



COMMITTEE OF EUROPEAN SECURITIES REGULATORS

**11-13 avenue de Friedland,
75008 Paris, France**

30th November 2009

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

Dear Sirs

XBRL Ireland respond herewith to your call for evidence on the Use of a Standard Reporting Format for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets.

XBRL Ireland currently operates as Business Reporting Ireland Ltd, a non-profit company limited by guarantee. XBRL Ireland brings together groups from the professions, the financial services industry, general industry, the software industry, the academic world and the public sector

Yours truly,

Conor O'Kelly
Director
XBRL Ireland

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?

XBRL Ireland agrees with the findings of European Parliament Committee on Economic and Monetary Affairs (1) that the current financial crisis, which was triggered by US subprime mortgages, has spread worldwide due to the increasingly integrated and contagious nature of markets, indicating that existing financial market regulation and supervision could not cope with it and a significant reform is needed;

The XBRL technology standard, and XBRL International members already provide the storage mechanisms to interconnect electronically to each other, so that investors and interested parties can easily accede to financial information on listed companies in the Community. The European Commission (2) has already suggested that, in order to provide for a rapid establishment of such an electronic network, it should be based on simple conditions such as those suggested by the competent authorities of the Member States. A simple network should also allow for the provision of added value services to investors. The XBRL community includes over 600 regulators, public interest bodies, standard setters and business registrars across both the EU Member States , the Americas and Asia.

(1) European Parliament Committee on Economic and Monetary Affairs PR\728716EN.doc (June 2008)

(2)) COMMISSION RECOMMENDATION of 11 October 2007 on the electronic network of officially appointed mechanisms for the central storage of regulated information referred to in Directive 2004/109/EC of the European Parliament and of the Council (notified under document number C(2007) 4607) (2007/657/EC)

**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?**

We draw CESRs attention to the recommendation of the European Parliament Committee on Economic and Monetary Affairs (3) and the para12 there-in. We concur with this statement and the recommendation made by the committee

“.. that auditing of accounts and disclosure requirements for publicly traded companies are vital to the sound functioning of the internal market, and that new technologies such as electronic reporting formats (e.g. XBRL) should make it possible to meet disclosure requirements economically, efficiently and swiftly; welcomes, with a view to the simplification of the First and Eleventh Company Law Directives, the aim of reducing disclosure requirements; however, underlines that, as with other simplification measures, disclosure requirements should be reviewed on a case-by-case basis by means of concrete, individual simplification measures based on thorough impact assessments; suggests that exemptions for SMEs and micro-entities should focus on reducing administrative burdens and costs, but should not jeopardise justifiable information needs..”

We propose that it should be made easier for companies to register and to prepare, file and publish statutory information and recommend that the preparation, filing and publication of statutory information should be effected electronically by way of an interoperable Business Register;

We strongly promote the use of new technologies such as XBRL and emphasise that such information should be easily accessible for investors, creditors, employees and public authorities throughout the European Union;

*(3) European Parliament Committee on Economic and Monetary Affairs. REPORT on a simplified business environment for companies in the areas of company law, accounting and auditing (2007/2254(INI)) Committee on Legal Affairs
Rapporteur: Klaus-Heiner Lehne Draftswoman : Ieke van den Burg, Committee on Economic and Monetary Affairs*

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?

The benefits of electronic reporting are speedier filing, easier preparation of consolidated statements, more accurate and uniform data and the opportunity to centralise reporting. Banks pointed out that it can reduce the cost of data analysis. Standardisation could also assist credit rating transparency and the raising of finance. (4)

Independent reporting by the OECD Forum on Tax Administration (5) suggests that there are seven main benefit areas of XBRL when accompanied by a government sponsored standard business reporting framework:

- Reduction in the administrative burden (i.e. cost) of providing data to Government-removal of spreadsheet analysis processes (Gartner estimate “the average Fortune 1000 company used more than 800 spreadsheets to prepare financial statements for regulatory reporting”); reduction in the cost to rework and re-present data; and removal of the need to re-present data that could be derived from submitted accounts and computations during audits and investigations
- Streamlined process of passing/aggregating data across different internal departments, offices or business units of a company.
- Increased interoperability of finance applications:
 - Connect disparate accounting packages together more easily (especially across different accounting areas)
 - Increase the ability to switch software providers in the future
- Increased ability to change providers of filing services (where used) driving increased competition for business and lower charges.
- Better interaction with the banks for loan applications and risk systems:
 - Bank loan businesses money and request financial information at the inception of the loan and throughout the loan cycle
- Improved data quality (less errors due to less manual intervention).
- Avoidance of fines for non-compliance with a mandatory request to provide data.

The Irish Government review (6) has endorsed the early adoption of mandatory electronic filing along with XBRL financial statements and calls for Companies Registration Office (CRO) and Revenue Commissioners to work closely together and to engage with accountancy bodies to produce a cross-agency result which can be replicated by other Government agencies through their existing customer service mechanisms.

We concur with the High-level Group that companies that maintain the e-profile and file accounts through XBRL should not be required to file duplicate information with any other Government Department, Agency or Office and that by introducing a simultaneous return date to CRO and Revenue, by phasing in mandatory e-filing, including accounting data in XBRL-format, and by ensuring that agencies can cross-access data, the burden on Irish business will be considerably reduced

(4) European Commission: DG Internal Markets - Summary Report on the Responses Received to the Working Document of the Commission Services (DG Internal Market) Consultation Paper on Review of the Accounting Directives Cutting Accounting Burden for Small Business/Review of Accounting Directives
http://ec.europa.eu/internal_market/accounting/docs/200910_accounting_review_consultation_report_en.pdf

(5) OECD Forum on Tax Administration: Taxpayer Services SubGroup Guidance note Standard Business Reporting July 2009
<http://www.oecd.org/dataoecd/36/52/43384923.pdf>

(6) Department of Enterprise Trade and Employment, High Level Group on Business Regulation First Report to the Tanaiste, Minister for Enterprise Trade and Employment (July 2008) <http://www.entemp.ie/publications/commerce/2008/HLGReport.pdf>

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?

The biggest tradeoff to consider is using more internal staff time versus higher overall costs. We believe that the benefits of greater control, in house XBRL competency, and lower costs supersede the initial learning curve.

Companies report confusion initially when reading the data for the filing. Whether preparers of financial information choose to implement using software in-house, or review the work done by your printers or another third party, they are responsible for understanding and approving the files. XBRL, like any new language, has a comprehension learning curve; good consultation from vendors and patience will help accelerate the reduction of cost and positive return on investment.

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.

The following preparation costs were reported from 2008 sample of voluntary filers to the US SEC Voluntary Filing Program. It should be noted that this was a voluntary filing program before mandatory filing was announced and that preparation tools and automation have advanced since then with an associated lower production cost for filers.

Company	Vendor/Software	Initial Start Up Costs					Annual Costs				Total Ten - Year Cost
		Employee Hours Spent	Implicit Cost ¹	Software Purchases Monetary Spending	Other Third Party Monetary Spending	Total XBRL Start-up Cost	Employee Hours Spent	Implicit Cost ¹	Other Third Party Monetary Spending	Total Annual XBRL Cost	
1	Merrill Corporation (Hitachi)	100	\$5,250	0	\$4,000	\$9,250	50	\$2,625	\$1,600	\$4,225	\$51,500
2	RR Donnelly Edgar Online	15	\$1,365	0	\$2,000	\$3,365	0	\$0	0	\$0	\$3,365
3	Rivet Software	100	\$6,300	\$750	0	\$6,300	50	\$3,150	0	\$3,150	\$37,800
4	Core Filing/ Business Wire	10	\$630	0	\$1,250	\$1,880	4	\$252	\$2,000	\$2,252	\$24,400
5	Core Filing	70	\$6,370	0	\$5,000	\$11,370	7	\$637	\$400	\$1,037	\$21,740
6	Edgar Online with RR Donnelley	5	\$315	0	\$0	\$315	1	\$63	\$500	\$563	\$5,945
7	Rivet Software	20	\$1,260	\$300	\$8,500	\$9,760	22.5	\$1,418	\$0	\$1,418	\$23,935
8	RR Donnelley	80	\$5,040	0	\$0	\$5,040	40	\$2,520	\$0	\$2,520	\$30,240
9	Rivet Software	35	\$3,185	0	\$20,000	\$23,185	10	\$910	\$5,000	\$5,910	\$82,285
10	Simplex Technology	40	\$2,520	0	\$5000 ²	\$7,520	9	\$567	\$24,500	\$25,067	\$258,190

Average costs from SEC study of Voluntary Filing Program participants (2008)

	First submission with block-text footnotes & schedules	Subsequent submission with block-text footnotes & schedules	First submission with detailed footnotes & schedules	Subsequent submission with detailed footnotes & schedules
Preparation face financials ¹⁷³	\$31,369	\$4,312	\$4,312	\$4,312
Preparation footnotes ¹⁷⁴	\$1,750	\$1,750	\$25,000	\$12,500
Preparation schedules	\$250	\$250	\$2,500	\$1,250
Software and filing agent services ¹⁷⁵	\$6,140	\$6,140	\$6,140	\$6,140
Web site posting ¹⁷⁶	\$1,000	\$1,000	\$1,000	\$1,000
Total cost	\$40,509	\$13,452	\$38,952	\$25,202

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.

The incremental costs are highlighted in the response to Q5.

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

Regulatory requirements to report financial information create administrative burdens for businesses throughout the world. The lack of a common reporting standard/language makes these burdens onerous, as businesses have to tailor, duplicate and individually supply information to meet the many and varied requirements imposed by domestic and international government agencies and regulators.

Standard Business Reporting (SBR) (7) accompanied by XBRL as an enabling technology reduces the set of definitions of the information being reported from businesses to various government agencies and market regulators.

The benefits of XBRL and standard business reporting formats can be assessed under the following headings:

Increased business output and productivity

A reduced reporting burden gives businesses more time to focus on commercial activities. In addition XBRL will allow access to up-to-date financial performance information allowing for better business direction, growth and investment decisions.

Management of reporting creep

XBRL formats reduce the chance of individual agencies adding additional and unnecessary reporting items and provide a process to govern the introduction of new reporting information.

More efficient markets

By adopting high standards for electronic financial reporting, markets have access to international quality standardised financial data contributing to market efficiencies and transparency.

Innovation in the private sector

SBR reporting formats are based on open standards allowing innovative private sector companies to create SBR compatible systems. For example, auditing could be made considerably faster and more detailed with a system designed to use interactive data.

Benefits to government

SBR improves the quality of data submitted to government and securities regulators, reducing ongoing administrative and filing costs. The regulators benefit from:

- reduced costs in dealing with unintentional non-compliance
- reduced cost of data exchange among government and other regulator agencies
- improved collaboration among agencies
- a faster and more consistent way to resolve business reporting queries
- more efficient and effective regulatory monitoring
- increased electronic reporting leading to a reduction in paper lodgements with potential savings downstream associated with scanning, storage and re-keying of information and
- consistent data feeds into an improved policy development and implementation process.

Benefits to intermediaries

Currently intermediaries such as accountants, financial and investment advisors, bookkeepers and tax agents, face a heavy burden collating, analysing and reporting financial information to government. The benefits of SBR for intermediaries include:

- less time spent on report preparation
- a single sign-on to online services
- where relevant and authorised, access to more agencies on-line
- immediate access to current financial information
- enhanced information sharing capabilities
- potentially, online reporting to multiple regulators and agencies
- increased certainty that reports are correct and have been received by the regulator
- a clearer understanding of reporting requirements
- more time for value added services to clients
- access to more sophisticated financial reports.

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

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

The main bureaucratic restraints, such as multiple data requests or reporting requirements, particularly in the fiscal and social fields, tend to be generated by the Member States' administrations. We propose that coordination be increased between the Member States' administrations so as to harmonise the information requests made to businesses in the interests of simplification and transparency;

We call on the Committee to encourage the Member States to harmonise the classification of financial information reporting requirements and to leverage new technologies with a view to reducing the costs of information obligations while preserving the benefits which those obligations provide to market participants, policy-makers and public administrations;

We recommend the implementation of the "once-only principle" so that enterprises do not have to provide the same information more than once or to more than one recipient;

We stress that the reduction of administrative burdens should be achieved through modernising the rules on publication and by making use of electronic distribution channels;

We concur with the Commission call (8) on the Member States and on stakeholders to actively cooperate in the months ahead until early 2010 to draft a new digital agenda so that Europe can emerge from the current economic crisis with a stronger, more competitive and more open digital economy, driving European growth and innovation. We believe that XBRL has a critical role to play in this regard;

We support the Commissions proposal to pursue a new programme aimed to promote Interoperability Solutions for public Administrations (European Interoperability Framework);

The EU's main competitors (i.e. USA, Japan and Korea) are investing significantly more in ICT R&D (relative to GDP) than the EU. Europe is nearly absent in the Internet industry. The gap is primarily due to the smaller size of the EU ICT business sector relative to the US. We recommend that efforts are made to close this gap;

(8) European Commission Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Europe's Digital Competitiveness Report Volume 1: i2010 — Annual Information Society Report 2009 Benchmarking i2010: Trends and main achievements {COM(2009) 390}
http://ec.europa.eu/information_society/eeurope/i2010/docs/annual_report/2009/sec_2009_1060_vol_1.pdf