



29 September 2010

Committee of European Securities
Regulators
11-13, Avenue de Friedland
75008 Paris
France

Submitted via www.cesr.eu

Ref.: XBRL/HB/LA/SH

Dear Sir or Madam,

Re: FEE Comments on the CESR Consultation Paper on “Development of Pan-European Access to Financial Information Disclosed by Listed Companies”

FEE (the Federation of European Accountants) is pleased to provide you with its comments on the CESR Consultation Paper on “Development of Pan-European Access to Financial Information Disclosed by Listed Companies” (CESR ref. 10-719c).

FEE supports the use of electronic applications in financial reporting at large and therefore supports a more integrated approach in relation to the pan-European access to financial information disclosed by listed companies at EU level. In this context we provide some general observations from the perspective of auditors and accountants which we trust will be useful for CESR in further work in this area.

FEE’s comments on significant aspects of the CESR Consultation Paper are set out below.

Access to information via one single access point

We believe that there is potential to increase the availability of regulated information to investors by having harmonised quality standards for dissemination of information to ensure equal access for investors regardless of the country where they are based. This potential has also been recognised by the European Commission in its Report on the operation of the Transparency Directive¹ and by CESR in the Consultation Paper by highlighting that the establishment of a pan-European system has been slow and the impact of the Directive in this area has been insufficient.

Overall, we support the objectives of improved harmonisation and simplification of access to information as it would be instrumental to reduce administrative burdens in the provision of a dynamic, integrated, open and transparent market. Such a market allocates resources

¹ http://ec.europa.eu/internal_market/securities/docs/transparency/directive/com-2010-243_en.pdf, May 2010

efficiently, fosters sustainable development and provides opportunities for all its stakeholders.

Having information accessible from a single portal and electronic network with one central access point might be of some benefit as it would facilitate the take-up of information by users in a more transparent manner to a significantly greater extent compared to the current solution.

However, a centralised access point does not necessarily need to be an integrated network like the single “Edgar style” database, as long as the accessible information included in the network is harmonised at pan-European level, reliable and of quality. In addition, careful considerations should be given as to whether the costs of establishing one single electronic network outweigh the benefits of having such a network. In this respect, we refer to our comments on the need for a cost-benefit analysis for the electronic network hereafter.

Whether having an integrated network or not, the main objective and the benefits of a single access point in any pan-European network would be to allow for cross-country and multi-country searches of for instance financial statements from various companies within the same line of business, a solution which the current CESR electronic network of OAMs does not allow for. Such facilitation of a future electronic network is already recommended by the European Commission in its recommendation on the electronic network of officially appointed mechanisms for the central storage of regulated information². We support further development of the electronic network in the direction set out in the Recommendation.

Also, article 21 of the Transparency Directive and the EC Recommendation on the electronic network already sets out a number of relevant and useful recommendations as to how the electronic network should be established and function. If not already achieved in the current OAMs, especially the recommendations in chapter III on the minimum quality standards, including the security, the certainty of the information source, time recording and easy access by end-users, seem quite relevant in order to achieve the ultimate objective. They would also mitigate the criticism raised by the European Commission in relation to the operation of the Transparency Directive when assessing the appropriateness of the future electronic network.

From an accounting and auditing perspective, the main issue relates to the input of the information included in the electronic network chosen for the OAMs, as it is essential that the electronic network ensures that any information submitted, whether audited or unaudited, can not be changed by users after the submission. This will underline the ability to rely on the information included in any OAM, centralised or not.

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:267:0016:0022:EN:PDF>

Cost-benefit analysis for the electronic network

When considering the benefits of the future electronic network, as set out by CESR in the Consultation Paper and by the Commission in the above mentioned 2007 EC Recommendation, the choice for any particular solution should carefully take note of the costs associated with it.

Therefore, any impact assessment should include an in-depth analysis of users' view on the value added based on the proposed solutions setting out convincing arguments that the benefits of the proposed solution for the future electronic network outweigh the costs of its development, implementation and application.

The cost-benefit analysis should consider the impact of requirements related to information submitted in different languages as users might not have a need given the ability to access the information in all languages used in the European Union. Article 20 of the Transparency Directive and paragraph 18.2 of the EC Recommendation state that “a language customary in the sphere of international finance” in addition to languages accepted by the home member state would probably be sufficient and appropriate in this context.

Common format for the contents of the electronic network

Paragraph 20 of the 2007 EC Recommendation referred to above already includes some guidance as to what would be relevant in relation to a common format for the information to be submitted to the electronic network. It also asks CESR to set out additional guidelines for such a common format. In the Consultation Paper, CESR considers this aspect in light of XBRL and highlights that no recommendations are currently being posed in relation to XBRL. Instead, CESR will carry out a cost-benefit analysis on the possible transition to mandatory XBRL-filing within a period of five years.

If the full potential of the electronic network, as discussed above, is to be realised in practice, we agree that the format of the information submitted should be harmonised. As mentioned in our response to the CESR Call for Evidence on standard reporting formats³ FEE is of the view that XBRL should be the way forward and does not see a need to analyse alternative electronic reporting methodologies at this stage. There seems to be broad support for the move towards XBRL in various jurisdictions in the European Union and around the world and thus FEE believes that the resources used in the move towards a common format should be used in the direction of developing XBRL and not for analysing alternative reporting means.

In our XBRL Policy Statement⁴ we highlighted that documents filed using eXtensible Business Reporting Language (XBRL) or XBRL enabled documents are becoming more prevalent. All stakeholders are interested in reducing costs and in increasing efficiencies and the quality of information in dealing with financial reports. FEE supports the idea of a

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<http://www.fee.be/fileupload/upload/CESR%20consultation%20on%20XBRL%20comment%20letter%2009121718122009361547.pdf>, December 2009

⁴ <http://www.fee.be/fileupload/upload/Auditing%20and%20Financial%20Reporting%20PS%20I%20XBRL%20-%20Impact%20on%20Accountants%20and%20Auditors%2009121812200946946.pdf>, December 2009

“one-stop-shop” rather than requiring the reporting entity to make multiple filings of the same information.

XBRL has the potential to play an important role in such endeavours and in particular in reducing costs such as the cost of capital by increasing transparency and ease of use of financial information provided Europe can come to an integrated taxonomy. Therefore, FEE supports the use of XBRL while acknowledging the challenges of using it.

The challenges of using XBRL are set out in more detail in our XBRL Policy Statement and we are of the view that a number of accounting, auditing and other issues remain unsolved when it comes to the implementation and application of XBRL. These issues are for instance the level of assurance in various parts of the XBRL process for financial statements, the accuracy, completeness and comparability of extensions to taxonomies and changes in the audit approach and/or audit opinion for XBRL generated financial statements.

Considering these aspects, we remain confident in looking forward to the widespread adoption of XBRL where the appropriate circumstances prevail and express our clear support for the planned cost-benefit analysis of XBRL for which we also called in our XBRL Policy Statement.

We are also of the view that a cost-benefit analysis related to common formats and XBRL filing should first and foremost focus on periodic financial information. Further development of the electronic network and analyses related to other types of regulated information would depend on the need for such XBRL generated information by users considering the costs of providing such information now and in the foreseeable future.

Harmonisation of the information submitted to the electronic network is equally important, both when considering accounting aspects as well as auditing aspects. Currently, in accordance with the Transparency Directive, the periodic financial information is based on global accounting standards, IFRS. It would therefore be equally important and beneficial to users that the audit, if required, of the financial information is based on global and harmonised standards, such as International Standards on Auditing. This would facilitate comparability of the information available.

In addition, the present Consultation Paper only briefly summarises the responses received to the Call for Evidence on standard reporting formats by highlighting that views of respondents on XBRL were split. We appreciate the intention by CESR to carry out a new consultation on this issue during 2011, as also recommended by us in our response to the Call for Evidence on standard reporting formats.

For further information on this FEE⁵ letter, please contact Mrs. Hilde Blomme at +32 2 285 40 77 or via email at hilde.blomme@fee.be or Lotte Andersen at +32 2 285 40 80 or via email at lotte.andersen@fee.be from the FEE Secretariat.

Yours sincerely,



Hans van Damme
President

⁵ FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 European Union (EU) Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE's objectives are:

- To promote and advance the interests of the European accountancy profession in the broadest sense recognising the public interest in the work of the profession;
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy, statutory audit and financial reporting in Europe in both the public and private sector, taking account of developments at a worldwide level and, where necessary, promoting and defending specific European interests;
- To promote co-operation among the professional accountancy bodies in Europe in relation to issues of common interest in both the public and private sector;
- To identify developments that may have an impact on the practice of accountancy, statutory audit and financial reporting at an early stage, to advise Member Bodies of such developments and, in conjunction with Member Bodies, to seek to influence the outcome;
- To be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions;
- To represent the European accountancy profession at the international level.