified by all initiatives, both national and supranational, that promote the adoption of benchmark taxonomies, technology standards and cost effective investments to introduce processable formats as much as possible.

The adoption of a standard reporting format can be considered from two points of view:

1. in business terms, it would consist in the option of defining IT content (semantics, calculation methods, validation rules, etc.) valid for all issuers (or rather IT content for each issuer class – banks, insurance, industry, etc.);
2. in technical terms, it would offer the option of using a single technical format for presenting the contents in electronic format.

The adoption of common business view is crucial to achieving comparability between the various users. Additional benefits in terms of comparability can be achieved if content definition goes hand in hand with other definitions applied in the same environment (e.g., IFRS content).

Likewise, the adoption of a single technical format is highly recommended as leverage in achieving content standardisation/interconnection. A further advantage comes from the option of automating and optimising production, exchange, control and usage of the information and subsequent higher data exchange quality/speed.

In terms of the contents, the weak points may be ascribed to the problems connected to the *ex ante* standardisation of all the information that may need to be exchanged. Vice versa, there are no particular weak points in the adoption of a shared technical standard.

Q2. If yes to Q1, do you consider that XBRL would be an appropriate format? Are there other reporting formats that CESR should consider in this context?

ABI considers that the XBRL standard would not only further improve information standardisation and facilitate transmission methods, but also exploit synergies with other obligations due to be implemented by other Authorities.

Compared to other standards currently used, XBRL also offers a direct link to corporate accounts, obviously in addition to the option of exchanging standardised information given its single definition.

Q3. What kind of benefits would you consider a standard reporting format to bring for issuers, investors, auditors, analysts, OAMs or other user of financial information?

As part of the Lisbon strategy to encourage growth and employment, the European Commission has prepared a plan to measure and reduce administrative costs in the European Union. The mid-term aim is to reduce costs by 25% and this is closely linked to the fact that financial activities are severely hampered by pointless, bloated administrative costs.

Among the principles for reducing administrative costs, the European Commission in effect suggests standardised electronic data transmission.

These benefits could easily be achieved if a standard format is adopted.

With regard to the proposal in question, the benefits could be decreases business costs from the "re-use" of information flows (the same flow could satisfy several needs), improved data quality and the creation of shared dictionaries.

Moreover, the use of a standard technical format, especially if adopted on a wide scale, facilitates the dissemination of software tools best suited to processing the data. Both sides would benefit: the “data preparers” (for example through consolidation and subsequent simplification of IT solutions for financial reporting) and “data consumers” (for example through easier download of any data of interest to their own analysis tools).

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?

ABI doesn't see any significant disadvantage in using of the standard in the numeric sections of financial reports.

However, it is accepted that recognition of a new “standard” format could imply problems, also of a cultural nature, associated with the implementation of specific IT procedures.

Specifically, the experience of a number of authorities (the SEC, for example) shows that it is not always possible to standardise complete sets of information *ex ante*. It is therefore important to establish how information specific to individual users should be documented and exchanged. XBRL technology allows “common” definitions to be “extensible” and financial reports to be created in accordance with the “extended definitions”. A potential critical point regards certain data content to which the application of standardised techniques would be more difficult (for example, the descriptive content of a financial report).

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 users of other financial information? Please provide estimated costs, if possible.

ABI points out that the introduction of any standard reporting format can generate “one-off” costs:

- implementation costs;
- “training” costs;
- costs for the purchase of tools able to handle the format

and a general increase in overheads, due to the changes necessary in the preparation of financial reports, also as a result of regulatory amendments or changes in the standard format itself.

It should also be emphasised that similar (possibly higher) costs would also be incurred if standard formats were not adopted, due to the increased difficulty in automating production and user processes.

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.

ABI considers that financial reporting standard implementation costs are essentially linked to definition of the related taxonomy. In this respect, the definition of a "complete" taxonomy, i.e. applying to all financial reporting, would therefore not involve higher costs compared to the definition of a taxonomy restricted to only certain parts of financial statements.

In addition, the adoption of an "all-inclusive" standard format would in any event be an advantage over different formats. Naturally, the higher the coverage level of standard parts compared to the total information to be exchanged, the greater the benefits.

Furthermore, in addition to information provided in the response to question 4 above, the poor application of a standard financial reporting format by listed companies – as emphasised by the CESR in the consultation paper – would have to be considered as possibly linked to the philosophy of international accounting standards that leave a margin for data presentation flexibility. Standardisation should certainly involve item terminology definitions (i.e. a "dictionary").

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

Given the answers to previous questions, ABI argues that the benefits from using one communications standard are considerably greater than the increased costs for its implementation.

In fact, adopting a standard means agreeing on the meaning of its concepts, calculation methods, etc. It is a costly, but "one-off" task. The benefits also lie in the greater comparability and understanding of data by its users.

On the technical side, costs linked to the purchase of XBRL tools are largely offset by the benefits in terms of processing automation.

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

ABI has no specific problems to report with regard to the use of a financial reporting standard.

A “proprietary language” would need to be created as standard and this would have an impact on all benefits. Further study into best practices on such topics would therefore be worthwhile, possibly coordinated with other Authorities responsible for similar matters (mainly the IASB and CEBS, which in turn have adopted XBRL for its data descriptions).

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

Based on experience on this topic gained over the last three years as a member of XBRL Italia, ABI has no record of any problems other than those mentioned in previous answers, and hopes that the CESR will promote the use of XBRL language also by the national supervisory authorities with a view to simplifying issuer reporting obligations.

The CESR ought to assess/decide whether to:

1. standardise all or part of reporting *ex ante*;
2. standardise reporting in part and accept proprietary extensions
3. with regard to proprietary extensibility, attention should be focused on definition of the production process and subsequent compiling of financial data.