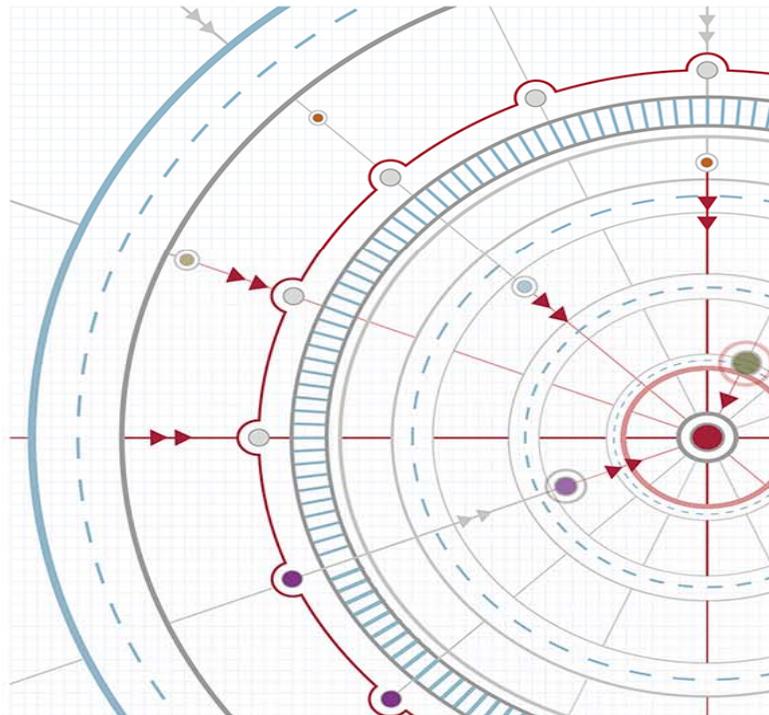


June 2016

Agenda Paper 2



IFRS® Foundation



# Use of structured electronic reporting *including the IFRS Taxonomy*

Rita Ogun Clijmans – Senior Technical Manager

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# Aims of this agenda topic

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- We think it is useful to update members of the ITCG on the following:
  - **the current use of structured electronic data** (including the IFRS Taxonomy); and
  - what we have heard are **the remaining challenges** for regulators and investors
- **To answer any questions** you may have

# Agenda

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We will update members on the following:

- the **IFRS Filings Project** – progress and challenges identified; and
- our recent **discussions with the Capital Markets Advisory Committee (CMAC)**

**ESMA** will give a brief update on the public feedback received on the European Single Electronic Format (ESEF) as it relates to the IFRS Taxonomy

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# IFRS Filings Project

# IFRS Filing Profile Project — overview

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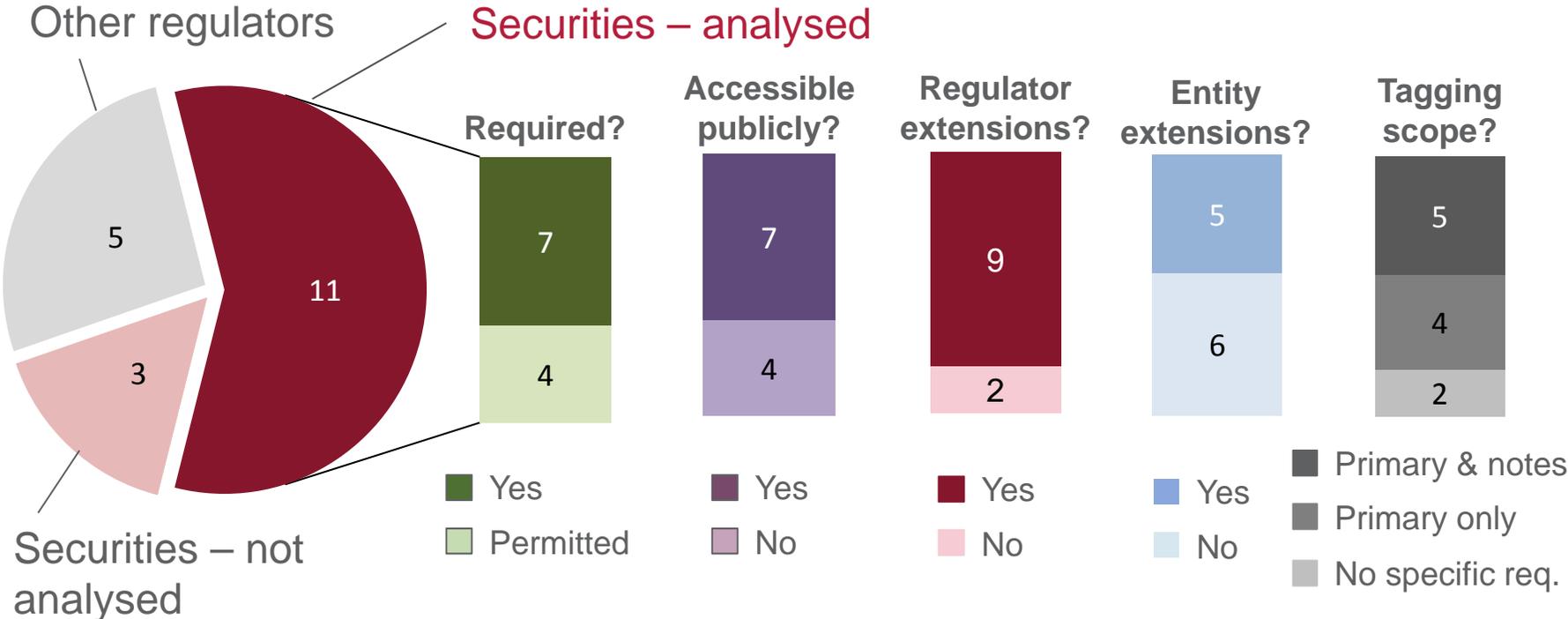
- The **project objective** is to understand and publicly document the filing and access requirements for IFRS financial statements.
- This includes a survey on the **use of the IFRS Taxonomy**
- Up to now, we have received **responses from 49 jurisdictions**
- **Nineteen filing profiles have been completed** and are now available on the IFRS Foundation website
- We will **continue to engage** with jurisdictions and seek cooperation from IOSCO

# IFRS Taxonomy use

- **14 securities regulators** are currently using the IFRS Taxonomy
  - ESMA and three other jurisdictions are considering the use of the IFRS Taxonomy
- Other users are mostly **company registrars and stock exchanges**
- One regulator is implementing the **IFRS Taxonomy for SMEs**
- Staff analysis of the surveys completed by 11 securities regulators has highlighted **differences in implementation**
  - the next slide illustrates some of these differences

# Differences in implementation

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# Remaining challenges – overview

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## Benefits

- Globally agreed standard to mark up IFRS disclosures
- Enables reporting of IFRS financial information in a structured reporting format

## Challenges

- IFRS reporting practice:
  - how to make it work for principle-based reporting?
- Implementation:
  - updating the IFRS Taxonomy on a regular basis
  - setting filing rules
  - accurate tagging by preparers

# Principle-based reporting

What have we heard?	For example
<p>the <b>observed variety</b> in IFRS reporting practice makes it <b>more complicated and costly to prepare, verify and use</b> structured electronic data</p>	<ul style="list-style-type: none"><li>• not all elements within the IFRS Taxonomy do (and can) have clear definitions.</li><li>• the IFRS Taxonomy is not a standardised presentation format, makes it more difficult to validate the data</li><li>• how to best work with entity-specific disclosures?</li></ul>

# Infrequent updates of the taxonomy

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## Reasons

- resources and costs
- updates to the IFRS Standards had not been perceived as having a significant impact on the taxonomy in use within a jurisdiction

## Risks

- likely to reduce the benefits of structured electronic reporting to investors because multiple elements may be in use for the same IFRS disclosure
- may mean that inappropriate elements are used to tag an IFRS disclosure

# Setting filing rules

Lack of a globally agreed standard, which may affect the usefulness and completeness of structured IFRS information, for example:

- tagging of primary financial statements and/or numeric facts only
- differences in the way entity-specific disclosures are handled
- differences in the way entity-specific relationships are handled

# Accurate tagging by preparers

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- **Investors** expect **data that they can trust**
- **Regulators** have a responsibility to monitor tagging by preparers, but **face challenges in enforcement**, for example:
  - no related auditing standards
  - tagging options, such as the use or non-use of the IFRS taxonomy element 'fuel expenses' for 'aircraft fuel expenses'
  - need for additional IFRS Taxonomy implementation guidance?



# Use by investors

Summary of CMAC discussions

## Discussions with CMAC

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At the February 2015 meeting, we asked CMAC members what actions we could take to increase **investor involvement with the IFRS Taxonomy**. They told us that:

- investors need to be able to use the IFRS Taxonomy in practice
- investor engagement will remain difficult to obtain if filing of IFRS financial statements using the IFRS Taxonomy is not required

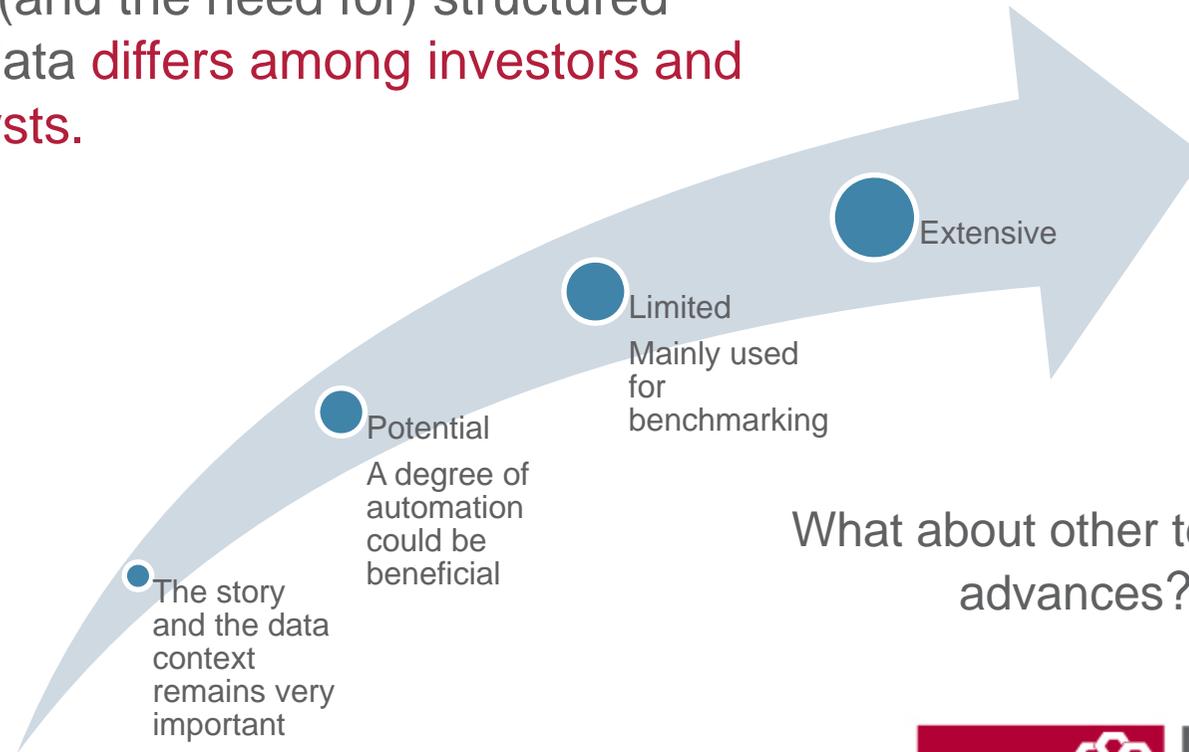
## Discussions with CMAC (cont'd)

15

- At the February 2016 meeting, we asked CMAC for their **general views on structured electronic reporting**. In particular we asked:
  - do investors require structured electronic data in their analysis of IFRS financial statements?
  - what do investors require in order for structured electronic data to be useful?
  
- Slides 18 to 20 provide **a summary** of the views expressed

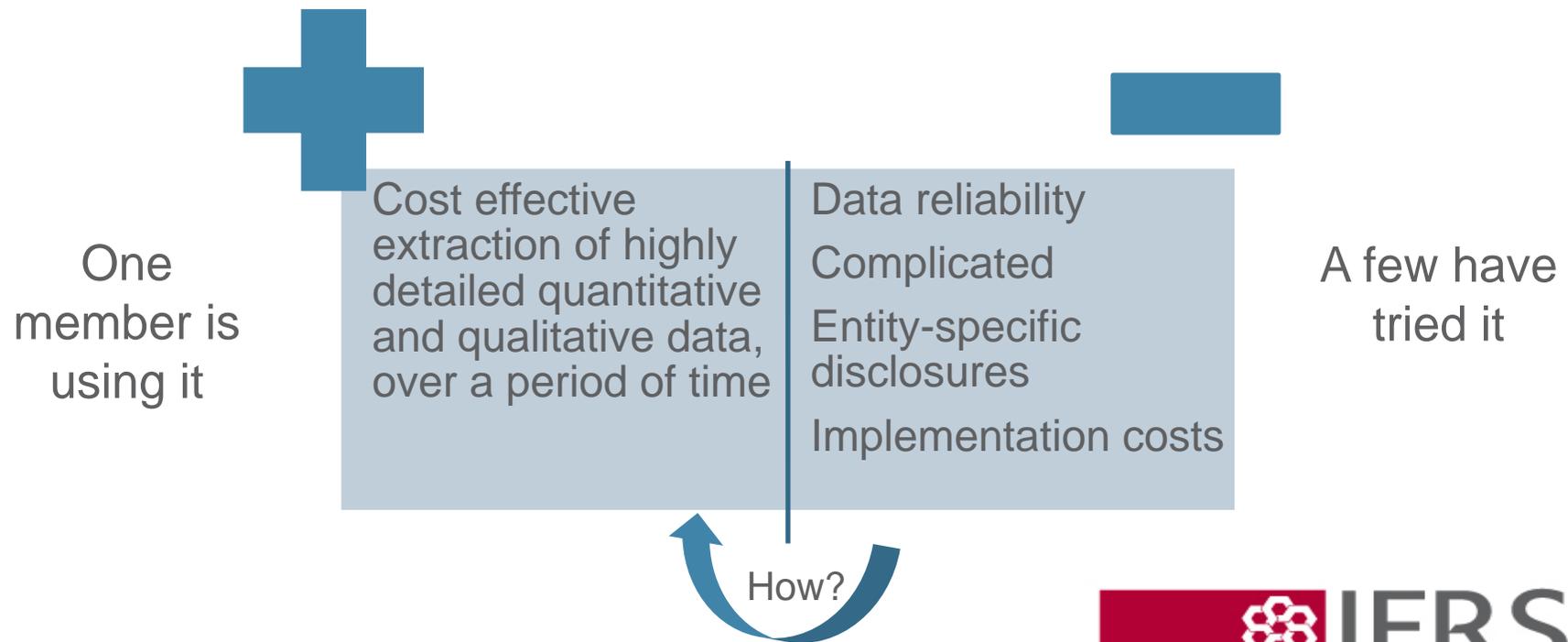
# Use of structured electronic data

The use of (and the need for) structured electronic data **differs among investors and credit analysts.**



# Use of XBRL as data source

Current usage of structured electronic data is mainly through data aggregators. But, there is some limited **emerging use of XBRL raw as reported data.**



# Any implications for Standard-setting?

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## Risks

- may lead to undue standardisation in IFRS financial reporting
- may mislead
- may undermine the usefulness of information (less emphasis on the narrative and the story)

## Opportunities

- entity specific detail can become more accessible provided a computer- readable link to the IFRS Taxonomy exists
- facilitates user-driven data standardisation provided a computer-readable and complete disaggregation of disclosures exist

USEFUL ELECTRONIC  
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# Update by ESMA

# Update by ESMA

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Update by Michael Komarek, senior policy officer ESMA



# Questions?

# Contact us

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