



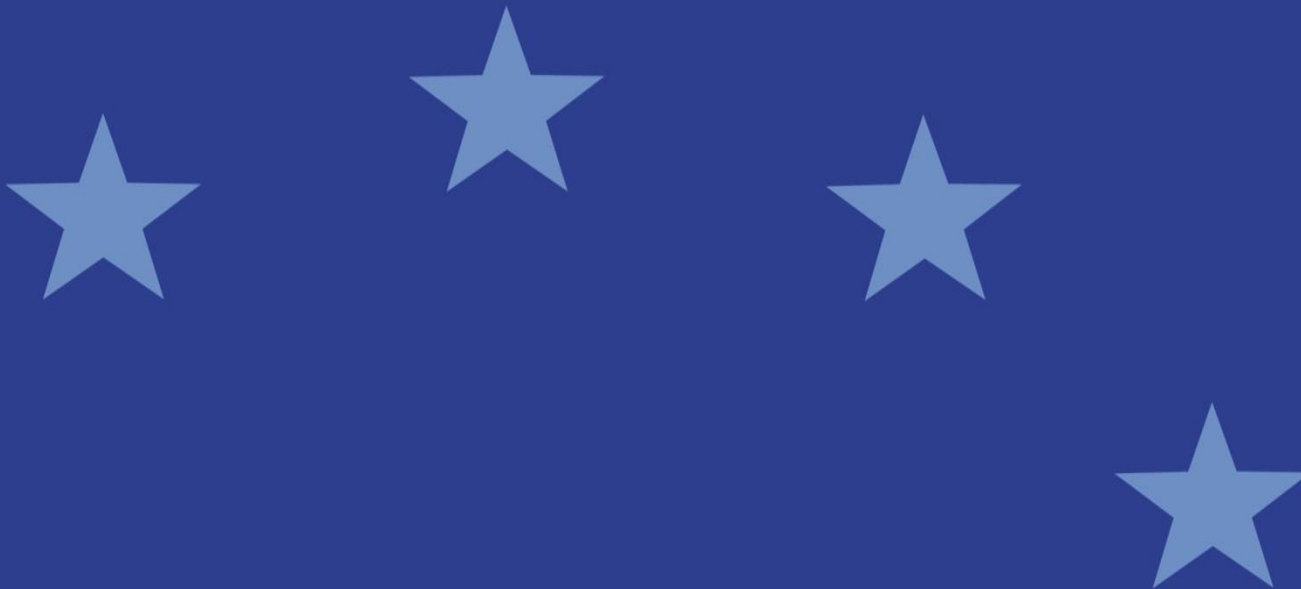
European Securities and
Markets Authority

ESMA REGULAR USE

4 July 2018

The European Single Electronic Format (ESEF)

TEG / CFSS meeting





Objectives set out in the Transparency Directive

Directive 2004/109/EC as revised by Directive 2013/50/EU (*relevant sections*)

Recitals

(26)

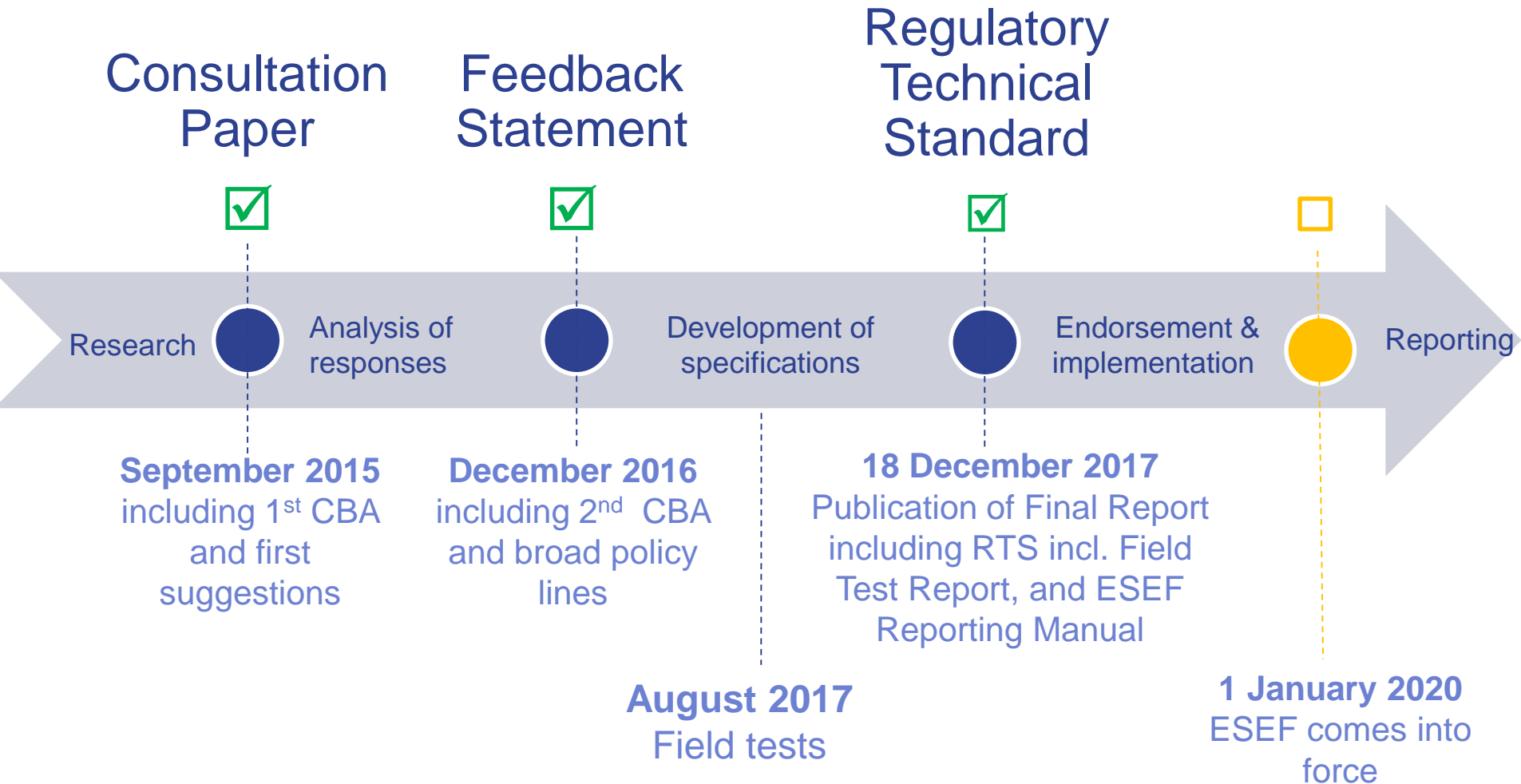
A harmonised electronic format for reporting would be very beneficial for issuers, investors and competent authorities, since it would make reporting **easier** and facilitate **accessibility, analysis** and **comparability** of annual financial reports. Therefore, the preparation of annual financial reports in a single electronic reporting format should be mandatory with effect from 1 January 2020, provided that a **cost-benefit analysis** has been undertaken by ESMA. ESMA should develop draft technical regulatory standards, for adoption by the Commission, to specify the electronic reporting format, with **due reference to current and future technological options, such as eXtensible Business Reporting Language (XBRL)**. [...]

Articles

[4(7)]

- With effect from 1 January 2020 all annual financial reports shall be prepared in a single electronic reporting format provided that a **cost-benefit analysis** has been undertaken by the European Supervisory Authority (European Securities and Markets Authority) (ESMA) established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council (*)
- ESMA shall develop draft regulatory technical standards to specify the electronic reporting format, with due reference to current and future technological options. Before the adoption of the draft regulatory technical standards, ESMA shall carry out an **adequate assessment of possible electronic reporting formats** and **conduct appropriate field tests**. ESMA shall submit those draft regulatory technical standards to the Commission at the latest by 31 December 2016.
- Power is delegated to the Commission to adopt the regulatory technical standards referred to in the second subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

An overview of the development process





Current status of RTS – *a reminder*

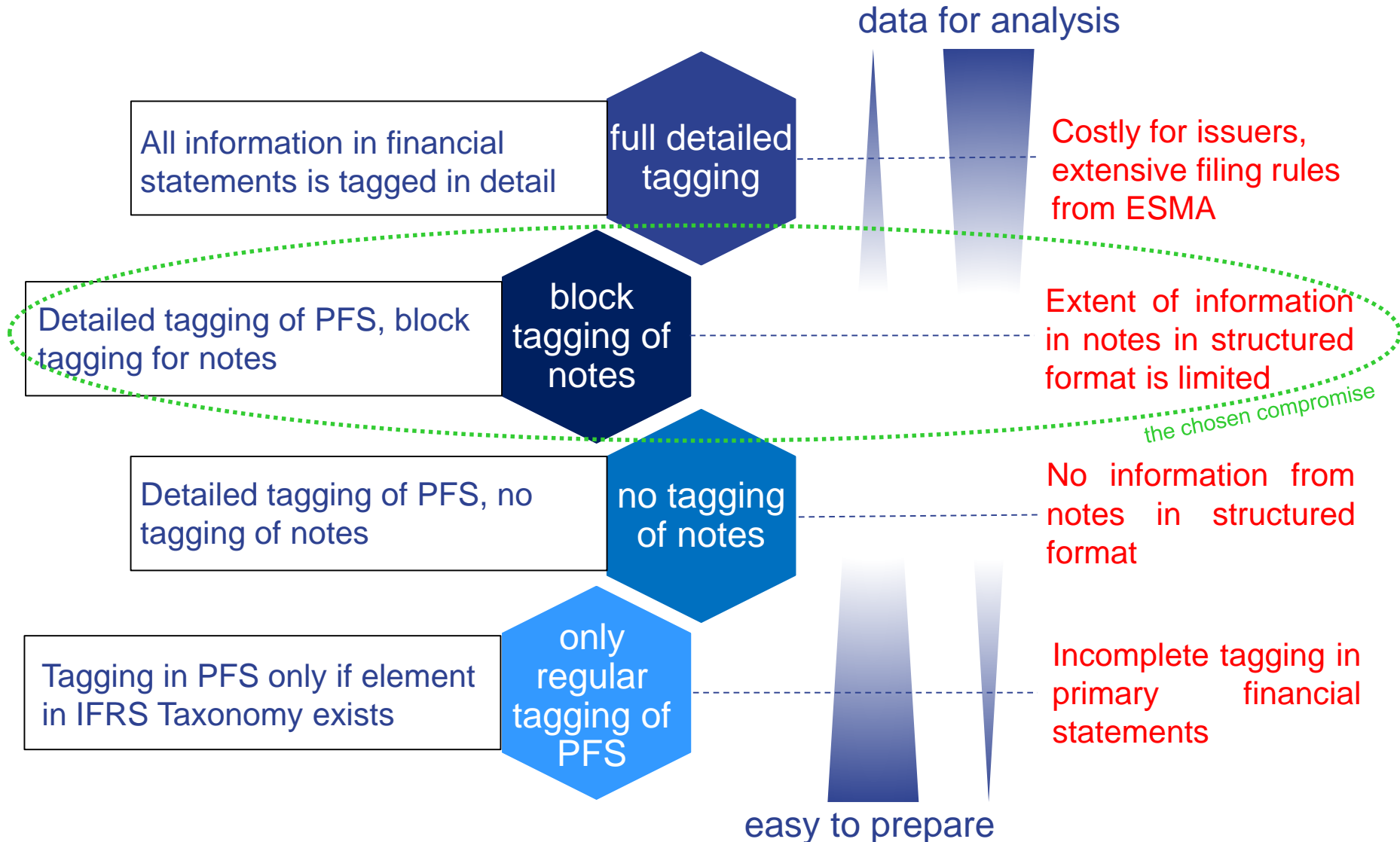
- **RTS requires adoption of EC before becoming European law**
- **It was submitted to EC on 15 December 2017**
 - The EC now has to decide on endorsement
 - After adoption of the RTS by the EC, European Council and European Parliament can object to the adoption within a period of 3 months (renewable once)
 - Afterwards publication in the *Official Journal of the European Union* as a Commission Delegated Regulation → directly applicable in Member States without transposition



Summary of broad lines set out in the RTS

- All annual financial reports have to be prepared in xHTML
 - xHTML is human readable and no rendering mechanism is necessary
- Where the annual financial report contains consolidated IFRS financial statements, they have to be marked-up with XBRL tags
 - XBRL allows software-supported analysis
- The XBRL tags have to be embedded in the xHTML document using Inline XBRL
- The taxonomy to be used is the ESEF Taxonomy, which is the IFRS Taxonomy + a limited ESMA additions

Level of tagging required by ESEF RTS





Level of tagging required by ESEF RTS

	IFRS consolidated FS	individual financial statements	3rd country GAAP FS
primary financial statements	mandatory from 2020		
block tagging of notes	mandatory from 2022	voluntary (if MS provides taxonomy)	Forbidden
detailed tagging of notes	voluntary		



Use of taxonomy in RTS

- The RTS itself includes the labels of all elements of the core taxonomy → will be translated in all EU languages
- The RTS does not include the taxonomy code → will be made available on ESMA's website
- The core taxonomy is the IFRS Taxonomy + a small set of ESMA additions (mainly for labels in various languages, guidance concepts supporting filing rules, technical constructs etc)
- Differences compared to the IFRS Taxonomy published by IFRS Foundation
 - 'wider-narrower' relationship used for anchoring of issuers' extensions
 - Inclusion of guidance concepts to help in navigation of taxonomy content and to identify concepts of a specific meaning or use
 - labels in all official EU languages



Selection of elements and use of extensions

- When marking-up disclosures issuers shall use core taxonomy element with the closest accounting meaning to marked up disclosure
- If the closest core taxonomy element misrepresents the accounting meaning of the marked up disclosure, issuers shall create extension taxonomy element .
- The extension elements shall:
 - not duplicate the meaning and scope of any core taxonomy element
 - be anchored to an element in the core taxonomy having the closest wider accounting meaning and/or scope to that extension element (see next slide)
 - identify the creator of the element



Anchoring rules in RTS

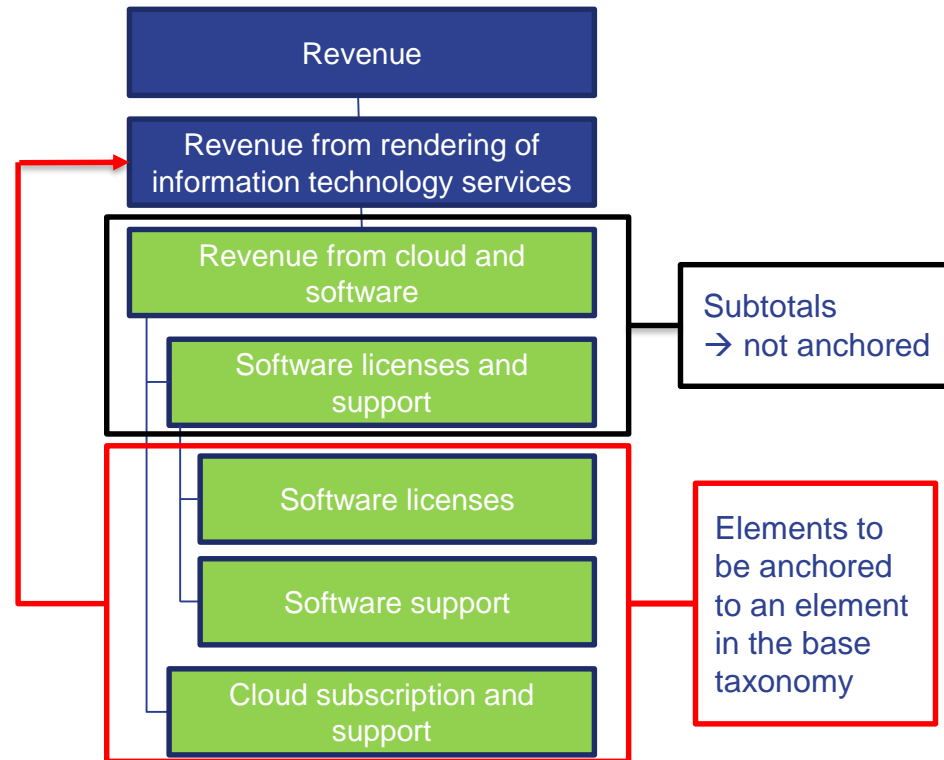
- A 'wider-narrower' relationship defined in the ESMA extension taxonomy should be used to define the relationship with the core taxonomy element
- Extension elements should be anchored to the element that has the closest wider accounting meaning
- The extension taxonomy element shall appear as the source of the relationship or relationships.
- Where the extension taxonomy element combines a number of elements of the base taxonomy, the issuer should additionally anchor that extension taxonomy element to each of those narrower elements
- Issuers need not anchor extension elements that are *subtotals* of other disclosures of the same primary financial statement

Anchoring rules in the ESEF RTS

Example of anchoring (1): disaggregation

Example 1: P&L of a European issuer

millions, unless otherwise stated	2016 €
Cloud subscriptions and support	2,993
Software licenses	4,860
Software support	10,571
Software licenses and support	15,431
Cloud and software	18,424
Services	3,638
Total revenue	22,062



 Elements contained in the IFRS Taxonomy

 Extension elements

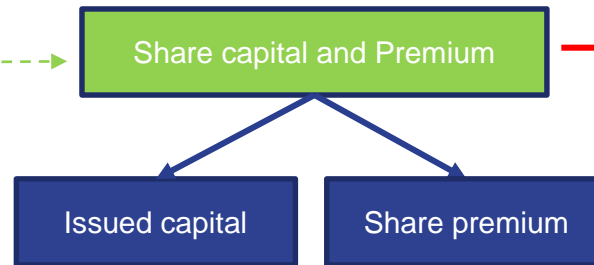


Anchoring rules in the ESEF RTS



Example of anchoring (2): combinations

Example 2 : Balance Sheet of a European issuer

Equity attributable to owners of the company
Share capital and Premium
Cumulative translation differences
Treasury shares
Retained earnings and other reserves
Total equity



Element to be anchored to two elements in the IFRS Taxonomy: the extension is *wider* than the base taxonomy elements

-  Elements contained in the IFRS Taxonomy
-  Extension elements

- Published at the same time of the draft RTS

https://www.esma.europa.eu/sites/default/files/library/esma32-60-254_esef_reporting_manual.pdf

- It was produced by ESMA to provide further guidance, explanations and examples for preparers and for software vendors on common issues encountered when generating Inline XBRL instance documents and how to resolve them.
- It contains guidance for issuers, guidance for software firms to ensure technical validity, and technical guidance for issuers and software firms on topics such as:
 - Tagging
 - Anchoring
 - Use of language
 - Signage
 - Extension taxonomies
- It is intended as a living document which can be amended flexibly to take into account lessons learned and guidance that the market participants request



Field tests

- In summer 2017, in compliance with the due process, ESMA organised Field Tests in order to apply the draft rules on real-life examples and determine whether the proposed rules are practicable and if and to what extent they could be improved at that stage.
- **Design of the field test**
 - ESMA called for volunteer issuers and software companies
 - 25 issuers selected
 - 5 software vendors met all the minimum requirements set out in the selection process
 - The IFRS consolidated financial statements of issuers were transformed to Inline XBRL applying the draft rules
 - Issuers received basic instructions in introductory webinars
 - Issuers mapped their IFRS consolidated financial statements to IFRS Taxonomy
 - Issuers were assisted in 1.5 days on-site workshops in Paris with the tagging
 - Lessons learned from the field test were incorporated in the final rule and contributed to finalisation of:
 - detailed filing rules (including rules regarding extensions and tagging) and
 - regulatory extension taxonomy



Disclaimer

Please note that the content of this presentation reflects the views of the presenter and has not formally been approved by ESMA's Chair and/or ESMA's Board of Supervisors



European Securities and
Markets Authority

THANK YOU

