



European Securities and
Markets Authority

**Reply form for the
Consultation Paper on the
European Single Electronic Format (ESEF)**





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 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 under the headings 'Legal notice' and 'Data protection'.

Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_ESEF_1>

General remarks

- (1) FEE (the Federation of European Accountants, www.fee.be) is pleased to provide you below with its comments on the ESMA's consultation on the European Single Electronic Filing (ESEF). FEE is the Fédération des Experts-comptables Européens (Federation of European Accountants). It represents 50 professional institutes of accountants and auditors from 37 European countries, including all of the 28 EU Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 875.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy. FEE is registered in the EU Transparency Register (no. 4713568401-18) and a member in the European Commission's Platform for Tax Good Governance.
- (2) FEE welcomes the consultation on ESEF. We believe that consistency in filing financial information across Europe enables level playing field and enhances cross border investment.
- (3) As indicated in the Consultation Paper (CP), the filing requirements vary across the EU. This indicates that Member States are at a different starting point and have different current practices.
- (4) It should also be stressed that the approach to any potential involvement of the (statutory) auditor in the process of the preparation of an electronic filing of financial statements or such financial statements data varies considerably across Europe.
- (5) Therefore, we believe that any efforts to enhance consistency in Europe should serve as minimum requirements without restricting those Member States that already go beyond the proposed requirements.

We hope that our comments are useful for ESMA's efforts to establish the guidelines on the ESEF across Europe.

For further information on this letter, please contact Pantelis Pavlou, Manager, from the FEE Team on +32 2 2 893 33 74 or via e-mail at pantelis.pavlou@fee.be.

<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>

- (1) We do not believe that there is a need for a full impact assessment. We note that in some Member States electronic filing is already required at acceptable costs. Having said that, we believe that the impact of introducing a new pan-European electronic filing system should not be understated, especially any aspects that relate to the differences in the legal and tax regimes across different jurisdictions. In that respect we would welcome an analysis of the potential obstacles and a preliminary assessment whether a full impact assessment would be required. To this end, we believe that the cost-benefit questionnaire attached to this consultation would provide a good basis for such analysis.
- (2) In addition we encourage ESMA to undertake educational sessions amongst preparers and potential users of the structured filing system. We believe that such educational sessions are needed before there will be a buy-in from all parties.

<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>

- (3) FEE agrees with the policy objectives as identified in the CP. We however raise some concerns regarding potential unintended consequences. We believe that comparability does not mean that numbers should be assessed on a line-by-line basis in isolation. Companies have different business objectives, strategies and business models, and therefore their external financial reporting should reflect those differences in order to provide useful and comparable information to users. Therefore we suggest that ESMA clarifies its intentions in the policy objectives that comparability is not only referring to a merely line-by-line comparison to avoid any unintended consequences.
- (4) Finally, even though we understand the specific characteristics of banks, financial intermediaries and insurance companies, we stress that those aspects/characteristics are already addressed by the prudential supervisors. Regulatory reporting has a different purpose and objective than financial reporting; therefore we suggest that ESMA distinguishes and better clarifies these two objectives.

<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>

- (5) One of the objectives outlined in the amended Transparency Directive is to facilitate the analysis of financial information, not only for investors, but also for analysts, financial institutions, competent authorities, etc. It is important that the information that is made available in a structured electronic format (in full or partly) should be as reliable as the underlying financial data. To this end, the issue of auditing, providing assurance or any other service on structured information should be considered and therefore we encourage ESMA to initiate the debate on the auditability of the process of electronic 'tagging' of data and/or the structured electronic information itself, as there is currently no international standard addressing this issue.
- (6) FEE issued in 2009 a policy statement analysing the implications of XBRL including some considerations re the external audit (http://www.fee.be/images/PS_091218 - Auditing and Financial Reporting - eXtensible Business Reporting Language XBRL - The impact on accountants and auditors.pdf). Some of the key aspects are included below.

- (7) Auditors generally opine on the truth and fairness of the financial statements of a reporting entity taken as a whole. This is based on a static (paper) document for which there is only one possible format and view.
- (8) There is an open question as to the level of assurance that stakeholders may require or expect in relation to annual financial statements that are XBRL enabled. Clearly it is possible for auditors to carry out agreed upon procedures in relation to a given instance document¹. However, it should be noted that the auditor is not expected to perform any work or provide any assurance on any of the XBRL taxonomies. This responsibility lies with the developing organisation, such as the IASB, or the US Securities and Exchange Commission (SEC).
- (9) Currently, the electronic filing requirements vary significantly across EU member states. In some countries, financial statements are or will only be filled and available electronically, there is no longer a pdf or other format of the financial statements available. In such countries, the statutory audit of the financial statements will cover the process of electronic tagging of the financial statements as well as the electronic financial statements data themselves. In these countries the adoption of XBRL has required changes to the audit process to provide assurance to external stakeholders that each item of data within the given instance document maintains its integrity rather than assurance on the instance document taken as a whole.
- (10) In other countries, there is not yet any electronic filing of financial statements and thus no involvement of the statutory auditor with the process of electronic tagging of financial statements and/or structured electronic data themselves. Any potential involvement of the auditor with the process of electronic tagging of the financial statements, as well as with the electronic financial statements data, would form part of a separate engagement and would often start with carrying out agreed upon procedures in relation to a given instance document.
- (11) Some of the issues that auditors of financial statements and information presented using a structure format face include the following:
 - The level of assurance which can be given on the different steps within the structured process to tag and prepare the XBRL financial statements;
 - The auditor's involvement in the provision of assurance related to XBRL generated data beyond the information currently included in hard-copy (or pdf) financial statements;
 - The different audit procedures required to provide an assurance conclusion that each item of data within the given instance document maintains its integrity rather than assurance on the instance document taken as a whole;
 - The resulting impact on the application of materiality levels throughout the audit and a potential assurance conclusion on each item of data becoming prohibitively expensive in aggregate;
 - The current lack of specific standards to perform assurance work on XBRL generated financial statements;
 - The accuracy, completeness and comparability of extensions to taxonomies;
 - Issues related to narrative notes and disclosures, for example how to assign general accounting principles disclosures (note 1) to specific line item disclosures;
 - Changes required to the auditor's report;
 - Issues with the use of electronic signatures;
 - Managing the possible widened expectation gap; and
 - Managing specific risks associated with an audit opinion on a set of financial statements in both an electronic and dynamic format.
- (12) In those countries where only electronically tagged financial statements are available, and the statutory audit covers this data, these issues are being addressed. This practical experience can further inform the debate on the auditor's involvement in the auditing of structured data and provide a helpful starting point to develop good practices.

¹ An XBRL instance is a computer file containing the XBRL tags for a given set of financial information. For example if a reporting entity tagged up its Annual Report the resulting computer file containing the tagged information is called an XBRL instance document. The tagging up of the annual report for any previous financial year would result in a further XBRL instance document for that year.

<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>

- (13) FEE is not aware of any further elements which are necessary to provide an accurate picture of the current reporting for the purposes of this CP.

<ESMA_QUESTION_ESEF_4>

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

<ESMA_QUESTION_ESEF_5>

- (14) The technical analysis of the technologies available is a complex matter, especially with respect to iXBRL. Therefore we recommend that ESMA involves experts to perform a technical analysis and review existing experiences in EU Member States and elsewhere (notably in the US) before confirming its detailed plans and provide its recommendations.

<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>

- (15) Please refer to Question 5

<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>

- (16) Yes, we agree that the IFRS taxonomy as issued by the IFRS Foundation (IFRSF) is used in Europe. The IFRS taxonomy has been developed with the view to comply with IAS 1 and the requirements of IFRS. FEE strongly supports IFRS as the global standards for financial reporting, and therefore if a set of taxonomy is to be used, the IFRS Taxonomy would be the obvious and best candidate.
- (17) We however raise some concerns that ESMA together with the IASB and the IFRSF should address to ensure successful implementation of the IFRS taxonomy. One of the key aspects that need to be addressed, in our opinion, is the need to develop guidance on how a company can reconcile the objectives pursued under the Disclosure Initiative and reporting using the IFRS taxonomy, whilst at the same time enabling meaningful comparisons of their financial information with other companies by analysts and investors.
- (18) The IFRS Taxonomy is a mechanical approach to apply the principles of IFRS; therefore we are not convinced that it should be subject to a formal endorsement process in the EU. We, however, would recommend that ESMA analyses the IFRS Taxonomy and assesses whether it meets the objectives as set in the CP before ESMA mandates its use in the EU.

<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>

- (19) We disagree with the proposal. The IFRS taxonomy is designed to represent a faithful representation of relevant information to users by ensuring compliance with IFRS. To achieve such compliance, it needs to provide a certain level of flexibility to be aligned with IAS 1.
- (20) Users' needs cannot be fully served unless they have access to full information. Denying the use of specific extensions for local regulatory concepts and entity concepts will mean that some information will be less readily available to those users who employ electronically submitted data and thus there is a danger that such information is overlooked in decision making, which is inconsistent with the overall purpose.
- (21) In our view, ESMA should thus consider:
- Extending the existing IFRS taxonomy that will be used in the EU in order to ensure a consistent and comparable use of the IFRS taxonomy by European companies.

- b. Set up a framework for the use of extensions (and possibly limitations to such developments) so that they:
 - i. Do not duplicate with common practice extensions that need to be managed at the level of IFRS foundation,
 - ii. Are required to meet pan-European needs such as company identifier, or other needs to be identified in the implementation phase of the project,
 - iii. Fulfil national specific and unique needs that will be identified at the level of member states (i.e. a financial reporting elements such as a specific "equity reserve" that local law has defined),
 - iv. Are required by issuers to "tell their own story" however ensuring that they do not compromise the objective of comparability of data.
- (22) Consideration should be given to the advantage of using iXBRL that could reduce the need for extensions since a full set of financial statement can be delivered regardless whether all information is being represented by XBRL tags. This could mitigate the need for company specific extensions at least in an initial phase of the implementation project.
- (23) In the long term we believe that a solution needs to be found to enable the appropriate use of these extensions. In the meantime there needs to be a mechanism to ensure that recipients (users) are clearly informed that not all information has been made available to them electronically.

<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>

(24) Yes, we agree with the proposal in the CP.

<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>

- (25) Even though we do not think that developing a taxonomy for parts of the AFR outside financial statements should be a priority for the short term, we do believe that this should be considered in the future.
- (26) Information that is presented outside of the financial statements, for example in the management report, should be entity specific information and therefore we believe that it would bring little benefits to report this information using a structured format. Having said this, part of the information in the management reports is required by the EU directive or by national law, and therefore, those parts could be included in the scope of a structured report in the EU.
- (27) Focusing on the long-term, ESEF can be used to transfer all information users need for decision making, but various matters need to be resolved. Some examples are the auditor's involvement and report, flexibility of such information to better depict the entity's specific characteristics and finally cost and benefit considerations should also play an important role in the assessment for developing a taxonomy for parts of the AFR outside of the financial statements.

<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>

- (28) FEE agrees with the proposal to keep the requirement for PDF filing for the short term. A PDF file (especially those that are not 'copy' or 'print' protected) could be useful to users. However, as stated above, focusing on the ultimate objective ESEF can be used to transfer all the information to users. To this end the FEE Cogito paper: The Future of Corporate Reporting puts forward the idea of CORE & MORE reporting (<http://bit.ly/15futurecorprep>). In this model, the information is available in all sort

of electronic forms, linked and referenced where needed; therefore, we envision that in the longer-term there will not be any need for filing a traditional PDF set of financial statements.

- (29) Having said this, in our response to Question 3 above, we note a number of challenges with regard to auditability of such information, which will need to be addressed. Therefore, we believe that the market regulators should provide adequate room for experimentation of a new approach to facilitate innovation of the reporting in the future. We acknowledge that regulators should also ensure an adequate level of investors' protection; therefore ESMA needs to identify the right balance between investors' protection and fostering innovation.

<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>

- (30) Yes, we agree with the proposal. We believe that the policy objectives analysed in the consultation can be achieved by introducing a requirement for structured and non-structured data as presented in option B.

- (31) Please also refer to our comments in questions 10 and 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>

- (32) Yes, we do. They are the best known tools for facilitating ESMA to achieve its policy objectives for ESEF. We are not aware of any other technologies that could potentially be more relevant.

<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>

- (33) Without being in a position to assess the costs and benefits of our selection, iXBRL is our preferred option since it could provide the following benefits that we consider important: for example iXBRL enables the preparation of a human-readable filing that is the exact reflection of the current "paper" or "electronic paper" (e.g. PDF) that issuers currently prepare and publish.

- (34) In line with our response to the questions above, we encourage ESMA to set up a group of experts on technology to assess the alternative technologies in light of the policy objectives as explained in the CP.

<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>

- (35) We agree with a staged approach as proposed in the CP; however we suggest that ESMA considers introducing a requirement for structured reporting of individual financial statements for those entities that are not required to prepare consolidated financial statements in accordance with the IAS Regulation. We understand that individual financial statements are not necessarily prepared under IFRS, however as stated in our comments on the IAS Regulation review, we believe that those entities which are not required to prepare consolidated financial statements, should be included in the scope of the Regulation.
http://www.fee.be/index.php?option=com_content&view=article&id=1453&Itemid=106&lang=en

<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>

- (36) We agree with the proposal to take a different approach for financial statements under national GAAP. However, as stated in our response to Question 15 above, we suggest that ESMA reviews this approach for those entities that are not required to prepare consolidated financial statements in accordance with the IAS Regulation.

<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>

- (37) While we agree with the principle, we raise some concerns on whether this would assist ESMA to achieve its policy objective as explained in the CP. The EU Accounting Directive includes a large number of Member States options which means that each Member State can end up with a different accounting framework for financial reporting. Developing a EU core taxonomy would not necessarily be the best tool for ESMA to achieve its policy objectives as the wide range of different options selected by the Member States might impair comparability.

<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>

- (38) We agree with the proposal. Financial statements under third country GAAP should not be required to submit information under a structured format.

<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>

- (39) FEE suggests that ESMA does not undertake a project involving listed SMEs at this stage, since the European Commission's intentions on this matter are not yet clear. We strongly advice that ESMA works together with the European Commission on this matter, before agreeing to widen of the scope of the ESEF to include SMEs listed in Multilateral Trading Facilities (MTFs).

<ESMA_QUESTION_ESEF_18>

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

<ESMA_QUESTION_ESEF_19>

- (40) Should ESMA agree to focus its attention on a solution that involves one source capable of providing both structured data and unstructured data as we have suggested, it will need to carry out a further technical assessment of the preferred format for filing. Such assessment would need to be carried out by groups of experts and should include careful study of XBRL projects in Europe and formal exchanges with regulators, preparers and users.
- (41) Finally, we believe that any EU requirement should set a minimum but should not prevent Member States to set their own standards to enable further innovation on electronic filing of structured information in Member States.

<ESMA_QUESTION_ESEF_19>

