



European Securities and
Markets Authority

ESMA REGULAR USE

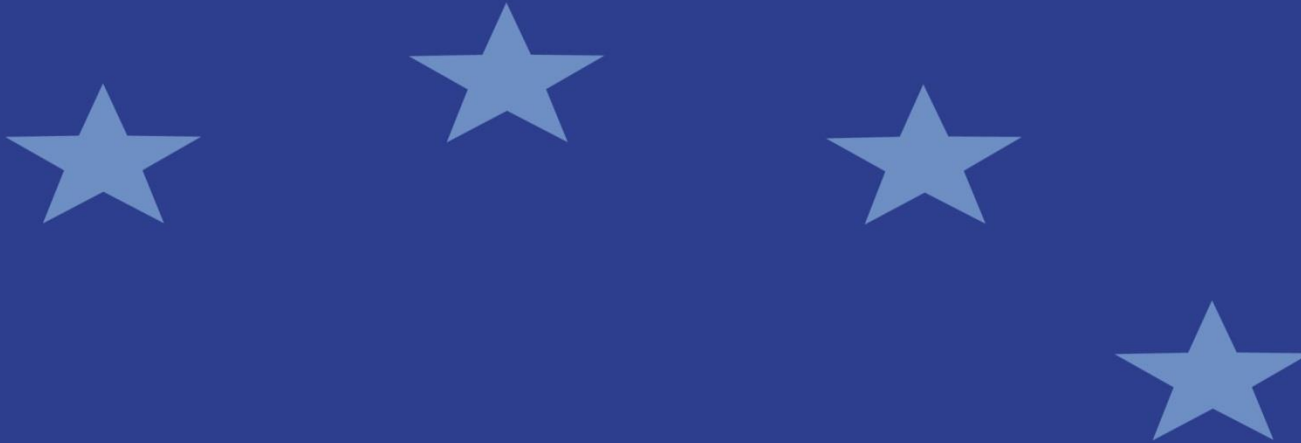
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European Single Electronic Format (ESEF)

IFRS Taxonomy Consultative Group Meeting

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ESMA and financial reporting in the EU

- **Financial reporting in the EU:**
 - Issuers on regulated markets in the EU have to make public Annual Financial Reports (AFR)
 - Until the amendment of the Transparency Directive in 2013 there was no requirement on European level to publish the AFR in a specific electronic reporting format
- **ESMA's role in corporate reporting:**
 - Promote convergence of enforcement practices across Member States (MS);
 - Contribute to development of accounting standards; and
 - Develop Regulatory Technical Standards (RTS) on periodic reporting and storage of regulated information

Amended Transparency Directive (TDA)

- **Requirements:**
 - The TDA requires issuers on regulated markets to prepare AFR in a **single electronic reporting format** with effect from 1 January 2020.
- **ESMA's mandate :**
 - Develop RTS to specify the electronic reporting format
 - Assess all possible electronic reporting formats and conduct appropriate field tests.
 - Undertake a Cost Benefit Analysis (CBA)
 - Consult stakeholders through a Consultation Paper → published on 25 September 2015
 - Submit the RTS to the European Commission by 31 December 2016.

Scope of structured electronic reporting

- **‘Annual financial report’ (AFR)** as defined in article 4.2 of the TDA includes:
 - The issuer’s separate and consolidated financial statements
 - Management report (which may include corporate governance and sustainability reports)
 - Compliance statement by the issuer
- **Management report and compliance statement in ESEF**
 - Some parts of the AFR are narrative in nature and do not lend themselves well to being reported as structured electronic data → especially the management report
 - Therefore ESMA suggests not to require making public these parts of the AFR as structured data

GAAPs used to prepare financial statements

- **European issuers on regulated markets use different GAAPs to prepare financial statements:**
 - IFRS for all consolidated and many separate financial statements
 - High number of issuers use national GAAP for their separate financial statements
 - Limited number of issuers use 3rd country GAAP equivalent to IFRS (often US-GAAP)

the following numbers are rounded:

Consolidated Financial Statements (IFRS)	Separate Financial Statements (IFRS)	Separate Financial Statements (local GAAP)	Third-country GAAPs equivalent to IFRS
5300	2700	4700	160



Taxonomies (1/2)

- **Consolidated financial statements:**
 - The IFRS Taxonomy published by the IASB is tested and applied in several jurisdictions
 - ESMA suggests to require structured electronic reporting of the consolidated financial statements and use the IFRS taxonomy (after being endorsed in the EU)
 - Use of extensions (local/regulatory concepts and company concepts) should NOT be allowed

Taxonomies (2/2)

- **Separate financial statements:**

- In many MS separate financial statements can or have to be prepared under National GAAPs
- **National GAAP taxonomy:** only a limited number of EU jurisdictions have developed taxonomies.

Thus, **2 options are available:**

- Develop a taxonomy for each national GAAP at MS level with the appropriate institutions to perform this task.
 - Create a core European taxonomy based on the elements included in the Accounting Directive
- As currently no taxonomies for all national GAAPs exist, it should initially not be required to make public separate financial statements in a structured format;
 - However, if structured reporting is allowed or required in the issuer's MS, the issuer would be allowed to make public in structured format

Preliminary assessment by ESMA

- **Choice of the appropriate technologies:**
 - Based on the CBA's preliminary results XBRL or iXBRL might be proposed to be used for the structured data
 - PDF shall be used for the unstructured format, as it is already accepted or required in all EU jurisdictions
 - ESMA believes it is important to make public the whole AFR in in an unstructured format (PDF) to respond to legal and audit concerns. Furthermore some users might not have the ability to access and process structured data

ESEF is therefore a single electronic format to be applied by all European issuers, making use of two different technologies → PDF for the whole AFR and most likely XBRL/iXBRL for the consolidated financial statements according to IFRS



The consultation process

- Consultation period is 3 months
- Comment period ends on 24 December 2015
- ESMA seeks comments on the proposals in the Consultation Paper and on the preliminary CBA
- Comments on the Consultation Paper can be submitted via ESMA's webpage:
→ <http://www.esma.europa.eu/consultation/ESMA-consults-European-Single-Electronic-Format>

Questions to ITCG members

- What are your views regarding the most beneficial use of structured electronic reporting: do you believe it to be useful to limit the requirements to certain parts of the financial statements only (e.g. primary financial statements)?
- What are your views about the advantages/ disadvantages of using extensions?
- What are your views regarding the technologies proposed by ESMA? What is your experience with the use of XBRL/iXBRL? Do you see any other technology solution developing in other jurisdictions?
- What is your experience with the quality of the financial information in the form of structured electronic data?