

ESMA
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FRANCE

Rotterdam, January 13th, 2016

ESMA Consultation Paper on the Regulatory Technical Standards on the European Single Electronic Format (ESEF)

To: ESMA ESEF Consultation,

We would first like to thank ESMA for its thorough assessment of current electronic reporting including the possible options and scenarios to move toward the implementation of electronic reporting in the European Union and the opportunity that ESMA will allow us to provide our feedback on this Consultation Paper.

EY Netherlands is of the opinion that PDF is not a good basis for financial reporting. PDF is not structured and is unsuitable for data processing and data exchange in an information supply chain. A choice for PDF will hinder innovation and, more particularly, quality improvement and cost savings in the reporting chain. We, as an audit firm, for example would not be able to implement automated data analyses and data validation in our assurance services.

EY Netherlands is strongly opposed to the choice of a combination of a non-structured data filing (e.g. PDF) in addition to a structured data filing (e.g. XBRL). This redundant reporting does present serious extra problems and risks for the reporting companies and for audit firms because there is high likelihood both reports (e.g. PDF and XBRL) are inconsistent. This can only lead to confusion and potentially to legal claims.

We want to emphasize that given the timeline of the ESF implementation and the continuously on-going technological developments, the ESMA ESEF must be in a form on which further developments and innovation are possible. We therefore recommend ESMA to choose for structured data and preferably XBRL as the primary and single electronic format for filing (full) annual financial reports.

ESMA should (as many other XBRL projects around the world have done) provide a mechanism of viewing the XBRL annual financial reports itself in a human-readable, understandable and familiar format. The output format of this viewing mechanism can be (for example) PDF or iXBRL.

ESMA may take advantage of the experiences in the Netherlands with the mandate for electronic filing of XBRL annual financial reports to the Chamber of Commerce, the SBR Assurance approach to provide for assurance on XBRL annual financial reports and the SBR Architecture Rules on entity-specific extensions.

In the appendix to this letter you will find our answers to the 19 questions in the Consultation Paper.

With kind regards,
Ernst & Young Accountants LLP

N. van Es

H. Lucassen

Answers to the 19 questions in the Consultation Paper

Question	Answer
1. The provisions included in the amended Transparency Directive requiring a single electronic format were not subject to a formal impact assessment by the European Commission. While from a legal point of view ESMA could not address in this CP whether there is a need for the provisions included in the amended Transparency Directive, do you believe that a wider assessment should be performed on the requirements of introducing a single electronic reporting format in Europe? Please indicate your opinion and provide arguments.	No, we do not believe a wider assessment is needed. Such an assessment will unnecessarily slow down the choice and implementation of a single electronic reporting format.
2. Do you agree with the description of the policy objectives as included in this section? Are there any further elements that you believe should be analysed? If yes, please indicate them.	No opinion.
3. Do you believe that the introduction of electronic reporting should serve as a basis for further debate on auditing of electronic structured data? Please explain your reasoning.	Yes, we believe users will want to rely on electronic reports and there will be a demand for assurance on these reports. Therefore, the introduction of a single electronic reporting format will inevitably trigger the discussion the auditing of electronic financial information. The Netherlands are already implementing an audit framework as part of the Dutch mandate for electronic filing of XBRL annual financial reports to the Chamber of Commerce (the national business registrar) by January 1 st , 2016. For us, as an audit firm, it is very desirable ESMA's decisions are in line with these initiatives: it will be very ineffective and inefficient if we have to implement and support two different reporting and auditing processes
4. Are you aware of any further elements which are necessary to provide an accurate picture of the current reporting for the purpose of this CP?	ESMA should take into consideration that many companies reporting to ESMA also have to prepare annual financial reports in XBRL format in accordance with the national law. The decisions ESMA makes should be in line or at least not interfere with these national requirements.
5. Do you agree with the description of the technologies included in the CP?	Yes, we agree with the remark that we prefer XBRL over PDF and iXBRL. The PDF format is an unstructured data format

	which cannot be used for effective data exchange in an information supply chain (through machine-machine communication). Furthermore, PDF is not suitable for processing and analyses (e.g. data analyses) purposes. XBRL is in our opinion most suitable and allows us to innovate both our core audit processes as well as our back office processes.
6. Do you agree with the choice of the technologies to be further analysed as part of the CBA? If not, please indicate which other technologies you would propose for further analysis.	Yes, we agree with the remark that in our opinion XBRL is most suitable. Choosing XBRL would also be in line with the choices made by EBA and EIOPA and the investments we made to support these reporting requirements.
7. Do you agree with ESMA's proposal to use the IFRS taxonomy as issued by the IFRS Foundation for reporting under IFRS, subject to formal endorsement in the European Union?	Yes, we agree. As most entities reporting to ESMA use IFRS, the use of the IFRS taxonomy as issued by the IFRS Foundation. However, the IFRS taxonomy issued by the IFRS Foundation is intended to be adapted by regulators and/or users to suit their requirements through an extension taxonomy. Therefore, an appropriate ESMA / EU extension taxonomy will be mandatory.
8. Do you agree with ESMA's preliminary conclusions not to use regulatory and entity specific extensions? Please provide arguments in your answer in relation to the impact on issuers and users.	No, we do not agree. First of all and as mentioned before, ESMA should build an appropriate ESMA / EU extension. Secondly, ESMA should allow the use of regulatory extensions from national jurisdictions or industry sector extensions published by recognized bodies, thus supporting the Member States' initiatives as in the Netherlands. Finally, we believe ESMA should allow entity-specific extensions. However, this should be regulated by means of an agreed international extension architecture and rules on extension, entity-specific extensions undermine the comparability of data.
9. Do you agree with the proposed approach in relation to the taxonomies of third countries GAAPs deemed equivalent to IFRS?	Yes, we agree.
10. Do you believe that taxonomy shall be developed for other parts of the AFR (outside financial statements)? If yes, please indicate which ones and explain why.	Yes, we believe all parties involved will benefit from the use of digital structured reporting for all parts of the AFR (including half-yearly or quarterly reports and e.g. reporting on Corporate Social Responsibility, Integrated Reporting and Carbon Disclosure). For us, as an audit firm, standardisation of all reports and reporting processes to one standard

	(preferably XBRL) will lead to significant efficiency and quality improvement.
11. Do you agree that non-structured electronic reporting should be required for the entire Annual Financial Report? Do you agree that the format used shall be PDF? If you disagree, please explain your opinion by providing arguments on the policy objectives and impact on the CBA.	No, we do not agree with the combination of a non-structured data filing (e.g. PDF) in addition to a structured data filing (e.g. XBRL) to ESMA. This redundant reporting does presents serious extra problems and risks for audit firms because there is high likelihood both reports (e.g. PDF and XBRL) are inconsistent. Any differences will lead to confusion and potentially to legal claims. We believe ESMA should opt for option C (Full AFR in structured data) and chose a structured electronic format (preferably XBRL) as the primary and single format. ESMA should (as many other XBRL projects around the world have done) provide a mechanism of viewing the XBRL filing itself in a human-readable, understandable and familiar format.
12. Do you agree with the solution of a single electronic format composed of structured and non-structured data (option B)? If not, please explain your opinion as well as the impact on the CBA.	No, we do not agree. As mentioned in the previous answers the combination of a non-structured data filing in addition to a structured data filing is creating expensive double work and it is error prone and not necessary. Therefore we believe ESMA should opt for option C (Full AFR in structured data), should use structured data as a single filing format and should also provide for a mechanism to render the financial statements in human readable formats (e.g. PDF).
13. Do you agree that iXBRL and XBRL are the most relevant options available for the ESEF?	We prefer XBRL over PDF and iXBRL.
14. Could you please indicate what is your preferred solution between iXBRL and XBRL? Please explain the reasons.	We prefer XBRL over iXBRL as iXBRL may also contain un-tagged data which potentially can be inconsistent with the tagged data. However, iXBRL may be a suitable output format for an ESMA provided mechanism to render the financial statements in human readable formats.
15. Do you agree that structured reporting format should in a first stage be required for consolidated IFRS financial statements and eventually in a second stage for individual financial statements?	No, we do not agree. Companies that use IFRS for both their consolidated and individual financial statements should be allowed to use XBRL for both as this will be more efficient for companies, auditors and users of the information. ESMA should also consider to allow companies that use XBRL in combination with national (e.g. Dutch) GAAP taxonomies for their individual financial statements to file their individual financial statements using this national format.

16. Do you agree with a different approach for the financial statements under national GAAPs compared to IFRS on the grounds of the existence of a taxonomy? Do you agree with the proposed approach in terms of potential development of a EU core taxonomy to be used for national GAAPs in the future?	Yes, as mentioned in the previous answers we agree. Yes, as mentioned in the previous answers we agree.
17. Do you agree that a single electronic format should not be required for financial statements under third country GAAP? GAAP = Generally Accepted Accounting Principles	Yes, as mentioned in the previous answers we agree.
18. Would you be in favour for a phased approach for SMEs, if it would be allowed under the legal mandate? Would it be relevant in the context of the development of the Capital Markets Union?	No, we are not in favour of a phased approach. We are convinced that also SMEs can handle the transition to a single electronic reporting format easily. In our opinion a transition period will not be necessary and will only cause inefficiencies.
19. Do you have any other comment to make?	ESMA should take note from several initiatives in the Netherlands, amongst others the mandate for electronic filing of XBRL annual financial reports to the Chamber of Commerce, the SBR Assurance approach to provide for assurance on XBRL reports and the SBR Architecture Rules on entity-specific extensions.