



27 November 2009

Mr. Carlo Comporti
Secretary General
CESR
11-13 avenue de Friedland
75008
Paris
France

Dear Mr Comporti,

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

SWIFT is pleased to respond to the CESR call for evidence 09-859 on the use of a standard reporting format for financial reporting of issuers having securities admitted to trading on regulated markets.

SWIFT supports and enables the automation and standardisation of key processes in the financial industry leading to reduced risk and lower costs for participants. A current area of focus is to improve the automation of corporate events processing. In this regard SWIFT is currently working with the industry to encourage the use of XBRL by issuers of corporate events documentation. Such a use of XBRL can make a significant contribution to the downstream automation of corporate events processing.

SWIFT would, therefore, welcome the adoption of a standard financial reporting format based on XBRL, as we believe such a wider general use of XBRL by issuers will also positively impact the initiative on standardisation of corporate events documentation, and enable issuers to gain additional benefit from their investment in XBRL. Our reply to the call for evidence below therefore very much reflects this view.

Yours sincerely

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CESR Consultation 09-859
Response from SWIFT

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?**

Answer:

SWIFT supports standardised reporting formats for financial reporting and indeed also for other types of regulatory reporting e.g. transaction reporting. Such an approach provides the reporting party with greater certainty in meeting auditable reporting requirements, irrespective of the EU market in which they are making the report.

It is also the case that a standardised reporting format will enable more automated processing of data, make data easier to transfer where necessary and will reduce the risk of ambiguity and error in the publication of data.

This all helps to ensure fewer impediments to market transparency.

- 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?**

Answer:

SWIFT supports the use of XBRL as the most appropriate technology for the formatted delivery of standardised financial reporting.

XBRL, which is a dialect of the widely accepted XML standard, enables each element of a financial or business report to be “tagged” or coded so that it is easy to identify and understand. The XBRL tagging means that the information in the report is computer readable as data and can be more easily extracted, searched and analyzed by users of that information.

In addition, the close relationship of XBRL with XML means that it is a technology that can also be leveraged with ISO 20022 XML Corporate Actions and Proxy Voting messages to allow the “tagging” of corporate event textual announcements. This provides the opportunity to enable the straight-through-processing of such events by financial institutions that ultimately service the investment accounts downstream of the announcement.

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?

Answer:

We believe, through significant consultation with our clients, that adoption of a standard reporting format will bring significant benefits to all parties. For issuers, the submission of standard reports will add confidence and auditability of communications, and with XBRL the technology will be reusable for other processes such as corporate actions messaging.

For intermediaries, market infrastructures, and especially the investment community, benefits from the use of XBRL based standard reporting and corporate events include:

- improvements in comparability of reports
- the elimination of manual re-entry of data into systems,
- increased clarity and transparency of data,
- the removal of subjective interpretation of textual data,
- timeliness of delivery.

For investors and investment managers these benefits translate into reduced operating costs, reduced risk, improved efficiency and a more competitive environment for services effectively lowering fees over time. Such standardisation, coupled with the possibility to transmit information in an electronic, structured, easily comparable manner, strengthens the end-to-end communications from issuer to investor, improving the transparency of the market and advancing efforts to achieve better corporate governance.

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?

Answer:

We do not see any material disadvantages and believe that the benefits of greater automation and transparency which we believe will be achieved by standardised reporting will significantly outweigh initial implementation costs.

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.

Answer:

We believe that XBRL delivers a practical means by which issuers can provide their investors and the Financial Services Industry with electronic data that can be consumed and retransmitted by computers rather than people. The technology can also be used to add efficiency and reduce risk in other processes, most notably for corporate actions handling.

This approach is already being taken in the United States where XBRL is now initially required for financial reporting for the top companies (about 500) and is being rolled out in a 2 year program to all companies with listed securities.

Over time, a similar approach in the EU would reduce costs for both data providers and consumers.

It is important that the industry is fully involved and consulted on the process and timeframes for moving the use of XBRL and standardised reporting forward. This will ensure that the transition will be managed at the optimum pace for the industry.

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.

Answer:

As already mentioned above we believe that the most cost-effective approach is to encourage the use of XBRL and in so doing to ensure the fullest implementation and the widest opportunities for re-use. If only part of the reporting is in XBRL, then the entire industry remains essentially in the same place: manual re-entry of data is still needed, risk and cost reduction is nominal, and the benefit from the use of standardised reporting via XBRL is not maximised.

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

Answer:

We would assess the value of standard reporting formats by comparing the benefits to consumers against the costs incurred by those delivering standardised reports. In this case, there are an overwhelming number of consumers that would receive significant benefits compared to a smaller number of issuers with additional implementation and production costs. These costs will vary by issuer but should be reasonably modest as the requirement is not for the provision of additional information but simply to supply current information and reports in a standard reporting format. The benefits thus significantly outweigh the costs.

In our experience the use of standards in the financial industry is beneficial and ultimately cost effective for all concerned. This is something we have seen clearly demonstrated globally in the standardisation of payments, securities and other transactions, where open ISO standards developed by SWIFT have enabled automation and efficient processing of transactions. Automation based around industry rather than proprietary standards is the key to cost savings, risk reductions and greater efficiency and transparency. We see the adoption of standard formats for financial and other reporting as an enabler for greater efficiency and cost savings in this area.

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

Answer:

The XBRL “instance” – the data itself that is to be distributed in association with a financial report or announcement – must be as reliable and have the same level of auditability as the traditional “paper” report that is now more frequently circulated in some variant of text such as Adobe PDF files, Microsoft Word document, HTML web page, or RSS feed. Unless the data being distributed is as reliable as the document in the current process, there will be no uptake of the data.

The actual data to be disclosed, however, should be no different than the information currently required or necessary for corporate reports or announcements, with only the added rigour of a standard structure. This approach also means that a corporation or issuer of a security should take the opportunity to participate in the definition of the structure and rigour that is to be required. This can only enhance the ability to effectively communicate to the investor and regulatory community.

The use of a standard can only make auditability better and should even generate improvements by way of consistent structure and method over the existing processes of developing corporate reporting and announcements.

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

Answer:

We believe that CESR should also consider standard formats using XBRL for corporate event/actions processing.

Standards and Market Practice for corporate actions have been in existence for some time but limited to communication within the Financial Services Industry, entirely downstream of the event announcement. By leveraging the current standards and working with the industry there is an opportunity to create a complete XBRL Corporate Action Taxonomy covering all event types and including the issuer to produce end-to-end efficiency, transparency, and value.

Most importantly for the Financial Services Industry, once completed, the XBRL Corporate Action Taxonomy will provide a means to close the Straight-Through-Processing gap especially as the Taxonomy will be backed by ISO Standards (ISO 15022/20022). Aligning XBRL and ISO will, ensure ongoing technical and standards interoperability through the corporate actions processing chain. The benefits of this approach can also be considered for general meetings announcements and for documentation relating to withholding tax.