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| 25 September 2015 |

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| Reply form for the Consultation Paper on the European Single Electronic Format (ESEF) |
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| Date: 25 September 2015 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in Consultation Paper on the European Single Electronic Format (ESEF), published on the ESMA website.

*Instructions*

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

* use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
* do not remove the tags of type < ESMA\_QUESTION\_ESEF \_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
* if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

* if they respond to the question stated;
* contain a clear rationale, including on any related costs and benefits; and
* describe any alternatives that ESMA should consider

**Naming protocol**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA\_ ESEF \_NAMEOFCOMPANY\_REPLYFORM.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA\_ESEF\_XXXX\_REPLYFORM

To help you navigate this document more easily, bookmarks are available in “Navigation Pane” for Word 2010 and in “Document Map” for Word 2007.

***Deadline***

Responses must reach us by **24 December 2015.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.

***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the headings ‘Legal notice’ and ‘Data protection’.

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_ESEF\_1>

Business Reporting – Advisory Group (BR-AG) welcomes the opportunity to contribute to the European Securities and Markets Authorities (ESMA) Consultation Paper (CP). We support the decision on the development of Regulatory Technical Standards (RTSs) related to the establishment of the European Single Electronic Format (ESEF) and we believe that it will strengthen the regulatory reporting in the European Union (EU). The European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) have already developed and implemented such formats and established their reporting requirements in form of common dictionaries, models and taxonomies. The introduction of ESEF for capital markets may bear similar significance to the introduction of IFRSs in Europe. Based on our international experience, the single electronic format significantly increases usability of data and removes reporting burdens for the supervisors and market participants.

<ESMA\_COMMENT\_ESEF\_1>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_1>

BR-AG understands, that a formal impact assessment for a single electronic format in the EU would be beneficial, especially since its implementation requires a significant effort from participating institutions and dedication of resources at the early stages. However taking into account to-date, similar implementation experiences in the EU and other jurisdictions it is clear that market participants benefit in the mid to long term perspective from increased performance, reduction of costs of data collection and comparison and improved data quality. Therefore given the experiences from Spain, UK, Germany, Denmark, Ireland, Estonia, Finland, the Netherlands and other EU Member States, we believe that the formal impact assessment is not necessary. To the contrary we believe that further delay in the development and implementation of ESEF may place the EU in an unfavourable position against similar efforts conducted by Asian, American and Middle Eastern capital markets.

<ESMA\_QUESTION\_ESEF\_1>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_2>

We agree with the description of almost all policy objectives listed, however would like to bring attention to the potential consequences related to the first policy, that “*the electronic reporting should be easier for issuers compared to the current practices”*. Evidence from e-government and similar types of projects demonstrates that “ease” is a subjective perception, may significantly vary between project beneficiaries and eventually may be contrarily assessed by any two participants. For instance implementation of electronic formats eases use for software vendors and IT experts, however may place additional learning effort on accounting and auditing profession. It is worth noting that ease of use depends equally on factors attributable to the specific program or project (i.e. quality of outcomes, roll-out plan, dictionaries and frameworks) as well as on factors beyond control of a specific program (i.e. emergence of user-friendly external software products or comprehensive market training programs). Furthermore any change introduced by regulators to the market is most commonly perceived as additional burden and is generally not welcomed compared to existing procedures especially if costs or learning efforts are associated with their introduction. Therefore we recommend to reconsider this policy and either remove it or specify conditions of its fulfilment.

<ESMA\_QUESTION\_ESEF\_2>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_3>

We believe that the introduction of electronic standard should serve as a basis for further debate on auditing of electronic structured data. Electronic reporting format provides for advanced, automated quality checks, based on mathematical and logical rules often built into larger conditional models. Such possibilities should be welcome by auditing profession, which often relies on selective checks of figures. On the other hand assignment of “tags” to the data elements of financial or annual reports should be a subject of auditing scrutiny to avoid direct or deliberate misuse of technology to mislead recipients of financial information.

<ESMA\_QUESTION\_ESEF\_3>

**Question 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\_QUESTION\_ESEF\_4>

<ESMA\_QUESTION\_ESEF\_4>

**Question 5: Do you agree with the description of the technologies included in the CP?**

<ESMA\_QUESTION\_ESEF\_5>

We agree with the list of technologies and would like to provide the following comments to the descriptions of specific technologies. Regarding human-readability XML stands at the same level as XBRL which is less readable to humans and targeted for computer programs. The statement that regulators will not be able to define a specific layout with Inline XBRL (iXBRL) should be reassessed.

<ESMA\_QUESTION\_ESEF\_5>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_6>

BR-AG agrees with the selection of XBRL, iXBRL and XML as technologies for further analysis as part of the CBA. We believe that HTML/XHTML is not providing a necessary level of support for understanding data and therefore should not be further analysed.

<ESMA\_QUESTION\_ESEF\_6>

**Question 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?**

<ESMA\_QUESTION\_ESEF\_7>

We agree that the IFRS XBRL Taxonomy should be used for the purpose of ESEF. We also believe that the CP may unintentionally create the understanding that there exists an “IFRS Taxonomy” that is not the IFRS XBRL Taxonomy. According to our knowledge at present no other taxonomy from the IASB remains available other than the XBRL one. Should ESMA be referring to the PDF print-outs of the IFRS Taxonomy, it is important to note that these follow rules prescribed by specifications, best practices and architectures of the XBRL standard. It is worth noting that application of the list of printed elements of the IFRS XBRL Taxonomy with other electronic formats may not be possible due to specific use of elements like hypercubes, dimensions, domains and other. Similarly it is extremely probable that attributes and constructs like balance, reference links, label links and other would be subject to different design requirements if other formats than XBRL were underlying the reflection of the IFRS standards in forms of taxonomy.

<ESMA\_QUESTION\_ESEF\_7>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_8>

We believe that ESMA should reassess the notion of extensibility especially since, based on our experience, the use of the IFRS Taxonomy without national or entity specific extensions will be counter-productive to the objectives of ESEF. According to our experience the “extensibility” of financial reports does not stem from use of any particular technology, but arises directly from the principles described by the IFRS - especially the issuer’s right to disclose all material information in such a way as to better represent the true and fair view of the company. This approach causes lack of comparability of financial data since companies disclose information according to their justified preferences and not according to any specific set of templates. Use of any technology, be it paper, spreadsheet, fixed format or a dynamic XML/XBRL document, needs to follow these rules and provide issuers with a possibility to “rearrange” financial information according to their preference. Similarly the principle-driven IFRSs often do not provide specific disclosure requirements and require the issuer to define such (operating segments, lines of products). Application of these rules on paper or spreadsheets result in “simple” changes like “adding” a header, bullet point, row or column. Advanced technologies require schemas to be customised to cater for such specific requirements. The extent to which requirement for preparation of extensions will cause additional burdens for issuers and analysts depends primarily on the implementation approach taken by ESMA and the NCAs. It is worth noting that use of the IFRS taxonomy without national or entity-specific extensions may force the companies to reclassify their positions to cater for fixed core IFRS Taxonomy structure. As a result issuers may be forced to produce two sets of accounts, one real printed in PDF and the other, reclassified according to IFRS Taxonomy core. Such situation may cause significant misunderstanding on both issuer and investor sides. Other approaches to extensibility than these described by the CP remain available that should allow to cater for both extensions and create value for issuers and analysts and we believe that ESMA may like to evaluate them.

<ESMA\_QUESTION\_ESEF\_8>

**Question 9: Do you agree with the proposed approach in relation to the taxonomies of third countries GAAPs deemed equivalent to IFRS?**

<ESMA\_QUESTION\_ESEF\_9>

We agree with the proposed approach. ESMA should not conduct an analysis on the development and maintenance of taxonomies for third countries GAAPs as well as its governance processes, prior to finalization of ESEF for the EU purposes.

<ESMA\_QUESTION\_ESEF\_9>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_10>

We believe that the taxonomy could be developed for all other parts of the AFR beyond the financial statements. Block-tagged disclosures, enumerated lists and structured notes are valuable and could provide significant sets of data that would allow for better search and analysis of the submitted reports. Moreover, if electronic standard would be used in internal reporting, the auditors would have access to the same data as issuers. Also it is worth noting that such approach would be aligned with global efforts for introduction of integrated reporting.

<ESMA\_QUESTION\_ESEF\_10>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_11>

We agree that in the phased-in approach early stages may not require entire report to be tagged, however we believe there is no value in use of the non-structured PDF format over the iXBRL (XHTML) format. As the CP notes the latter allows to transmit a user-friendly document and the technology of iXBRL allows for any approach like Minimum Tagging Requirements or subsets of AFR to be tagged while remaining parts should be only disclosed as XHTML. That allows issuers and analysts to process only one document, view it and use it regardless whether they want to benefit from the underlying XBRL tagging. The iXBRL approach addresses the rendering notion by providing a browser-viewable report while allowing to tag subsets of data which facilitates phasing-in increased tagging requirements over time.

<ESMA\_QUESTION\_ESEF\_11>

**Question 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.**

<ESMA\_QUESTION\_ESEF\_12>

We believe that another option based only on iXBRL is possible and best meeting all requirements and policies stated in the CP. Explanation and rationale is provided in response to question 11.

<ESMA\_QUESTION\_ESEF\_12>

**Question 13: Do you agree that iXBRL and XBRL are the most relevant options available for the ESEF?**

<ESMA\_QUESTION\_ESEF\_13>

Yes we agree with iXBRL and XBRL being the most relevant options.

<ESMA\_QUESTION\_ESEF\_13>

**Question 14: Could you please indicate what is your preferred solution between iXBRL and XBRL? Please explain the reasons.**

<ESMA\_QUESTION\_ESEF\_14>

We believe the iXBRL to combine advantages of both XBRL and XHTML and therefore to be the prevailing option.

<ESMA\_QUESTION\_ESEF\_14>

**Question 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?**

<ESMA\_QUESTION\_ESEF\_15>

BR-AG agrees that the structured reporting format should be required for consolidated IFRS financial statements in the first stage. We support the decision of expanding the structured reporting format by individual financial statements in the latter stages.

<ESMA\_QUESTION\_ESEF\_15>

**Question 16a: 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?**

<ESMA\_QUESTION\_ESEF\_16a>

BR-AG believes that financial statements under national GAAPs and IFRS may follow temporarily a different approach however we recommend that ESMA takes active role in promoting the use of a single format across the EU including its use for national GAAP. Development process of a EU core taxonomy can reveal similarities and differences of various accounting standards in the EU area.

<ESMA\_QUESTION\_ESEF\_16a>

**Question 16b: 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?**

<ESMA\_QUESTION\_ESEF\_16b>

We believe that options proposed by ESMA in the CP as well as alternatives to address structuring data for national GAAPs should be revisited. Certain statements in the CP (e.g. in point 166) may require further analysis and correction taking into account potential use of IFRS SME Taxonomy and other initiatives that are currently under development.

<ESMA\_QUESTION\_ESEF\_16b>

**Question 17: Do you agree that a single electronic format should not be required for financial statements under third country GAAP?**

<ESMA\_QUESTION\_ESEF\_17>

While we agree with the phased approach, we believe that eventually data prepared using third countries GAAPs should be reported in a single electronic format, with entire AFR submitted using a non-structured format or combined within iXBRL, at least at the early stages of third countries GAAPs implementation, to allow the users to have basic financial statements information. However in the future, ESMA may consider to pursue a fully-structured reporting for the third country GAAPs, aligned with the IFRSs and National GAAPs.

<ESMA\_QUESTION\_ESEF\_17>

**Question 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?**

<ESMA\_QUESTION\_ESEF\_18>

In our opinion a phased approach for SMEs would be beneficial, relevant and important for development of Capital Markets Union and should lead to elimination of potential future data comparability issues while allowing more time for SMEs to adapt. Moreover, it would improve SMEs exposure and thus access to the capital, that is relevant in the context of the development of the Capital Markets Union.

<ESMA\_QUESTION\_ESEF\_18>

**Question 19: Do you have any other comment to make?**

<ESMA\_QUESTION\_ESEF\_19>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ESEF\_19>