

AGENDA PAPER

IFRS Advisory Council Meeting

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TOPIC XBRL

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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council. The views expressed in this paper are those of the authors. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS.

Purpose

1. At the February meeting of the IFRS Advisory Council we have a 45 minute session on XBRL. In January I presented a paper to the Trustees setting out our plans for developing our XBRL initiative, which the Trustees supported. Since then, we the XBRL staff have held a planning session to start to set in place a timetable with specific targets.
2. These plans have implications that are particularly relevant to the IFRS Advisory Council. As the paper explains, we intend to incorporate the development of the IFRS Taxonomy as part of the normal standard setting function. We will, to the extent possible, de-emphasise XBRL-specific aspects of the taxonomy (while still retaining XBRL expertise and leadership). This has implications for the XBRL Advisory Council because the focus of their efforts is likely to change. Asking the IASB to endorse the IFRS Taxonomy also carries risks because of the tension between the principles-based approach to disclosure followed by the IASB and the more prescriptive requirements of a computer-based tagging system.

3. The XBRL Advisory Council will be discussing these plans, and the Council's objectives, in the week after the IFRS Advisory Council meeting. We intend to discuss the IFRS Taxonomy at the June meeting of the IFRS Advisory Council.
4. The main purpose of the session at the February meeting of the IFRS Advisory Council is to set out these plans and give Council members the opportunity to ask questions about them. We also welcome suggestions as to the particular issues you would like to discuss in June.

Background

5. The IFRS Foundation has invested in XBRL for over 10 years. During that time our XBRL-related activities have been developed separately from the development of IFRS, with their own separate Advisory Council and reporting directly to the Trustees.
6. In February 2012 the Trustees' strategy review recommended that our XBRL activities should be integrated directly into the standard setting function. The change in reporting lines has taken place. The XBRL staff are now part of the technical team.
7. Moving XBRL into the technical function has prompted us to fundamentally review the direction in which we should take XBRL.

Summary of plans

8. This paper sets out the main plans for our XBRL initiative. Some of the items presented here are operational in nature, rather than strategic, but are included here so that you are aware of the operational implications of the strategic changes.

Separation of the IFRS Taxonomy and XBRL

9. The most fundamental change is one of focus and orientation. We plan to separate development of the IFRS Taxonomy from XBRL-specific matters. In simple terms, we plan to focus on how an IFRS Taxonomy can help facilitate

- regulatory filing requirements and help users of IFRS financial statements to consume that information. The technology behind the taxonomy, ie XBRL, will be de-emphasised.
10. Separating how we classify financial information (the taxonomy) from the technology behind it (XBRL) will allow the IASB to become more involved in deciding how an IFRS should be reflected in the IFRS Taxonomy.
 11. I believe the IASB *should* have a role in approving the IFRS Taxonomy. The content and structure of the IFRS Taxonomy can influence how IFRSs are applied and interpreted, and most importantly, how financial statements are analysed and used. The most direct way for managing this risk is to have the IASB approve the taxonomy.
 12. Members of the IFRS Advisory Council have expressed an interest in discussing how the IFRS Taxonomy could influence financial reporting. The Council will be asked to review and consider the role of the IASB in developing and potentially endorsing the IFRS Taxonomy.
 13. To implement this change it is important that the current XBRL team staff are further assimilated into the technical teams. Our external communications should emphasise the IFRS Taxonomy and the electronic filing of IFRS Financial Statements while avoiding, when it is sensible to do so, references to XBRL.
 14. We also need to make the taxonomy more ‘accessible’ in terms of demystifying XBRL and ensuring that those working with IFRS understand that XBRL is part of the technology *behind* the IFRS Taxonomy.

Scope

15. The scope of the IFRS Taxonomy should continue to reflect the objective of financial reporting as set out in the *Conceptual Framework for Financial Reporting*. We should make it clear that our objective in developing the IFRS Taxonomy is to support financial reporting in accordance with IFRS and enhance the ability of users to analyse such reporting. This means the taxonomy must continue to reflect IFRS and that we must continue to give

priority to working with securities regulators as part of our broader IFRS adoption activities. In this regard, we will also place additional focus on improving the IFRS Taxonomy in ways that address known impediments to the SEC endorsing the taxonomy for use in SEC XBRL filings.

Roles of the XBRL Advisory Council, XBRL Quality Review Team

16. The XBRL Advisory Council will be asked, as a matter of priority, to consider the implications of the change in focus of our XBRL-related activities on the objectives and activities of the XBRL Advisory Council, including its relationship with the IFRS Advisory Council. In considering its role, the XBRL Advisory Council should consider whether the change in focus also has implications for the form of the advisory body or the nature of its membership.¹
17. We will also review the Due Process requirements for developing the taxonomy, including the role of the XBRL Quality Review Team, to identify what steps need to be in place to enable the IASB to approve the IFRS Taxonomy. We will initiate this review as part of the discussions with the XBRL Advisory Council in March.

Overview - The IFRS XBRL Taxonomy

18. The objective of the IASB is to develop high quality, understandable, enforceable and globally accepted financial reporting standards and to promote the use and rigorous application of those standards.
19. It is the responsibility of each jurisdiction to decide how financial reports are disseminated or filed. It is appropriate for the IFRS Foundation to encourage jurisdictions to make financial reports more accessible and exchangeable. The development of an IFRS Taxonomy that uses a widely accepted standard such as XBRL is one way of achieving this.

¹ Most XBRL Advisory Council and Quality Review Team appointments expire at the end of 2013, so the review is timely.

20. If a jurisdiction compels its entities to file, or an entity elects to make available, an electronic version of its IFRS financial report, our goal is for those jurisdictions to use the IFRS Taxonomy as the basis for the electronic report.
21. The purpose of the taxonomy is to help entities applying IFRS to produce an electronic version of the financial statements in a form that allows users to upload the data into their analytical tools. The taxonomy allocates a special name to each disclosure requirement that entities use to electronically ‘tag’ their financial statements. In theory, every entity that uses the taxonomy will use the same special names to tag equivalent items from their financial statements.
22. Other information, or attributes, is associated with each item to help automate the consumption of the data—such as whether it is text or a value, the currency, whether it is expected to have a negative or positive value and a debit or credit balance and whether it is part of a larger item presented in the financial statements, such as current assets.
23. The XBRL team has delivered what is widely perceived to be a high quality taxonomy that fulfils its current mission—ie the taxonomy captures IFRS disclosure requirements. Recently, the taxonomy has been expanded to include some items that are commonly disclosed in practice even though they are not referred to explicitly in an IFRS. However, having a stable taxonomy is not an end in itself. To conclude that the XBRL initiative has been successful we would expect to see the IFRS Taxonomy being used widely, and XBRL generally being broadly supported. It is not clear that this is the case. My assessment is that:
 - (a) The IASB (ie the Board) has not collectively bought into XBRL. Some IASB members are strong advocates of XBRL, some are advocates but think it is failing to meet the needs of users, some think it is overrated and others do not have sufficient knowledge of XBRL to allow them to form an opinion.
 - (b) Although the IFRS XBRL Taxonomy is used by some regulators, we have heard conflicting assessments about the extent to which it is being ‘adopted’. Some observers have suggested that very few regulators are

simply using our taxonomy as it stands and that IFRS XBRL filings are sparse. Many regulators place stability of the taxonomy ahead of relevance and therefore do not adopt our annual taxonomy updates. The outcome is that some taxonomies do not reflect IFRS used in that jurisdiction.

- (c) There is a low uptake of XBRL electronic filings by individual investors. Fewer than 5 per cent consume XBRL data (including US investors where XBRL filings are most prevalent). We have been told that regulators have not been rigorous in their enforcement attention to XBRL filings. Investors, in turn, do not consider the filings to be reliable and therefore do not use them. Similarly, preparers do not see the benefit of XBRL so do not subject their filings to the same level of audit or scrutiny as the financial statements, which also affects investor perception of reliability.
 - (d) Preparers continue to see the requirement to prepare XBRL-formatted electronic versions of their financial statements as a burden, rather than as a benefit to investors.
 - (e) The US SEC has not endorsed the IFRS Taxonomy for electronic filing in the US.
24. We are therefore in a position where the XBRL team has delivered what has been asked of them over the last ten years, yet the IFRS Taxonomy and XBRL generally have not been embraced as broadly as I am sure was anticipated when we established the XBRL initiative at the IFRS Foundation.

Short term actions and goals

25. Set out next are the proposed actions and priorities for the next year. They are designed to re-focus our XBRL-related activities so that within 18 months we will have established the development of the IFRS Taxonomy as a part of the normal standard-setting process or have concluded that the IASB should not be

involved with any aspect of taxonomy development.² By that time, if the actions are successful we should also observe:

- (a) a demonstrable increase in use of IFRS instances by individual users.
- (b) more regulators adopting the IFRS Taxonomy, without any modifications or adaptations.
- (c) a demonstrable improvement in the perception preparers have of electronic filing, using XBRL.
- (d) endorsement by US SEC of the IFRS Taxonomy for use by foreign registrants using IFRS.

Separation of Taxonomy development from XBRL

IASB involvement with the IFRS Taxonomy

26. Members of the IASB have little or no expertise in XBRL. That is not surprising. XBRL is the technology used to give structure to the IFRS Taxonomy and to provide the rules and structure for the electronic version of financial statements, which is known as an *XBRL instance*.
27. However, an IASB member should not need to understand the technology used to manage a classification system. At the risk of oversimplifying the matter, a person reading a web page does not need to understand HTML or the programming behind some of the special programming behind the web page to use functions (such as sorting or other utilities).
28. Similarly, the new project pages that we have recently created for the IFRS website were designed and specified by a team with no programmers and no one who had worked with HTML (or the particular package with which we were building the pages). We were aware of (most of) the capabilities and limitations of the technology, but no more.
29. The IASB needs to be in a position in which they are able to take responsibility for approving the IFRS Taxonomy. I think it is important that the IASB does approve the taxonomy, because the design and content of the IFRS Taxonomy can influence how entities classify and present information in financial

² I consider this latter conclusion unlikely, but we should not exclude it as a possibility.

- statements. I believe that one of the reasons the IASB is not in a position to approve the taxonomy is because so much emphasis has been on the technology behind the taxonomy. The establishment of the XBRL Committee by the IASB is a step towards addressing this.
30. Separating the classification principles from the technology used to manage the taxonomy is critical to achieving this goal. The conceptual underpinnings of our taxonomy development and the evolution towards electronic reporting are likely to be more enduring than the technology used to manage the taxonomy. Although XBRL is the industry standard underlying taxonomy development and the electronic filings today, that could change. We therefore need to maintain our expertise in both taxonomy development and XBRL, but recognise that they require different skill sets.
 31. There are, clearly, resource implications for the IASB because it will need to spend public meeting time discussing the taxonomy implications of new disclosure requirements. However, I envisage that the time involved would be relatively small. The IASB already considers illustrative examples of disclosure requirements when it develops a new Standard. A similar type of assessment would be required when considering how the disclosures would be reflected in the IFRS Taxonomy. The IASB would not be asked to consider technical details such as element naming protocols, the structure of the taxonomy or taxonomy architecture issues. These are matters which the IASB would delegate to the XBRL Quality Review Team.
 32. In developing these proposals some individuals expressed a concern that having the IASB involved with approving the taxonomy creates a risk that the taxonomy will influence IFRS requirements. That risk exists today because the IFRS Foundation is clearly associated with the taxonomy.
 33. These are matters on which we plan to seek input from the IFRS Advisory Council. We have tentatively included this topic as an item for the June 2013 IFRS Advisory Council meeting.

34. I expect us to be cautious in taking this step. We will not incorporate the IFRS Taxonomy analysis into the exposure draft of an IFRS until:
- (a) the IASB has been given sufficient information about the IFRS Taxonomy for it to be in a position to approve the new taxonomy related proposals;
 - (b) we are confident that potential respondents understand what we are seeking feedback about in relation to the IFRS Taxonomy; and
 - (c) we have developed new due process requirements that are consistent with the revised approach.

Actions

The design of the IFRS Taxonomy can influence how entities classify and present information in financial statements. Accordingly, the IASB should be involved in deciding how an IFRS is reflected in the IFRS Taxonomy, including the appropriateness of providing illustrative examples for some taxonomy elements.³

The IASB should, eventually, be seen as being the owner of the IFRS Taxonomy. However, the development of the IFRS Taxonomy combines financial reporting considerations with specialised taxonomy architecture (design) and programming knowledge. IASB members do not have the expertise to approve the IFRS Taxonomy without receiving assurance that these specialised activities have been performed properly. We will review the Due Process requirements for developing the taxonomy to identify what steps need to be in place to enable the IASB to approve the IFRS Taxonomy.

The IFRS Advisory Council will be asked to review and consider the role of the IASB in developing and potentially endorsing the IFRS Taxonomy.

Improving communication and understanding

35. Much of the documentation we have that accompanies the IFRS Taxonomy is written in a style, and uses language, more familiar to programmers and systems people than to a general reader. There is also a particular emphasis on the technology behind the taxonomy—ie XBRL.

³ Illustrative examples would be similar to ‘common practice’ elements.

36. It is important that we begin to demystify the process of developing an IFRS Taxonomy. At its simplest level, a taxonomy is a classification system. The IFRS Taxonomy is a way of classifying IFRS requirements. The technology that works behind the taxonomy is important, but it is not essential for IASB members, preparers or users to understand XBRL to be able to oversee or work with the IFRS Taxonomy.
37. We should consider developing more educational material that focuses more on the thinking behind the taxonomy and less on the technology.⁴
38. External perceptions are also important. If the development of the IFRS Taxonomy is to be seen as being a legitimate part of the IASB’s activities, the web pages need to be changed to present taxonomy development as being an ongoing project within the technical team.

Actions

Priority will be given to developing educational material that explains the IFRS Taxonomy to a broader audience as well as explaining the relationship between IFRS and the IFRS Taxonomy, and the role the IASB has in developing the taxonomy.

Our external communications will emphasise the IFRS Taxonomy and the electronic filing of IFRS Financial Statements avoiding, where possible, references to XBRL.

XBRL staff

39. The way teams are organised, and presented externally, can affect how a function is perceived. To this end, it is important that the staff responsible for the IFRS Taxonomy should be seen as being a part of the standard-setting function and not as a separate unit. Accordingly, I intend to take steps to further assimilate the XBRL specialists into the technical area and treat the development of the IFRS Taxonomy as a technical project rather than as a separate and independent unit.

⁴ The development of IFRS Taxonomy related resources is not in the current plan of the Education Initiative. We will assess whether the current XBRL team are able to prepare this material.

40. It is very important that we do not lose our XBRL experts. Their skills are essential for developing the IFRS Taxonomy and for working with other XBRL professionals to enhance the interoperability of our taxonomy with other reporting taxonomies.

Actions

XBRL team staff will be assimilated into technical teams. The XBRL-accounting experts, data modelling and XBRL programming staff will become a technical project team; and the XBRL investor liaison staff will work with the technical liaison staff.

Scope of the IFRS Taxonomy*What to capture in the taxonomy*

41. The IFRS Taxonomy focuses on elements that are reported in IFRS Financial Statements—by capturing IFRS requirements and common practice elements.
42. Periodically we are asked if we should extend the scope of the taxonomy to capture other aspects of broader company reporting. Examples include corporate governance information, non-financial measures such as churn rates in the telecommunication sector or ‘sales per square metre’.
43. We have also been working with the International Integrated Reporting Council, whose work covers aspects of reporting beyond the mandate of the IASB. Notwithstanding our co-operation with that initiative, it is not our role to define or manage elements that are not part of IFRS financial statements. In fact, the advantage of developing a broad-based industry standard such as XBRL is that it facilitates the interoperability of different taxonomies. This means that we can create an IFRS Taxonomy, corporate governance experts create a corporate governance taxonomy, and so on. By using XBRL and commonly agreed taxonomy architecture principles, these unrelated taxonomies can work together. This allows each body of subject matter experts to develop the taxonomy for which they have a comparative advantage and the underlying technology allows the taxonomies to work together.

44. It is clear that our area of expertise is financial reporting. Accordingly, the objectives for our taxonomy project, and the scope of the activities to be captured in the taxonomy, should be consistent with our *Conceptual Framework for Financial Reporting*. The purpose of developing the taxonomy is to create an electronic version of a financial report. Although an electronic version of a financial report might have different characteristics in terms of how the information is accessed, it should not contain different primary information from other forms of that report.

Actions

The scope of the IFRS Taxonomy will reflect the scope of the *Conceptual Framework for Financial Reporting*. In particular, the IASB will continue to develop the taxonomy to allow entities to create electronic XBRL data sets, using the IFRS Taxonomy, that capture the information an entity has presented in complying with IFRSs. Matters such as corporate governance, environmental reporting and social responsibility reporting are beyond the scope of IFRSs and we therefore have no plans to include elements that reflect these activities in the IFRS Taxonomy.

Regulators

45. In a similar manner, even though many types of regulator have an interest in XBRL, such as prudential, taxation, statistics and securities regulators, our focus should be on the regulators responsible for financial reporting—securities regulators.
46. This does not mean that we should not liaise with other regulators. As I have noted above, interoperability of different taxonomies is important. But our priority is securities markets and any co-operative efforts with statistics agencies or banking regulators should be peripheral.
47. Over the last ten years considerable effort has been put into liaising with regulators on our XBRL efforts. Some of this effort reflected our contribution to raising awareness of XBRL and to help build the critical mass necessary for XBRL to become accepted as the industry norm.
48. It is important that the IFRS Taxonomy and electronic reporting are seen as part of IFRS, rather than as a separate thread. Accordingly, we also need to

ensure that we co-ordinate our efforts with all aspects of IFRS adoption, including the IFRS Taxonomy. The IASB has recently taken steps to improve its adoption processes, including establishing an IASB committee to provide advice. In the same way that translations facilitate IFRS adoption we should view the IFRS Taxonomy as an important part of the adoption cycle.

Actions

In encouraging jurisdictions to adoption the IFRS Taxonomy, the IASB will focus its efforts on securities regulators and other similar bodies responsible for financial reporting requirements within a jurisdiction. The IASB will consider developing MoUs with other bodies working with XBRL, to help ensure that the IFRS Taxonomy is interoperable with other taxonomies.

Responsibility for helping jurisdictions adopt the IFRS Taxonomy will sit with the IFRS Foundation adoption team, which deals with copyright, waiver agreements and translation. Staff and IASB members with taxonomy experience will assist the IFRS Foundation adoption team in the same way that Technical staff and IASB members assist when jurisdictions adopt IFRS.

SEC endorsement of the IFRS Taxonomy

49. The SEC has not approved the IFRS Taxonomy for use for electronic filing of financial statements by foreign registrants that are permitted to use IFRS.
50. Historical differences in the way the US GAAP and IFRS Taxonomies were developed has led to differences that make it difficult for the SEC to use their existing software to consume IFRS XBRL data created using the IFRS Taxonomy.

These differences relate to:

- (a) differences in element names (as small as the IFRS taxonomy using the term *revenue* and the US GAAP taxonomy using the term *revenues*) for what the SEC and IASB agree are equivalent items;
- (b) differences in taxonomy architecture, in that there are different ways to structure things like tables. In some cases the same table from converged standards is structured in different ways; and

- (c) there are differences in the attributes, for example, the way some elements are characterised (such as debits or credits and whether the values are expected to be positive or negative).
51. As the SEC has captured more information using the US GAAP Taxonomy and more jurisdictions have begun using the IFRS Taxonomy, these differences become embedded in increasingly large databases. Both the SEC and the IASB XBRL team are reluctant to change their taxonomies to eliminate these differences. We have maintained an open and positive dialogue with the SEC to find solutions to these problems. It is important that we find solutions sooner rather than later, to assist these foreign registrants.
52. In addition, all US GAAP elements have a definition whereas not all IFRS elements are defined. The SEC would prefer it if we defined all elements. The XBRL staff have undertaken an exercise to provide definitions for the affected elements. These definitions are with the technical staff for review.
53. The IASB does not wish to compromise the integrity of the IFRS Taxonomy by changing the architecture to a less optimal solution. However, having a more elegant solution but failing to have the SEC endorse the taxonomy achieves little.
54. We think there are ways to meet the needs of the SEC and we will continue to work with the SEC to that end. Unfortunately, making all of the changes suggested by the SEC does not guarantee that the SEC will endorse the taxonomy.

Actions

The IASB will address the aspects of the IFRS Taxonomy that are known to be an impediment to the SEC endorsing the taxonomy for use in SEC XBRL filings. Priority will be given to those matters that improve the IFRS Taxonomy. The IASB will work with the SEC to identify ways by which the IASB, the SEC, or both, can eliminate design differences that are the result of elective choices rather than differences that affect the functionality of the taxonomy.

XBRL Advisory Council and XBRL Quality Review Team

55. The IASB has an XBRL Advisory Council (XAC) with 24 members and observers and an XBRL Quality Review Team (XQRT) with 21 members and observers.
56. The main objective of the XAC is to provide strategic advice related to XBRL activities such as the development and adoption of taxonomies for IFRS. The XAC provides a forum in which the IFRS Foundation's XBRL team is able to consult individuals, and representatives of organisations affected by its work, that are committed to the development of high quality taxonomies. The XAC also supports the XBRL team in the adoption and implementation of the IFRS taxonomy throughout the world.
57. The main objective of the XQRT, from a technological and financial reporting perspective, is to provide input and offer practical recommendations to the XBRL team on the usability of the IFRS Taxonomy.
58. In simple terms, the XAC has a strategic focus and the XQRT has a more practical focus.
59. For the record, the contributions of the members of both groups have been excellent. I have attended meetings of the XAC and in 2012 David Sidwell and Scott Evans observed a meeting. Both groups make a valuable contribution.
60. As I have mentioned, the XAC has been briefed on the main aspects of the proposals set out in this paper, and has expressed strong support for the changes.
61. The changes to the way in which we intend to orient our XBRL-related activities are fundamental. It is therefore appropriate to review the objectives and membership of the XAC and XQRT. I would like the XAC to be part of that process by undertaking a self-assessment. That assessment should include consideration of how, having moved much of the taxonomy development into the mainstream standard-setting process, the XAC thinks this should affect the role of the IFRS Advisory Council.

62. This set of proposals will be discussed by the XBRL Advisory Council at its public meeting in March 2013.

Actions

The XBRL Advisory Council will be asked, as a matter of priority, to consider the implications of the change in focus of our XBRL-related activities on the objectives and activities of the XBRL Advisory Council, including its relationship with the IFRS Advisory Council. In considering its role, the XBRL Advisory council should consider whether the change in focus also has implications for the form of advisory body or the nature of its membership.