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International Accounting Standards Committee Foundation®

Committee of European Securities Regulators
11-13 Avenue de Friedland
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Wednesday, 25 November 2009

Dear Sirs,

Your reference: CESR/09-859

We would like to thank CESR for giving us, through the Call for Evidence on the Use of a Standard Reporting Format for Financial Reporting, the opportunity to provide some more details about the development of XBRL activities at the International Accounting Standards Board (IASB) and at the International Accounting Standards Committee (IASC) Foundation, and on the status of adoption and implementation of the IFRS Taxonomy.

With the fast-growing acceptance and adoption of XBRL, we believe that the timing of the release by CESR of this Call for Evidence, and the subsequent recommendation to the European Commission is adequate.

In our role as accounting standard-setters, we appreciate that, as expressed in paragraph 5 of the Call for Evidence, the 'discussion only focuses on IFRS financial reporting', but our contribution to the Call for Evidence will be limited to providing a better understanding of our XBRL activities.

Organisation

The International Accounting Standards Committee (IASC) Foundation is the oversight body of the International Accounting Standards Board (IASB). The Foundation, through the IASB, is committed to developing, in the public interest, a single set of high-quality, global accounting standards, called the International Financial Reporting Standards (IFRS), that prescribe transparent and comparable information in general-purpose financial statements.

In 2001, the Trustees of the IASC Foundation made a decision to develop XBRL activities in order to provide the market with a high-quality XBRL version of the IFRSs. This translation into XBRL of the IFRSs is called the IFRS Taxonomy. The development of the IFRS Taxonomy complements the IASB objective of providing high-quality standards. The IFRS Taxonomy, which provides codification of reporting concepts, helps in organising the presentation and understanding of both accounting standards and financial statements based upon them. Moreover the XBRL standardisation complements the flexibility of the principles of the IFRSs. With XBRL, issuers and preparers can add concepts that are specific to their business context by extending the IFRS Taxonomy.

In 2007, and in the light of the growing acceptance of XBRL and the rapid adoption of the IFRSs around the world, the Trustees of the IASC Foundation decided to refocus its mission statement: to provide a high-quality IFRS taxonomy in the same languages and at the same time as IFRSs.

Today, it is fair to recognise that XBRL is not a formal agenda item of the IASB; however the Board has addressed the topic of XBRL on multiple occasions. We list below some recent specific IFRS events where XBRL has been raised.

- In a statement to the Economic and Monetary Affairs Committee of the European Parliament on 28 September 2009, Sir David Tweedie, Chairman of the IASB, referred to XBRL[1].
- During the inaugural meeting of the Trustees with the Monitoring Board on 2 April 2009, the role of XBRL in accounting standard-setting was discussed at the request of various participants[2].
- On 12 November 2009, XBRL was discussed at length during the meeting of the Standards Advisory Council (SAC). SAC members raised questions about the XBRL activities of the IASC Foundation in relation to similar activities in the United States at the Financial Accounting Standards Board (FASB) and the Financial Accounting Foundation (FAF), with particular reference to the link between the codification project of the US GAAP and the US GAAP Taxonomy.

The development of the Foundation's XBRL activities is currently supported by a team of five full-time employees, which is in regular dialogue with colleagues from the IASB technical accounting staff and other Foundation staff (eg Communications, Education, Translations). The XBRL Team is mandated to provide quality assurance for the IFRS Taxonomy as well as for its maintenance and co-ordination. The XBRL Team consists of two pillars - Technology and Accounting. The technology pillar is responsible for providing technical XBRL expertise and developing XBRL tools. The accounting pillar provides in-depth financial reporting domain expertise necessary when representing the IFRSs in XBRL format. On a monthly basis, the XBRL team meets six members of the IASB – the XBRL Board Advisers, and the XBRL team also meets the full IASB on a regular basis to consult and seek advice.

In compliance with a decision by the Trustees, the IASC Foundation initiated in 2007 two XBRL advisory committees: the XBRL Advisory Council[3] (XAC) and the XBRL Quality Review Team[4] (XQRT). The XAC provides strategic advice on XBRL activities. The XQRT reviews developed taxonomies in order to achieve the highest level of quality, by providing input and offering practical recommendations on the usability of the IFRS Taxonomy from both a technical and financial reporting perspective.

The membership of both committees provides for a broad geographical spread and a range of functional backgrounds that include members drawn from preparers and issuers, financial analysts, software vendors, supervisors and regulators, academics, retail investors and professional accounting bodies. The Trustees have also granted observer status on both committees to the European Commission, the US Securities and Exchange Commission, the Financial Services Agency of Japan, the International Organization of Securities Commissions (IOSCO) and XBRL International.

A diagram illustrating the connections between these different bodies is provided in Appendix 1.

<u>XBRL activities of the IASC Foundation</u>

The mission of the XBRL team is part of the IFRS adoption and implementation strategy and is fully integrated with the development of the IFRSs.

IFRS Taxonomy

The Taxonomy developed by the XBRL team consists of a set of XBRL files and is the XBRL representation of IFRSs, including International Accounting Standards (IASs) and Interpretations, issued by the IASB. The Taxonomy is developed by the XBRL team according to the IFRSs approved each year by the IASB in the form of the Bound Volume of IFRSs as at the beginning of a calendar year. The Taxonomy also includes IFRSs that are effective at the time of the release of the final annual Taxonomy, but that were superseded in the Bound Volume of IFRSs.

The IFRS Taxonomy is developed through a formal system of due process and broad international consultation that is similar to the one followed by the IASB. The final version of the Due Process Handbook for XBRL Activities has recently been approved by the Trustees and is available on the IFRS website[5].

[1] http://www.iasb.org/News/Statement+of+IASB+Chairman+Sir+David+Tweedie+to+the+Economic+and+Monetary+Affairs+Committee
[2] http://www.iasb.org/The+organisation/Governance+and+accountability/Monitoring+Board.htm
[3] http://www.iasb.org/The+organisation/About+XBRL/About+XAC/About+XAC.htm
[4] http://www.iasb.org/The+organisation/About+XBRL/About+XQRT/About+XQRT.htm
[5] http://www.iasb.org/The+organisation/About+XBRL/About+XBRL.htm

Because we believe that the Due Process for XBRL activities is an important constituent of XBRL development, we would like to address here some of its essential requirements:

Business requirements

- **Timeline** – the necessary alignment between the IFRS Taxonomy development timeline and the IASB delivery timetable (i.e. the publication timeline of the annual Bound Volume of IFRSs).
- **Consistency** - the IFRS Taxonomy must reflect and be consistent with the IFRSs.

Functional requirements

- **Interoperability -** the IFRS Taxonomy should ensure interoperability between different software systems.
- **Flexibility** - the IFRS Taxonomy should be usable throughout the financial reporting supply chain where IFRSs are implemented (increasing market transparency, supporting better analysis, reducing reporting burden, enhancing regulation and supervision) and in all geographical regions.
- **Extensibility** - the IFRS Taxonomy (like the IFRSs) aims to ensure comparability (and not merely uniformity) of financial information. Users of the IFRS Taxonomy can extend it for their specific needs.
- **Stability** - the IFRS Taxonomy is intended for use by all participants in the financial reporting supply chain. The technical and accounting design must ensure that it is stable and sustainable; however alignment with the IFRSs will entail necessary adjustments to the taxonomy from an accounting perspective.

Technical requirements

- **Compliance** - the IFRS Taxonomy must be compliant with XII specifications.
- **New XBRL technologies** - the impact of new technologies (specifications) developed by XII should be considered.

Needless to say, all these requirements, and others, have been adhered to during the development of the recently-released taxonomies: the IFRS Taxonomy 2009 and the IFRS for SMEs Taxonomy. A diagram presenting the five stages of the development is shown in Appendix 2.

Translations of the IFRS Taxonomy

As described in the mission statement, the IASC Foundation is committed to delivering the IFRS Taxonomy in various languages. The translation effort is also prescribed in the Due Process Handbook for XBRL activities and follows the same process as translation of the Bound Volume of IFRSs. This process is based on two essential steps[6]:

1. Professional translation;
2. Review by a committee of accounting experts who are native speakers with proven knowledge and expertise in the area of the IFRSs.

On the date of sending this letter, the IFRS Taxonomy 2009 was available (or will be shortly) in the following languages[7]: Arabic, Chinese, Dutch, French, German, Italian, Japanese, Korean and Spanish. Translations into some other languages, including Hebrew and Farsi, are also in progress and will be available in the future.

Support materials

The IASC Foundation has also developed a number of support materials specifically developed to aid understanding and use of the IFRS Taxonomy[8].

- The ***IFRS Taxonomy Illustrated*** is a simplified view of the IFRS Taxonomy in an easy-to-read, visual format that does not require knowledge of XBRL. It is available in multiple languages.
- The 2009 edition of the ***IFRS Taxonomy Guide*** is a guide on how to use the IFRS Taxonomy 2009 from both an accounting and XBRL technology perspective.

[6] http://www.iasb.org/Use+around+the+world/IFRS+translations/Official+translation+process+and+policies.htm
[7] http://www.iasb.org/Use+around+the+world/IFRS+translations/Available+translations.htm
[8] http://www.iasb.org/XBRL/Resources/Resources.htm

- The ***IFRS Taxonomy Modules Manager (ITMM)*** is an online tool that guides users through the process of navigating and customising the IFRS modules that make-up the IFRS Taxonomy, and supports multiple languages.

Adoption of the IFRS Taxonomy and the benefits of XBRL

Today, the IFRSs have been adopted (permitted or required) in over 115 countries and in nearly all of them, XBRL adoption is being considered. As described by the US SEC in the XBRL mandate[9], the expected benefits from adopting XBRL are numerous:

- Improved availability of financial information;
- Less costly and more timely production and consumption of financial information;
- Increased accuracy and quality of financial information;
- Increased comparability and improved interpretation of financial data.

Additional benefits that should also be considered are:

- XBRL could increase the range of users (ie. through the availability of translations[10])
- XBRL could ease IFRS conversion, understanding and implementation[11].

In paragraphs 13-18 and 20-23, CESR lists some projects adopting XBRL, including the US SEC, the Japan EDINET and the stock exchanges in China, Korea and Japan. The following information could be useful to properly understand the US SEC and the EDINET initiatives:

- To complement paragraphs 13-16 related to the US SEC project, it is important to note that, according to the rule, *"Similarly, filers using IFRS as issued by the IASB will be required to tag their financial information using the most recent list of tags for international financial reporting, as released by the IASCF and specified in the EDGAR Filer Manual. Although IFRS tags are not currently supported by EDGAR, the Commission will give notice when filers can voluntarily submit filings using the IFRS taxonomy"*
- To complement paragraph 17 related to the Japan EDINET project, it is important to note that in 2010 Japanese filers to the FSA of Japan will have the option to file in IFRS and, because XBRL is the mandatory format, they will have to use a taxonomy based on the IFRS Taxonomy issued by the IASC Foundation.

We also would like to add to this list the following project that we believe to be relevant for a proper understanding of the XBRL adoption trend:

- The Johannesburg Stock Exchange has initiated a pilot project with the IFRS Taxonomy. It is worth noting that together with the adoption of XBRL, South Africa has adopted IFRSs and the IFRS for SMEs as accounting standards in the place of local GAAPs.
- MIX: The Microfinance Information Exchange, Inc. (MIX) is a business information provider dedicated to strengthening the microfinance sector. The organisation's core focus is to provide objective data and analysis on microfinance providers. In doing so, MIX promotes financial transparency in the industry, and helps to build the information infrastructure in developing countries. XBRL is used by MIX to streamline the exchange and analysis of financial information, and is perceived as a core technology for MIX's data collection and presentation[12]. MIX is using the IFRS Taxonomy issued by the IASC Foundation.
- UK HMRC – Companies House: in a joint statement on 1 September 2009[13], HM Revenue & Customs (HMRC) and Companies House announced a common approach to filing company accounts online. In order to reduce potential administrative burdens on business, Companies House has announced that it will accept company accounts in a data format known as Inline XBRL (iXBRL). This is the same format in which all Company Tax

[9] http://www.sec.gov/rules/final/2009/33-9002.pdf
[10] The typical example is a Mexican company issuing its financial statement in Spanish and having it translated 'on the spot' in Japanese for a Japanese investor, without altering the quality of the information
[11] It has been observed that by easing the mapping between local GAAP and IFRS the conversion effort could be significantly reduced
[12] http://www.themix.org/standards/xbrl
[13] http://www.companieshouse.gov.uk/about/pdf/hmrcCommonFiling1.pdf

Returns (CTRs) – including the return form, company accounts and tax computations – must be submitted online to HMRC from April 2011 (for accounting periods ending after 31 March 2010). It is worth noting that on 11 August 2009 the Accounting Standards Board (ASB) released a consultation paper "Policy Proposal: the future of UK GAAP" which sets out the ASB's proposals for the convergence of UK/Irish GAAP with IFRSs[14]

- The Polish FSA has recently announced a new project for the development of a supervisory system for gathering, maintaining, analysing and redistributing financial information filed by listed companies using the IFRS Taxonomy[15].

Of course this list cannot be comprehensive. We therefore release in every quarter the *XBRL Update* newsletter, which is freely available on the IFRS website[16].

To conclude, we would stress the fact that the market (not only in Europe) would find it difficult to understand why Europe, having been the first to adopt the IFRSs, should be the last to adopt XBRL.

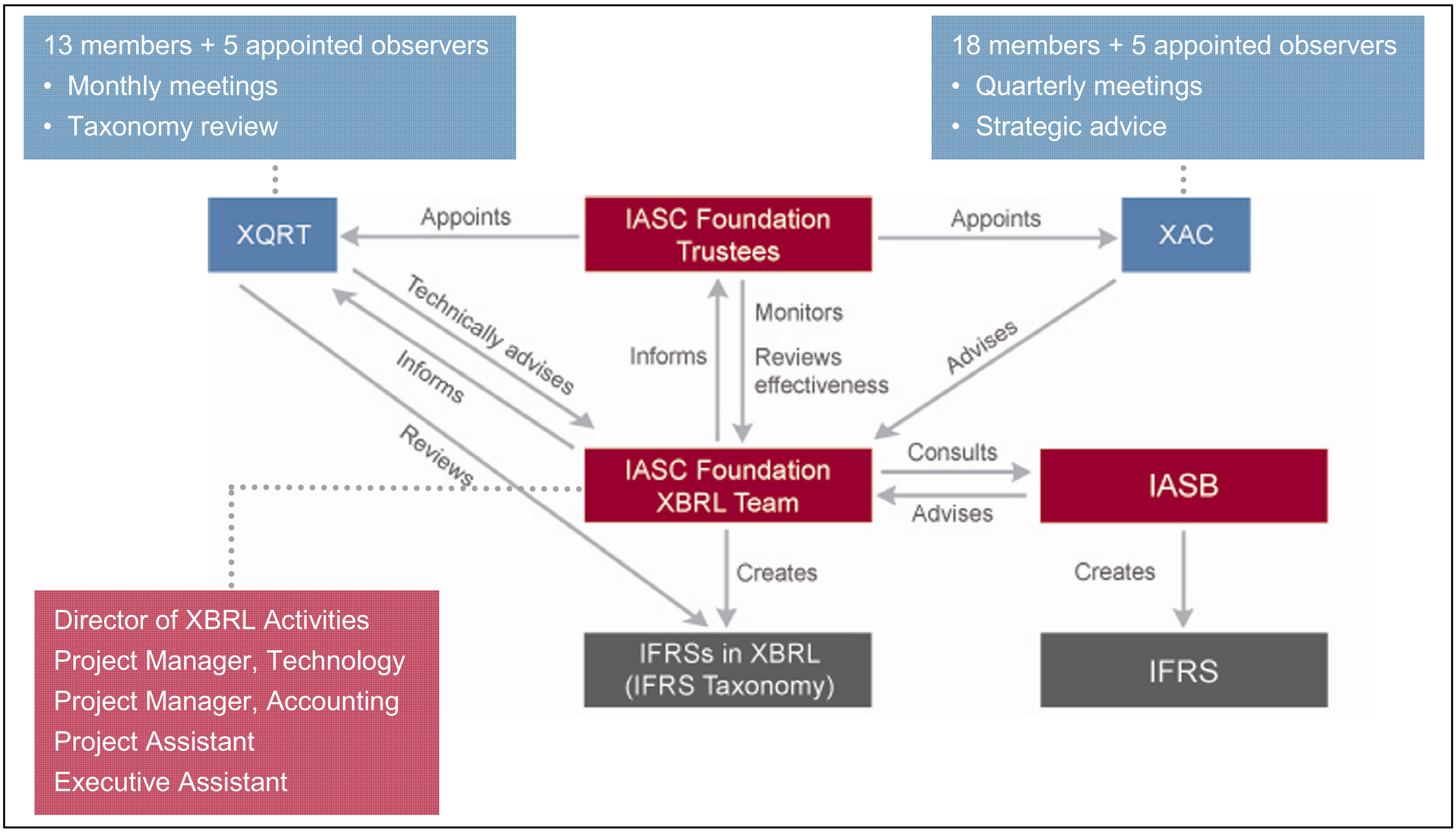
If you have any questions, or if you wish to discuss any of the issues raised in this letter, please contact me at oservais@iasb.org or on +44 (0) 20 7246 6927.

Yours faithfully,

Olivier Servais
Director - XBRL Activities
IASB / IASC Foundation

[14] http://www.frc.org.uk/asb/press/pub2054.html
[15] http://www.knf.gov.pl/Images/ogloszenie_o_zamowieniu_tcm20-13557.pdf
[16] http://www.iasb.org/XBRL/Resources/Newsletters.htm

Appendix 1 – the organisation of XBRL Activities at the IASC Foundation



Appendix 2 – the IASC Foundation Due Process for XBRL Activities