

Baarn, November 3rd, 2009

CESR
11-13 Avenue de Friedland
75008 Paris
France

Re: Call for evidence – The use of a standard reporting format

L.S.

By your request.

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?

A1. A *standard* reporting format is always in place, a regulators choice is by definition a standard for reporters; even if a regulator prescribes the reporting format in something like Microsoft Word. What is probably meant is an OPEN standard versus a proprietary standard and a *structured* standard at that (not plain text). With a proprietary standard a regulator has been taken in mind, not a software supplier since they will be more likely to sell software that uses their standard but the standard itself will not be eligible in the market itself (e.g. Excel format cannot be bought, just Excel software can).

The arguments of open structured standard versus proprietary standards are in the table below. If these are a pro or a con is subjective and therefore left to the reader.

	Open standard (xml, xbrl, csv etc.)	Proprietary standard (pdf, accord etc.)
Software to create report	Normally widely available against competitive prices. There may be even freeware.	Very limited competition. Vendors have to take a licence to use the standard.
Software to validate and process report	Normally widely available ('off the shelf') against competitive prices.	Need API of some kind of the creating software vendor.
Software to create the specification for the report	Mostly a small market so technical oriented tools, not very user friendly.	N.A.
Documentation	Depending on volunteers, may contain errors.	Multi lingual available, statements backed by supplier.
Support	Mostly forum or community oriented, commercial may be available if the standard is widespread and consultancy can be sold too.	At a fee, specialised support companies available.
Knowledge	Basic knowledge wide spread, 'geeks' and founders know the intimate details.	Multi level support available, from tele operators till developers in the founding

		company.
Syntax	Syntax: mostly based on other open standards like XML.	Often based on open standards but with custom additions and/ or restrictions.
Structure	Depending on the technical level of volunteers/founders.	Based on a business case for a special group of potentials.
Costs	Standard itself mostly free. Membership of an organisation may be involved.	Standard will not be sold separately but the costs are incorporated in the software sold. Rates vary to number of users, reports made or hardware used.

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?

A2. Yes, XBRL is a much appropriated format since all companies are more or less already in contact with XBRL filings of some sort. 'First world' countries lead the way on multiple areas of financial reporting and are using or trying to use XBRL to standardize not only the instance (like Edifact) coming in to the regulator but also the dictionary and all its validation options (which in a limited sense is also done by XML Schema).

XBRL is not a world wonder. It boils down to having both parties involved in electronic communication showing the will to standardise the Meta data involved. The more areas that use the same language (not only the syntax) the greater the benefit for all parties involved. Software can be re-used, definitions across agencies get harmonized and parties not directly involved get comparison options if the instances are available to them.

The only other option would be other XML oriented languages. Since XML is the de-facto standard. Problem with most other languages is that they don't use standardized documentation of Meta data like XBRL does. For Meta data that is clear to anyone (e.g. Chair, numberOfWheels etc.) that is not a problem, but most financial terminology is very complex and has more than one definition across regulators or other participants, so definitions are vital and are almost always in text, not structured XML building blocks.

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?

A3.

Party involved	Benefit
Reporter	If it is just one regulator: none. With multiple reports using the same standard, software re-use and meta data re-use are potential benefits. Also: having your IT department learn about N standards or just one ...
Validator	Less or 'off the shelf' software = less costs. Less expertise needed.
Auditor	No benefits other than the software used for the task may be cheaper.
Analyst	Comparability of instances (if made available).
Investor	No direct benefit, only deduced benefits from the analysts.

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?

A4.

Party involved	Disadvantages
All	Timing. It takes time to get all parties involved and to build comparison figures from past reports.
Reporter	Initial transfer to any other format costs money but doesn't repay itself

	quickly.
Validator	
Auditor	The business case of reports being complex and needing consultants may suffer.
Analyst	
Investor	

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.

A5.

Party involved	Costs
All	Building expertise, buying appropriate software, redrawing current processes.
Reporter	Report creating software or mapping software or printer type services. Validation software. Training of staff. Probably consultancy from experts for 1 or 2 reports.
Validator	
Auditor	
Analyst	
Investor	

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.

A6. If a standard (any) is taking in more ground to cover it will get harder to reach consensus how the standard should be made to work. US-GAAP is thriving for more detail than IFRS, and they are struggling how to incorporate this data. Also: by delving deeper into the financial details the meta data that needs defining will become more and more branch specific offering little extra to 'all' users which may undermine the 'religion' of working with the standard. The IFRS XBRL-team is also contemplating how to work with industry specific extensions on the main IFRS. IFRS-SME is a small step (because is a derivation from the main IFRS) but industry specific extensions is major step since expertise will be limited. Use will be restricted to a smaller number of industries and viewer regulatory questions will be asked.

For XBRL as a communication standard it doesn't matter how high or low the level of detailing will be, but for the product that comes out of creation process it matters. Taxonomies of 15000+ items are difficult to handle and another group of specialists is being born this way.

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

A7. It's a long term investment that benefits the regulator at first. Companies will profit when harmonisation of Meta data across regulators kick in. New services will arise since data can be much more compared now. From a society perspective reporting becomes 'harder' even more people need to know about the financials AND the technical bit to communicate the data. The old A4 was much easier. From a business perspective there is a cry for faster and cheaper, always. Standards can help that process. From a political point of view, open standards have an air of transparency around them. Much needed in the financial world nowadays.

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

A8. No other than any other electronic reporting means.

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

A9. For harmonisation of Meta data there must be a political drive and regulatory collaboration. Regulators are used to being monopolists and 'demand' data as they see fit. If harmonisation of data to enable the reporter to lower its costs, is to have any chance of success, the harmonisation effort MUST be carried not only by architects and people who create XML schema's or alike. The politicians creating the laws which regulators enforce must be convinced that there are no twenty kinds of profit. Agreement of these definitions is long and painful process because all people involved will have to work together on a subject that they have been regarding as their own to dictate for a long time.

Kind regards,

Roland Hommes
RHOCON