



**COMMITTEE OF EUROPEAN
SECURITIES REGULATORS
11-13 avenue de Friedland,
75008 Paris, France**

Brussels, the 30th of November 2009

Ref.: Call for Evidence CESR/09-859: The Use of a Standard Reporting Format for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets

Dear Madam, Dear Sir,

XBRL Europe is pleased to transmit herewith our response to your Call for Evidence in reference.

Being at your disposal for any further information you would like to obtain on XBRL, we remain

Yours sincerely,

A handwritten signature in black ink, appearing to be "Gilles Maguet". The signature is stylized with long, sweeping strokes.

Gilles Maguet
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XBRL Europe
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XBRL Europe Answers on the CESR Call for Evidence about XBRL

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?

Answer:

XBRL Europe answers YES to this question. Standardized reporting formats are a powerful mean to enhance transparency and comparability between listed companies both regionally and worldwide. The last financial crisis has shown the importance of transparency and of comparable data worldwide which are not available currently.

The advantages for European capital markets are the following:

- Standardized Reporting formats will dramatically reinforce the quality of data for any stakeholder along the supply chain of financial information (e.g. investors, analysts, any users/consumers who would be more able to use and to compare easily the Financial statements of any company or industry before investing or acting),
- The adoption of a Standard Reporting Format will reduce costs along the supply chain of financial information, in avoiding that the financial information be re-keyed, reinterpreted, re-analysed, without mentioning the many mistakes made in these handlings,
- A common Financial Standard Reporting will allow automated processing of data, facilitate their transmission and reduce the risk of errors.
- A Standard Reporting format is the best way to allow comparability and to reduce unfair competition between the Companies, for the benefits of the investors and of all stakeholders,

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?

Answer:

XBRL Europe supports the use of XBRL as the unique standard as no specific alternative standard exists in the world for the purpose of business reporting.

The XBRL language belongs to the XML family. Therefore the use of the language is widely spread. But in addition, XBRL brings a powerful technical mean to structure reporting data through the taxonomies. It has build on XML capabilities on a more powerful way, in order to structure complex data (visualization hierarchy, calculation functionality, data validation functionality, references mechanism to legal sources for reporting items, visualisation of reporting items in different languages). It has to be compared with the many proprietary languages which need the extensive use of IT converters.

Above all it also has to be said that according to some research in the light of this call for evidence “XBRL covers already 60% of the global market capitalization” – (See <http://blog.tertium.biz>).

XBRL Europe underlines that, with this statement, with the international trend of XBRL adoption, with the emergence of Chinese and Indian Markets (which have also decided on XBRL as their reporting language), Europe at large and the European Union in particular has simply no comparative advantage to stay apart from XBRL.

The use of XBRL as a standard reporting format has to be connected to the use a common content (which has already been adopted in Europe) which are the IFRS. An IFRS taxonomy has been developed by the IASB, which has also made a commitment to maintain the taxonomy. Stock listed companies in Europe typically are subject to the IFRS. In addition, national law of

European Members requires stock listed companies to disclose additional information in annual reports and quarterly reports (compared to Bound Volume) If XBRL is going to replace traditional reporting mediums (paper, PDF etc), the IFRS XBRL Taxonomy Extensions must contain elements of national law. For example, the national IFRS-XBRL-Taxonomy Extension (e.g. for France or Germany) has to contain additional reporting content originating from national Commercial Code, Corporate Governance Codex, Stock Corporation Law, Securities Trading Act and national Accounting Standards. Of course it would be much easier if these national requirements would already have been harmonized within Europe. However even without harmonization of content we believe that the XBRL technology is the right tool to present national law reporting content in a comparable manner. The letter X in XBRL stands for eXtensibility. However, strong guidance about extension rules is of utmost importance in order not to lose the comparability. Actually the IFRS Working Group of XBRL Europe is analyzing the situation about EU-national extensions for the IFRS-XBRL-taxonomy and we are evaluating the alternatives.

It is also worth noting that in 12 countries in Europe, Business Registers have already chosen the XBRL standard for the collection and the transmission of annual accounts (statutory) for legal purposes. This choice and the willingness of these countries to work together in order to be able to exchange information is a strong evidence of the interest for a Standardized Reporting Format.

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?

Answer:

In addition to the related advantages of using a standard reporting format, mentioned in the answer to the Q1, XBRL Europe assessed in the above mentioned community that the benefits and advantages in using extensively the XBRL language as the common standard reporting format are numerous.

For issuers it will reinforce the confidence of Markets (and it is particularly true in the current turmoil times). Internally in companies, it should allow producing financial information in a more automated way and ultimately it will allow developing and strengthening internal reporting in XBRL. XBRL Europe reckons this aspect as the most innovative one for companies and estimates that internal reporting in XBRL will allow the issuers in the next years to make large savings. Some large companies have already estimated that the use of XBRL allows them to reduce the time (and so the cost) of producing financial information.

For analysts, investors and auditors and all intermediaries the use of XBRL based standard reporting will bring better comparability of reports, and better safety in using data which would have been less re-keyed and/or misinterpreted. XBRL will reduce for them risks and costs as comparability will be easier to process. In particular for Investors and Financial Analysts, XBRL will bring data available as reported, in a comparable manner, thus less errors through avoiding manual data recovery (e.g. from paper to calculation spreadsheets) and less reliance on data vendors, and will bring opportunity to endeavour into new ways of analysing companies, linking formerly isolated data points etc. in as much as the worldwide web has changed information reception in general. Financial Analysts in Europe (European Federation of Financial Analysts Societies) have understood the huge benefits of XBRL for their profession as they recently made the decision to become member of the non profit organisation XBRL Europe.

We should also mention the various national authorities and regulators which would benefit from XBRL e.g. the Statistical Authorities which are requested today at national level to provide statistics which are included in the financial statements of companies. The XBRL collected data can thus be shared at EU level.

For the securities themselves, XBRL Europe underlines the advantages of the the supervision function, when operated in XBRL and shared at EU level and also internationally where the supervision is or will be carried out mainly with XBRL formats (US, China, India, etc). Synergy in supervision is one of the goals of the G20 after the financial crisis and XBRL is a strong tool for it. For OAMs it will be easier to exchange and to compare business information from one EU country to the other and thus it will reinforce confidence of the Markets into the OAMs efficiency and

reduce the unfair competition between the countries. In the light of the on-going reorganisation process of the Financial regulation in the EU, following the de Larosi re report, it is an additional advantage. For all the stakeholders the use of XBRL based standard reporting will reduce significantly the time of delivery of information.

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?

Answer:

XBRL Europe does not foresee any disadvantages of using a XBRL based standard reporting format as the benefits will be for the whole community including the issuers who appear sometimes reluctant in Europe. It has been assessed as such by many authorities in many countries outside the European Union as it is mentioned in the forewords of this questionnaire. The feelings of confidence are of utmost importance for the markets and for the companies.

One of a disadvantage commonly wrongly mentioned is the cost attached to the XBRL implementation. Due to previous experience in Europe with XBRL Basel 2 implementation or with business register XBRL implementation, XBRL Europe underlines that the majority of these costs are not borne by the issuers but by the governmental agencies, authorities or intermediary organisations which are in charge of better regulation duties and of collecting financial information.

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.

Answer:

The question is to transform numerous exotic reporting formats (with no mention to the paper based reporting), which cost significant amounts of money to issuers and to other stakeholders (to re-process for instance) but which do not carry in specific additional confidence to the markets, to a unique XBRL based standard reporting format. The common sense would merely indicate that after costs of transformation the benefits (and the related savings) will be immense for the financial industry. This approach has been decided in the United States where XBRL is now mandatory for financial reporting for the listed companies.

To be more precise about the costs to be borne, XBRL Europe mentions that they are with:

- the development of taxonomies
- the development of professional Softwares to assist in the gathering, the collection, the exchange, the rendering and the storage of datas.

If the US SEC example is examined carefully the transforming costs were borne by the US authorities in:

- the development of the US Gaap taxonomy
- the development of accompanying softwares to be used by the companies
- the transformation of their EDGAR information system.

In comparison only few costs were left to companies for collecting the datas in following the US Gaap taxonomy and thus creating their related XBRL Instance document.

In Europe the same analysis can be made with an example coming from Belgium which has mandated all the Belgian companies to file their financial statements in XBRL into the central balance sheet portal following the Belgian Gaap. The National Bank of Belgium has borne the costs of developing the portal (including a light integrated XBRL software) and of storing the datas and also the costs of developing the taxonomy. The software industry has borne the costs of

adapting their software to the XBRL technology. Only few costs were left to the companies to set up their first XBRL instance documents in using their XBRL adapted software. Once made the first time we can speak of regular costs to be compared with the past regular costs of setting up paper based financial statements. Even large printing savings can be made which is always beneficial for the environment.

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.

Answer:

XBRL Europe believes that implementing only partly the standard will lead to face same issues than presently; those are manual re-entry of the information, rooms for re-interpretation, lack of comparability, and as a consequence lack of confidence of the market. The wider the common standard reporting format is implemented, the more cost effective is the use of the data for all stakeholders. XBRL Europe suggests thus to adopt a cost effective approach for the whole supply chain.

Obviously to include and to consult industry as it has been made in the US for the timeframes is important in order to not create rejection feelings. XBRL Europe would suggest a phase-in approach – as being considered in the US for footnotes as an example – as a way to move to full XBRL format reporting.

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

Answer:

XBRL Europe believes that as the issuers have nevertheless to spend costs for their reporting, it would be optimized and cost effective to search for a common standard reporting, than using various proprietary formats. As mentioned earlier (Q3) all the stakeholders will get benefits from the use of standard reporting format. Even the consumers who do not currently have easy access to financial information would be able to do so in a much more efficient way.

XBRL Europe can also provide details of the circa 48 identified XBRL projects in 17 countries in Europe like Belgium, Spain, UK, Netherlands, Luxembourg, Denmark, Sweden Germany, France, Italy, and Ireland. These examples and especially those in the annual accounts reporting sector show that using standard reporting formats like XBRL can generate savings to Companies. In Belgium at the Central Balance sheet office savings in using XBRL have been estimated to 22 M€ for the companies per year.

We would like finally here to distinguish between the content of the reporting which has to be agreed commonly (and a strong step has been made with the use of the IFRS) and the reporting technology like XBRL which has to be implemented widely. The recent experience with Basel 2 reporting in the Banks showed that the majority of the costs were in the gathering of the information and only a small part was incurred for the implementation of the technology.

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

Answer:

XBRL Europe foresees specific issues attached to the use of the “XBRL instance document” as for the use of any electronic file. This is a matter of confidence. And this already happens as the available information which is often re-keyed and so comprised of mistakes and errors. The issues are more with the level of authorisations and electronic signature than with the XBRL standard itself. As such for instance FEE in Europe and AICPA in the US have set up specific working groups to define policies and processes in this area. Also various commercial interests are working in order to secure the different steps in the processes.

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

Answer:

XBRL Europe encourages the CESR to take a position which favors Europe competitiveness vis-à-vis the rest of the world which has already chosen XBRL as the standard reporting format.

Also XBRL Europe underlines that the provision of information from issuers should be minimised and as such the wider XBRL is spread the more efficient the use of information is made by all the stakeholders while currently the issuers have to provide information to numerous consumers. This philosophy is laid behind the implementation of integrated SBR (Standard Business reporting) XBRL programmes, like in the Netherlands or in Australia, the philosophy of which is to eliminate the multiple collections of the same data for different purposes.

Note about XBRL Europe:

XBRL Europe is an International Not for Profit Association (Association Internationale sans But Lucratif) based in Brussels in charge of promoting in Europe the open source language XBRL and related possible pan European projects. Members of XBRL Europe are XBRL Belgium, XBRL Denmark, XBRL Germany, XBRL France, XBRL Ireland, XBRL Italy, XBRL Luxembourg, XBRL Netherlands, XBRL Spain and XBRL International and also The Global Trust Council, the European Federation of Financial Analyst Societies, and Deloitte Innovation BV. Also the European Commission (DG Internal Market) is an observer and a regular attendee of XBRL Europe events and Working Groups.

To foster the emergence of common XBRL projects, XBRL Europe has developed a policy of creating specific technical Working Groups:

- European Business Registers Working Group (XBRL EU BR WG) proposes to European Business Registrars to share their experiences on XBRL and increase the interoperability of their XBRL projects and taxonomies.
- IFRS extensions for stock listed companies Working Group
- COREP-FINREP Harmonization Working Group
- Users/analysts Working Group Forum aiming at aligning quality of delivery of both preparers' XBRL instances and intermediaries' and infomediaries' XBRL-related service offerings with user expectations

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