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**CALL FOR EVIDENCE**

**The Use of a Standard  
Reporting Format for  
Financial Reporting of Issuers  
Having Securities Admitted to  
Trading on Regulated Markets**

**Deadline for contributions:** CESR invites responses to this consultation paper by **30 November 2009**. All contributions should be submitted online via CESR's website under the heading 'Consultations' at [www.cesr.eu](http://www.cesr.eu). All contributions received will be published following the close of the consultation, unless the respondent requests their submission to be confidential.



## Introduction

1. The Commission Recommendation 2007/65/EC on the electronic network of officially appointed mechanisms for the central storage of regulated information referred to in the Transparency Directive (2004/109/EC, TD) requests CESR to report to the European Commission on the possible future development of the network of officially appointed mechanisms for the central storage of regulated information (OAMs) by 30 September 2010.<sup>1</sup>
2. In the 34<sup>th</sup> CESR Plenary the Chairs asked CESR's Transparency Group to explore issues related to the use of a standard reporting format for financial reports of issuers having securities admitted to trading on a regulated market. The use of XBRL (eXtensible Business Reporting Language) for this purpose was also discussed. The Transparency Group concluded that a call for evidence should first be launched in order to gather the necessary information from market participants and interested parties.
3. Within the last few years there have been a number of international initiatives in the area of XBRL reporting. This paper begins by describing, in brief, the idea of standard reporting formats and XBRL reporting, then presents recent developments and the current situation, and finally analyses the current legislative framework. At the end of this paper a number of questions, both general and detailed, are presented. The aim of these questions is to gather information on issues that have at this stage been identified and considered as important for the analysis.
4. It should be noted that CESR has not yet taken any position on standard reporting formats, or more particularly XBRL reporting, nor has it any powers to impose them. The responses to this call for evidence will serve CESR in the analysis of the issue. On the basis of the analysis CESR may address the issue in more detail in the preparation of a report to the European Commission on the possible future development of the network of OAMs.
5. It should also be noted that the call for evidence concentrates on the possible introduction of standard reporting formats in the medium or long term. The discussion focuses only on IFRS financial reporting and therefore issues related to financial reporting in national GAAP have not been considered at this stage.
6. The call for evidence particularly seeks to gather views of issuers, professional investors, retail investors, auditor, analysts, IT experts, OAMs and other users of financial information.
7. This call for evidence has been prepared by CESR's Transparency Group chaired by Mr Hans Hoogervorst, Chairman of the Netherlands Authority for the Financial Markets.

## Standard reporting formats and XBRL

8. A standard reporting format for financial reporting would enable automated processing of financial information, cutting out the need for manual re-entry and comparison. Investors, analysts, journalists, and financial intermediaries would be able to search information about companies on the internet more easily, to download the information into spreadsheets, to reorganise it in databases, and to put it to other comparative and analytical uses.
9. One of the most prominent languages for electronic communication of business and financial data currently is XBRL (or Interactive data as it is called in the United States).<sup>2</sup> XBRL is an XML language which is designed for communicating information between businesses and on the internet. XBRL is being developed by an international non-profit consortium of more than 550 companies, organisations and government agencies. It is an open standard, free of licence fees. It is already being put to practical use in a number of countries and implementations of XBRL are growing around the world.

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<sup>1</sup> See paragraphs 21 and 22 of Commission Recommendation 2007/657/EC.

<sup>2</sup> See [www.xbrl.org/eu](http://www.xbrl.org/eu).



10. The idea behind XBRL is that instead of treating financial information simply as a block of text - as in a standard internet page or a printed document - it additionally provides an identifying tag for each individual item of data (for example in income statements or balance sheets).

## **Recent developments in the EU and outside the EU**

### **Recent calls from the Council and European Parliament**

11. The Competitiveness Council conclusions of 22-23 November 2007 agreed to the Commission Communication of 10 July 2007 on the simplification of company law, accounting and auditing, but at the same time called for the optimisation of the use of electronic means taking into account the possibilities offered by "available technological instruments and business reporting computer languages".
12. The European Parliament's Resolution of 21 May 2008 on a simplified business environment for companies in the areas of company law, accounting and auditing<sup>3</sup>, notes the advantages of XBRL and urges the Commission to actively promote the use of electronic means in relations between undertakings and public administrations. Also the European Parliament Resolution of 9 October 2008 on Lamfalussy follow-up: future structure of supervision<sup>4</sup> called on the Level 3 Committees to design common reporting standards, preferably in a multipurpose format such as XBRL and calls upon the Commission to submit adequate legislative proposals.

### **Recent developments in the United States**

13. In December 2008, having implemented the XBRL Voluntary Filing Program and consulted on a proposed ruling for phased-in mandatory use of XBRL (interactive data), the US SEC decided to require public companies and mutual funds to use interactive data for the filings of financial information. For public companies, interactive data financial reporting will occur on a phased-in schedule beginning in 2009. The largest companies who file using U.S. GAAP with a public float above \$5 billion are required to provide interactive data reports starting with their first quarterly report for fiscal periods ending on or after 15 June 2009. This will cover approximately 500 companies. The remaining companies who file using U.S. GAAP are required to file with interactive data on a phased-in schedule over the next two years.
14. Companies reporting in IFRS issued by the International Accounting Standards Board are required to provide their interactive data reports starting with fiscal years ending on or after 15 June 2011. Companies are able to adopt interactive data earlier than their required start date. All U.S. public companies will have filed interactive data financial information by December 2011 for use by investors.
15. The ruling on mandatory XBRL filing accompanies the SEC's "21<sup>st</sup> Century Disclosure Initiative"<sup>5</sup> both of which aim to fundamentally rethink the way companies report and investors acquire information. In addition, the SEC has unveiled the successor to the agency's EDGAR database. The new system is intended to give investors faster and easier interactive access to key financial information about public companies and mutual funds.
16. In the public consultation of the SEC's proposal some respondents expressed doubts on the usefulness of the interactive data for investors. Concerns were also expressed about e.g. accuracy and reliability of interactive data as well as especially smaller issuers' ability to meet the

<sup>3</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2008-0220&language=EN&ring=A6-2008-0101>.

<sup>4</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2008-0476&language=EN&ring=A6-2008-0359>.

<sup>5</sup> See [www.sec.gov/disclosureinitiative](http://www.sec.gov/disclosureinitiative).



disclosure obligations.<sup>6</sup> As the XBRL filing requirement has only recently entered into force, the SEC has not yet analysed the actual effects of the new rules. CESR discusses the subject regularly with the SEC in order to follow the developments in the United States.

### **Recent developments in other jurisdictions**

17. There have also been similar developments in jurisdictions other than the USA. Financial institutions have been reporting monthly data in XBRL format to the Bank of Japan since February 2006. The Japanese FSA completed migration of its regulated information to an XBRL-based system (EDINET) in March 2008 and is already requiring XBRL-based reports.
18. A number of Asian stock exchanges (Tokyo, Korea, Shanghai) have introduced XBRL-based reporting by their listed companies during the course of 2008. Singapore has a comprehensive XBRL project to allow all companies to file only one set of financial statements that can be used by several government agencies, including the tax authorities. Also the government of Australia has taken a broader approach by creating a national XBRL infrastructure that uses common information formats for a number of administrations and organisations in the country.
19. In April 2009, following a public consultation launched in January 2009, the International Accounting Standards Committee Foundation (IASC Foundation) issued IFRS Taxonomy 2009. The IFRS Taxonomy 2009 is a translation of International Financial Reporting Standards (IFRSs) as of 1 January 2009 into XBRL. It is intended to allow companies, regulators, investors, analysts and other users of the IFRS Taxonomy 2009 to benefit from easier filing, improved access to and comparison of financial data. At the same time, the IASC Foundation also published a draft Due Process Handbook for XBRL Activities for public comment. The handbook sets out the IASC Foundation's XBRL mission, methodology and scope of work. It describes the mandatory procedures followed in developing the IFRS Taxonomy and in all other XBRL activities.<sup>7</sup>

### **The use of XBRL in the EU**

#### **The use of XBRL in the EU banking supervision**

20. The use of XBRL is already required by some European banking supervisors. CEBS has developed XBRL taxonomies for the prudential reporting framework COREP (Common REPorting) for the new solvency ratio of credit institutions and investment firms, and for the standardised financial reporting framework (FINREP) for credit institutions operating in the EU.
21. In some Member States banking supervisors<sup>8</sup> have active XBRL projects, some of them either allow or require XBRL-compliant reporting<sup>9</sup>, following the recommendation of the CEBS. At the same time, there may be alternative ways other than XBRL to structure data. However, banking supervisors in six Member States<sup>10</sup> have decided not to use XBRL.

#### **The use of XBRL for financial reporting of listed issuers**

22. In 2008, CESR's Transparency Group conducted a mapping exercise on the implementation of the TD in Member States. The results of this mapping exercise showed that XBRL is not widely used in the EU for financial reporting of issuers having securities admitted to trading on

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<sup>6</sup> See <http://www.sec.gov/rules/final/2009/33-9002fr.pdf>.

<sup>7</sup> See <http://www.iasb.org/News/XBRL/IFRS+Taxonomy+final+release.htm>.

<sup>8</sup> In Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Poland and Spain. Also Portugal (Banco de Portugal) views positively the use of XBRL although XBRL-compliant reporting is currently not technically supported or required.

<sup>9</sup> In particular this is the case in Belgium, Germany and Spain.

<sup>10</sup> Czech Republic, Estonia, Slovakia, Slovenia, Sweden and the UK.



regulated markets: only one Member State requires issuers to file half-yearly and quarterly financial information in XBRL and another allows XBRL filing. In other Member States XBRL filing is currently not supported for filing with OAM or filing with the competent authority.

23. Whilst the use of XBRL is not officially supported, some service providers (e.g. some OAMs), however, translate financial information of listed issuers into XBRL format and sell that information as value added service mainly to professional market participants.

### **The legislative framework**

24. Pursuant to the TD regulated information has to be disclosed in a manner ensuring fast access to such information on a non-discriminatory basis (dissemination of regulated information). At the same time as regulated information is disclosed it has to be filed with the officially appointed mechanism for the central storage of regulated information (filing with the OAM) and with the home competent authority (filing with the competent authority). The OAMs have to comply with minimum quality standards of security, certainty as to the information source, time recording and easy access by end users. In addition, the filing of regulated information with the OAM should be aligned with filing with the competent authority.
25. The European Commission has the power to adopt implementing measures on, *inter alia*, minimum standards for the dissemination of regulated information, minimum standards for the OAMs and procedure in accordance with which the information is to be filed with the competent authority. The Level 2 Directive (L2D) sets out the minimum standards for the dissemination of regulated information whereas the minimum standards for the OAMs are set out in Commission Recommendation on the electronic network of OAMs.
26. Neither the L2D nor the Commission Recommendation requires the use of a single file format for dissemination or filing of regulated information. Pursuant to recital 16 of the L2D "[w]hen communicating information to the media, issuers or third parties should give priority to the use of electronic means and industry standard formats so as to facilitate and accelerate the processing of information".
27. Pursuant to paragraph 20.4 of the Commission Recommendation the OAMs should be allowed to require issuers to use predetermined file formats and templates. In any event, the OAM should, at least, accept file formats which are non-proprietary and that obviate single vendor software applications and are commonly used and generally accepted proprietary formats. If templates are imposed, the OAM should ensure that they are easily accessible and they should be aligned with those used for filing the same information with the competent authority.
28. The Commission Recommendation also requests CESR to draw up by 30 September 2010 guidelines for the future development of the OAM network. These guidelines should, among other things, examine the feasibility, including a cost/benefit analysis, of requiring the use of common input formats and standards for the submission of regulated information to the OAMs. This call for evidence aims at gathering information for the preparation of the report. Depending on the responses to the call for evidence, CESR may address the issue in more detail in the drafting of the report.

### **Questions**

**Please state the reasons for all of your answers.**

- 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?**



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