Summary of the IFRS Taxonomy™* Consultative Group discussions

The IASB's IFRS Taxonomy Consultative Group (ITCG) held its second face-to-face meeting on 28 October 2014

The meeting took place in the IASB offices in London. Recordings of the meeting, as well as the agenda and related papers are available on the meeting page.

The topics that were discussed are:

(a)   the IFRS Taxonomy—overview of current and future activities;

(b)   using the IFRS Taxonomy—a regulator's guide;

(c)   management of entity-specific disclosures;

(d)   IFRS Taxonomy content review—new or amended Standards;

(e)   IFRS Taxonomy content—common practice;

(f)   use of the Versioning 1.0 Specification; and

(g)   updates from ITCG members and observers.

The IFRS Taxonomy—overview of current and future activities

The staff advised that the major activities completed in the last six months included the release of the proposed interim release package 2 in August (incorporating taxonomy changes to reflect IFRS 15 *Revenue from Contracts with Customers*), the publication of the *Guide to Understanding the IFRS Taxonomy Update* explaining the IFRS Taxonomy content terminology and finally the translation of element labels into Arabic and Spanish. Activities in the next six months will mainly focus on:

(a)   taxonomy updates to reflect new Standards, additional common practice and translations of element labels in other languages;

(b)   the trials of the IFRS Taxonomy due process;

(c)   the review of the licensing terms of the IFRS Taxonomy;

(d)   the continuation of the work started on the IFRS Taxonomy jurisdictional profiles, with the first profiles expected to be published early in 2015; and

(e)   the preparation of additional educational materials.

Members of the ITCG commended the efforts made towards aligning the standard-setting and IFRS Taxonomy due process and also commended the IASB's involvement within the review and approval of the IFRS Taxonomy. The ITCG asked the staff to comment on the IASB's views of the proposed due process changes. The staff stated that members of the IASB are supportive but there are some concerns. The concerns mainly relate to resource implications and the potential risk that the proposed amendments to the IFRS Taxonomy due process may delay the publication of the Standards. A member of the IASB who was present at the meeting stated that his assessment is that the IFRS Taxonomy improves standard-setting, because it forces the IASB and its technical staff to reflect on the precise meaning of words used to describe disclosures within the Standards.

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* IFRS Taxonomy is a trade mark of the IFRS Foundation.

Responding to a question raised by the ITCG, the staff clarified the status of a *Proposed IFRS Taxonomy Update;* this document is not part of the Standard but is considered as accompanying material to the Standard. Consequently, neither adoption nor endorsement of the Standards by relevant authorities should be affected.

The staff explained that a project has started to review the IFRS Taxonomy licensing terms and conditions. The ITCG sought clarification on a potential new addition stipulating 'upgrade to the latest appropriate version of the IFRS Taxonomy' as a condition. The staff responded that the intention is to promote best practice and good usage, ie the IFRS Taxonomy employed to mark up electronic IFRS financial statements should be representative of the Standards in use within a jurisdiction at a specific time. The proposed new condition would also serve as an encouragement to regulators to enter into a discussion with the IFRS Foundation in cases in which an old version of the IFRS Taxonomy is being used.

The staff reasserted the IFRS Foundation's commitment to XBRL as a data exchange format. The staff also explained that the IFRS Foundation is mindful of the different pathways regulators may use to move towards comprehensive structured electronic reporting. Some regulators may decide initially to implement a simplified electronic filing solution. The IFRS Foundation is committed to supporting the different ways in which the IFRS Taxonomy can best help regulators along the journey.

Using the IFRS Taxonomy—a regulator's guide

The staff updated the ITCG members on the plan to publish a new set of materials covering how to best use the IFRS Taxonomy. *Using the IFRS Taxonomy™—A Regulator's Guide* is the first guide within this set. The staff completed a draft version for review by the ITCG.

Members of the ITCG commented that they found the guide informative and helpful, especially for new regulators, but they suggested that the staff might want to consider the following enhancements:

(a) its content could be expanded to cover the formula linkbase and the topic of backward compatibility;

(b) the recommendations made could be stronger, specifically as regards the use of typed dimensions and tuples;

(c) the inclusion of examples; and

(d) the discussion of some issues in more depth.

Management of entity-specific disclosures

The staff explained that because IFRS is principle-based, entity-specific disclosures that are not explicitly covered by the IFRS Taxonomy should be expected when marking up IFRS financial statements. The staff told the ITCG they are currently assessing whether amendments to the IFRS Taxonomy or materials that support the IFRS Taxonomy could be made, with the aim of resulting in better handling of entity specific disclosures. Using the empirical data gathered from the common practice project reviews, the staff identified three groups of entity specific disclosures for discussion. These are:

(a) line items that are either stand-alone or can be considered to be a further disaggregation of IFRS Taxonomy elements;

(b) line items that are either subtotals of can be considered to be combinations of IFRS Taxonomy elements; and

(c) categories and category values.

The ITCG then moved on to discuss entity-specific disclosures in break-out groups. A fourth break-out group discussed whether, and if so how, preparers could be better supported, with the aim of improving the tagging of their IFRS financial statements.

Report of break-out group 1—line items (disaggregation and stand-alone items)

Members of this group commented that the business needs of both preparers and users need to be taken into account when considering how to best handle entity-specific disclosures within a structured electronic report. Preparers require solutions that handle their material items properly and provide consistency between their paper filing and structured electronic filing. Investors are looking for comparability but also the ability to dive deeper into the information to understand entity-specific variability.

The group mainly focused on disclosures representing entity-specific disaggregations of existing IFRS Taxonomy elements and put forward two potential options to better handle those disclosures:

(a)   the use of linked extensions eg extension elements are created for entity-specific disclosures but associated with existing IFRS Taxonomy elements.

(b)   the use of 'negative tag flagging', ie an IFRS Taxonomy element tag is used to tag an entity-specific disclosure but with a negative tag flag to indicate that the entity-specific disclosure is akin to, but not necessarily identical with, the IFRS Taxonomy element. This would alert the consumer of the electronic filing to the existence of some differences.

It was noted that a basic taxonomy could include some specific features to cater for the use of linked extensions.

Stand-alone items were not discussed in depth. The use of linked extensions and 'negative tag flagging' could possibly be used to some extent. However, it is likely that some stand-alone extensions would remain.

Report of break-out group 2—line items (combinations and subtotals)

The opinion of this group was that efficient data relationship management is the optimal way to handle entity specific combinations and subtotals that are disaggregated in the notes. Members of this group also stated that tagging of combinations and subtotals may not be necessary to meet the needs of investors, but if it is being applied, the preferred option is to double tag rather than creating an extension element.

Double tagging means that a disclosure can be tagged with two or more elements of the IFRS Taxonomy. Double tagging provides semantic meaning, thereby improving investor usability. This approach would also result in a simplified IFRS Taxonomy, because its content can be limited to the aggregation points specified within the Standards. Double tagging and better data relationship management may, however, require changes to the XBRL technical standards. One member of the ITCG commented that an alternative option to non-tagging or double tagging is to flag these combinations and subtotals as entity-specific aggregation points.

Report of break-out group 3—categories and category values

The general point of view of members of this group was that handling entity-specific disclosures depends on the number of disclosures expected to be reported within a particular IFRS Taxonomy category.

For categories in which the potential number of entity-specific disclosures is expected to be large, it is not clear whether meaningful analysis can be obtained from tagging entity-specific disclosures through the use of entity specific extension elements. The use of generic IFRS Taxonomy category elements (for example, product line 1, product line 2) could be considered in this case. Members of this group also expressed the view that in order for these generic IFRS Taxonomy category elements to be useful for all types of investors, the following two conditions are required:

(a)   entity specific labels are provided; and

(b)   a specific generic category element to depict a disclosure is consistently used over time by an entity.

For categories in which the potential data set of entity-specific disclosures is expected to be relatively small, tagging of entity-specific disclosures through the use of entity-specific extension elements could still be useful.

Report of break-out group 4—communication with preparers

The group identified as essential activities the development of implementation guides and the integration of the *[Proposed] IFRS Taxonomy Updates* within the Standards. Implementation guides demonstrate the data mark up, thereby facilitating high quality tagging. The integration of the *[Proposed] IFRS Taxonomy Updates* within the Standards will allow preparers to become familiar with the taxonomy at an early stage.

Activities that were rated as important were improved taxonomy navigation, continuation of common practice projects and better collaboration with industry groups.

IFRS Taxonomy content—new or amended Standards

The staff explained that the soon-to-be-published **Exposure Draft** *Disclosure Initiative* **(Proposed amendments to IAS 7)** incorporates the *Proposed Taxonomy Update* as accompanying material. The ITCG was not being asked to review the proposed taxonomy content prior to the planned public publication, because there were no unusual data modelling issues for which specific guidance had to be sought. Members of the ITCG were invited by the staff to comment during public consultation. The ITCG did not raise any objections to this approach, but urged the staff to make sure that outreach activities for this planned Exposure Draft continue to involve a more taxonomy oriented audience.

The staff said that the team is currently reviewing the changes to the IFRS Taxonomy resulting from **amendments to IFRS 9** *Financial Instruments* and **related amendments to IFRS 7** *Financial Instruments: Disclosures*. These amendments relate to classification and measurement of financial instruments as well as to their impairment. The staff explained some of the issues and questions referred to within Agenda Paper 5 and asked for feedback on those items. A summary of the feedback and comments received from the ITCG is:

Classification inconsistency—element label different from the wording of the Standard
Members of the ITCG did not raise objections to the staff proposal to use labels that are different from the wording of the Standards for the specific case outlined within Agenda Paper 5.

Taxonomy modelling of credit rates
The ITCG agreed with the staff proposal to add separate IFRS Taxonomy dimensions for the three types of credit rates referred to within the Illustrative Examples of the Standard. Using this taxonomy data model supports principle-based reporting, because an entity can elect to disclose multiple credit rates if this is considered to be relevant information.

External rating grades are one specific example of a credit rate type. The ITCG and members of the IASB that were present at the meeting stated that entities may disclose multiple external rating grades. Users of structured electronic reports would want to know the specific agency that is being used. For that reason, some members of the ITCG expressed the view that the staff might want to consider the use of typed dimensions. A suggestion was also made for the staff to review the EBA and EIOPA taxonomy data model that is already in use to depict disclosures relating to external rating grades.

The staff proposal is not to create specific IFRS Taxonomy members for the 'external rating grade' dimension. It was noted that the US GAAP taxonomy includes members to reflect the rates used by the major credit rating agencies. These elements were added to meet the requirements of investors and preparers. However, members of the ITCG generally agreed with the staff proposal, expressing their view that the inclusion of such members could be considered an interpretation of the Standard, would be difficult to maintain and is not within the content scope of the IFRS Taxonomy. The creation of such a taxonomy should be done at source, ie by the credit rating agencies.

Taxonomy modelling of transfers
The staff explained the difficulties they had encountered when data modelling the reconciliation of the loss allowance required by IFRS 7. The issues mainly relate to the transfer between categories in which a large number of combinations could potentially exist. The staff gave details of the options they had considered and asked the members of the ITCG for their views and comments. Most members of the ITCG preferred the simplicity of Option 1. Under this option, one line item is added to the IFRS Taxonomy, which serves as an association point for entity-specific disclosures. Future analysis of common practice would then provide the necessary evidence on whether a more dimensional data model is required.

IFRS Taxonomy content—common practice

The staff updated the ITCG members on the 2014 Common Practice project. The staff explained some of the issues and questions that were included in Agenda Paper 6 and asked the ITCG for feedback on those items. A summary of the guidance provided by the members of the ITCG is as follows:

Common elements that do not fit into the IFRS Taxonomy structure
The staff explained that it is observed in practice that entities provide disclosures that do not logically fit within the structure of the IFRS Taxonomy. The staff presented two options to handle this. Members of the ITCG had differing views.

Some were in favour of Option 1, ie including all elements within a single IFRS Taxonomy location. These members held the view that presenting all elements within one location minimises the risk of an entity not being able to find the element. The staff pointed out that Option 1 breaks the logical calculation breakdown of the IFRS Taxonomy. The members of the ITCG who were in favour of Option 1 did not consider this to be a significant issue, because entities would generally need to create their own calculation linkbase for IFRS financial statements. Some were in favour of Option 2, ie placing all elements that do not fit separately below the main breakdown. One member of the ITCG suggested a hybrid solution by which abstract headings are presented within the axis of a table rather than after the line items for a table. Another member suggested creating a separate IFRS Taxonomy ELR for disclosures that reflect combinations of lower level taxonomy elements. It was also noted that better handling of relationships may imply that future versions of the IFRS Taxonomy may not need to incorporate specific elements for common practice disclosures that can be considered combinations of existing IFRS Taxonomy elements.

General or specific elements and undefined terms
Members commented that it is difficult for them to provide detailed comments on the comprehensiveness of activity-specific common practice content proposed to be added to the IFRS Taxonomy. They recommended that the team should review ways to collaborate more closely with industry groups.

Use of the Versioning 1.0 Specification

The staff reported that specific Versioning 1.0 Specification functionalities such as 'assignment categories' and 'versioning dimensions' are currently not being used within the IFRS Taxonomy. The staff asked members of the ITCG for their views on the costs and benefits of employing these new functionalities.

Members of the ITCG were of the view that because the Versioning 1.0 Specification has not been widely adopted or supported by XBRL software tools, incorporation of new functionalities should not be a priority. Some members of the ITCG suggested that the IFRS Taxonomy team should explore alternative ways to communicate changes, for example by using the HTML or PDF version of the IFRS Taxonomy Illustrated. Staff representing the Financial Accounting Standards Board (FASB) taxonomy team stated that they use change labels that can be viewed within their taxonomy viewer tool; however, there is no empirical evidence to suggest that these are heavily used.

Updates from ITCG members and observers

ESMA staff explained that the mandate to develop an European Single Electronic Reporting Format (ESEF) applies to both the annual IFRS and annual local GAAP financial statements of issuers listed on European regulated capital markets. ESMA staff also reported that evaluations are ongoing, with the publication of the public consultation paper expected for early 2015. Although too early to make a final statement, ESMA staff expressed the view that the use of the IFRS Taxonomy for IFRS financial reporting is the only reasonable option that can be considered.

SEC staff stated that they continue to be engaged in the review of the IFRS Taxonomy for electronic reporting by foreign private issuers. There have been leadership transitions at the SEC in the past year but key positions have recently stabilised. The SEC staff intend to brief the new leadership on the status of its reviews, and make recommendations for steps forward. However, any specific actions and the timing thereof will be a Commission determination.

Carlo Alzati, manager at CPA Ferrere, provided an update on the use of XBRL and the IFRS Taxonomy within Latin America. Peru and Chile have had mandatory XBRL reporting since, respectively, 2012 and 2008, using an extended IFRS Taxonomy. Peru is using the 2011 IFRS Taxonomy, whereas Chile's practice is to update to the latest annual version of the IFRS Taxonomy. In Uruguay XBRL reporting will become mandatory for the primary financial statements and the property, plant and equipment table in 2015. Colombia has just started an XBRL project.

Louis Matherne, chief of taxonomy development at the FASB, presented an overview of the 'the US GAAP taxonomy simplification initiative' project. This project was initiated to understand and respond to the apparent market perception that the US GAAP taxonomy is complex. Close to 50 users of the US GAAP taxonomy, coming from both the consumption and preparation side, were interviewed. Difficulties with element selection, inconsistent data modelling and multiple ways to tag the same reported facts featured commonly on the list of comments received from preparers. The consumption side shared these concerns but also commented on the lack of extension management and no tagging of earnings releases. Interestingly, it was also observed that users differed in their views as to the level of detail required. Some wanted more detail, but others wanted less. Louis also gave an overview of the recommendations identified by the FASB in response to the comments received. The current project to deprecate elements that are rarely used will be a first step in addressing some of the concerns.

William Gee, a partner at PwC, reported on XBRL developments in China and Indonesia. The Ministry of Finance of China is in the process of updating its taxonomy. One of the areas being reviewed is the appropriate use of modelling techniques such as typed dimensions. They are also continuing their efforts to expand the use of XBRL within China through collaboration with other government agencies. As a result of such efforts, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) is sponsoring a new pilot project this year in relation to their annual financial supervision reporting. The Indonesian Central Bank and the Indonesian Stock Exchange have started a discussion about the development of a local taxonomy for financial services organisations, with Islamic banks expected to be the first group of filers being affected. William Gee also updated the ITCG on a PwC Switzerland initiative that is aiming to raise awareness of, and interest in, XBRL and the IFRS Taxonomy by investors and preparers.