

Opening Speech, 2012 IFRS Taxonomy Annual Convention

Hans Hoogervorst, April 2012

It is my great pleasure to welcome you to the 2012 IFRS Taxonomy Annual Convention.

Those of you who attended last year's conference may remember that I spoke about XBRL in my capacity as Chairman of the IOSCO Technical Committee.

I am pleased to report that in the intervening period I have become something of an expert on XBRL. However, for the benefit of the audience I will keep this morning's presentation at a relatively high level.

Ladies and gentlemen, I truly believe that XBRL has the potential to improve the effectiveness of financial reporting. The CEO of Apple recently said that we are entering the post-PC world. Yet, in some ways, certain aspects of financial reporting are stuck in the offline, pre-PC world. For example, I have witnessed endless debates about whether OCI should be shown on the same sheet of printed paper as net income, or on a separate sheet. Welcome to the 21st century!

XBRL has the potential to supplement the one-size-fits-all approach of today's financial statements with an à la carte menu of financial information.

Doing so will allow users to extract the information they need, and no more. Retail investors, employees and casual observers of a company will be able to extract information about the key metrics of a company. While more sophisticated users are free to slice and dice financial information and wade through as much or as little information as they need – all at the click of a mouse.

XBRL has the potential to eliminate the re-keying of financial information into proprietary systems, thus reducing cost and error while increasing the speed and efficiency of analysis. Furthermore, XBRL allows users of financial statements to consume financial information in whatever language they are familiar with. These are all significant benefits and there is no doubt that XBRL is an idea whose time has come.

However, we should also be careful about promising too much.

I sometimes get the impression that some see XBRL as the answer to every financial reporting problem.

Perhaps this is a little unfair, but I make this point for a reason. XBRL is indeed an important form of presentation. But we should also be realistic about what XBRL can and cannot do. The XBRL standard should not define, or indeed impede, the Board's standard-setting activity. In other words, the XBRL tail should not wag the IASB dog. XBRL should be a normal output from our IFRS standard-setting work.

Furthermore, despite the significant progress of the last few years we have many challenges ahead of us. A few weeks ago I sat through a presentation from a leading sell-side analyst. He told me he was a huge fan of XBRL, but that he didn't use it. He felt there were too many inconsistencies, and that the technology was too immature for it to replace their existing proprietary databases and their current methods for tagging and analysing information.

This is one view. There are many other users around the world that do indeed use XBRL on a daily basis.

But many of these are early adopters. What can we do to help XBRL get to becoming business as usual? How can we help to close the gap between the promise and the reality of the technology?

At the IFRS Foundation and the IASB, we are well aware of the important role that we have to play.

We have three XBRL priorities. First, we must ensure that the IFRS Taxonomy is of the highest quality. Second, we must be more sensitive to XBRL requirements throughout the lifecycle of our standard-setting activities. And third, we must work with other members of the XBRL community to unlock the potential of this important technology.

Let's begin with the Taxonomy. Over the years we have invested significant funds and resources in developing a high quality Taxonomy. The team should be very proud of what they have achieved. To further enhance the quality of the Taxonomy, a few years ago we established two advisory committees—the XBRL Advisory Council and the XBRL Quality Review Team.

These two committees have been extremely useful in helping us with our work. I would like to thank Bruno Tesnière and Roland Hommes for chairing these Committees and the membership for offering their valuable insights on a voluntary basis. There continues to be a close interaction between these committees and the IASB. Their thoughtful comments are helpful, both to our XBRL team but also my colleagues on the Board.

We will continue to work closely with colleagues at the FASB, the Global Reporting Initiative and elsewhere to offer the highest levels of compatibility between our respective Taxonomies.

Next, we must ensure that XBRL is deeply integrated into our business-as-usual standard-setting activities.

When the XBRL initiative was established around 10 years ago, the Trustees decided to incubate the programme within the Foundation but separate from the IASB. At that time, XBRL was not ready for mainstream use and it was important that the team worked with the XBRL community around the world to help establish critical mass.

Last year, at the suggestion of Olivier Servais, we decided that it was time to bring our XBRL activities into the fold and Olivier's team is now an integral part of the IASB technical staff.

Early indications show this has been a very positive step. XBRL is no longer an afterthought to our standard-setting activities – something to consider as the final standard is about to be published.

Our technical staff now work with their XBRL colleagues throughout the entire lifecycle of the project, considering tagging implications as the standards are being drafted. The Trustees' Due Process Oversight Committee, responsible for oversight of our standard-setting activities, applies the same rigour to XBRL oversight as it does to the IASB's standard-setting activities.

This is how it should be. XBRL should be a normal function of our standard-setting work. No more, and no less.

Finally, everyone in this room must work together to help unlock the potential of XBRL.

I have described many of the benefits of XBRL, but I am also realistic about the challenges ahead of us. We must understand what we have done well, and where there is room for improvement. We must work closely with preparers, with regulators, with the accounting profession and others to ensure that our work and initiatives are fully joined up. Most importantly, we must pay particular attention to the needs of the investor community. Investors should be beating down our doors to embrace XBRL and we need to understand and address any barriers to its use.

I and my fellow Board members are very receptive to any ideas about how we can better support this work.

Conclusion

Ladies and gentlemen, I am grateful for your attention. I have no doubt that in the fullness of time XBRL will be a remarkable success. As I said earlier, XBRL has the potential to improve the effectiveness of financial reporting. We must all work together to realise this potential. I am well aware of the important role the IASB has to play, and we will see this work through.

It is my honour to welcome Dr Wolf Klinz, Member of the European Parliament, to speak to you about the leadership position that the Parliament is taking on XBRL. Dr Klinz is the European Parliament Rapporteur for the Accounting Directive, so he is well placed to comment on the move towards XBRL.

Of course, this is not the first time that the European Parliament has taken a leadership position in financial reporting. Back in 2002, the Parliament voted overwhelmingly in favour of adopting IFRSs for use in the European Union. This decision provided the necessary encouragement for most of the world to follow suit.

I have high hopes that the same will be true with XBRL.