European Single Electronic Format (ESEF)
What Financial Analists want?

Le relazioni finanziarie annuali alla luce del Regolamento ESEF
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Milano – 28 Settembre 2018
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FinTech: rapid technical development

| Artificial Intelligence | Big Data Capabilities | DLT (aka Blockchain) | Cloud/API-driven data interactions | "Consumerised" Systems (Including Mobile) |

"Digital First" is an underlying assumption for all of these developments

Article 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 (AFRs).

Assumption and requirements

a) Exchanged information shall be structured in order to enable its automated extraction and processing (e.g. transformation and loading for analytical purposes),

b) Definitions of data items shall be precise and accurate, enabling identification of their meaning and relations within the exchanged data,

c) Structured data shall cover information useful for analysis (i.e. it shall be comparable, stable in time and providing the level or granularity expected by the current and potential future users),

d) Ease of use by data producers and consumers.

How will users benefit from ESEF?

Financial analysts fully agree and need for efficient stock screening:

- Reliable, comparable and consistent available data
- Long histories for quantitative analysts
- Population: large number of companies to screen on or involve in regression analysis
- Transparency to review quickly "outliers", data aggregators offer click thru capabilities from standardized to the exact location in the document from which the information was sourced
- ESG information and Strategic Reporting becomes more important
- IFRS taxonomy is the basis but add certain non GAAP measures
- Focus on listed companies, same format for large and small

ESMA ESEF – Benefits in line with users wishes …

Inline XBRL can make reporting easier

- The process of data collection to produce financial reports can be automated. However, this is only the case if record-to-report processes are rethought.
- If an issuer prepares the Annual Financial Reports first and only afterwards attaches the XBRL labels, the reporting process will not be simplified
- In any case, reporting in Inline XBRL can be expected to be easier compared to reporting in XBRL only, as no additional mechanism is required to make the content human-readable

Inline XBRL can facilitate accessibility of Annual Financial Reports (AFRs)

- Inline XBRL instance documents can be accessed without the purchase of specific software tools
- The labelling up of financial information in the Annual Financial Reports with XBRL meta-data makes it easier for users to find relevant facts
- XBRL Taxonomies can contain labels in several languages. If this is the case, users can compare items in the primary financial statements across issuers irrespective of the language
- Software products offer conversion of the XBRL information to other formats such as SQL or Excel.

Inline XBRL can facilitate analysis and comparability of Annual Financial Reports (AFRs)

- Software can be used to analyse large amounts of financial information labelled with XBRL tags.
- This allows investors, analysts, and regulators to access and manipulate the financial data, to compare disclosures across issuers, and to make comparisons against previous disclosures
- Individual data points can be analysed to observe trends, or can be combined to create ratios.
- Even if the information in the notes to the financial statements is block tagged, Inline XBRL can be useful for text analytics or manual comparisons of narrative disclosures.

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Conclusions

How to implement correctly all the dutys required

- Providing access to financial analysts of experts within the regulatory, accounting, software and consultancy sectors. Include specific XBRL Europe events for this purpose.
- Respond to and prioritize technical requirements surfaced by ESMA and market stakeholders.
- Accelerate international guidance related to the standard and the most common challenges reported by adopters. In particular Support, the development of greatly improved guidance on XBRL extensibility, versioning and other implementation mechanics.
- Provide a software certification mechanism that helps enhance interoperability and improve choice in the marketplace.
- In time for 2020, prepare specialized accreditation frameworks to help suitable training providers accredit relevant market actors, including preparers and users of XBRL data.

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