



**Brussels, the 19<sup>th</sup> of August 2010**

**European Commission  
DG Internal Market  
2, rue de Spa  
1049 Brussels**

**XBRL Europe ID number: 16818933143-79**

**Ref.: XBRL Europe Answers to the European Commission Consultation on Modernisation of the Directive 2004/109/EC (transparency requirements for listed companies)**

Dear Madam, Dear Sir,

XBRL Europe is pleased to transmit herewith our response to your Consultation in reference.

Being at your disposal for any further information you would like to obtain on XBRL, we remain  
Yours sincerely,

A handwritten signature in black ink, appearing to be "Gilles Maguet". The signature is stylized and somewhat abstract, with several long, sweeping lines.

Gilles Maguet  
Secretary General  
**XBRL Europe**  
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### Information about the respondent

Name of respondent organisation/company/natural person: XBRL Europe

Contact person and function: Gilles Maguet – Secretary General – [gilles.maguet@xbrl-eu.org](mailto:gilles.maguet@xbrl-eu.org)

Country: Belgium

Field of activity of respondent (e.g. issuer of securities, investor, financial intermediary, financial analyst, national authority, other) : professional not-for-profit organisation

If issuer of securities, please state the company size (e.g. (i) issuers of shares with a market capitalisation below €100 Million; (ii) issuer of shares with a market capitalisation between €100 Million and €250 Million; (iii) issuers of shares with a market capitalisation over €250 Million; (iv) issuer of debt securities only; (v) other)

### I. Attractiveness of regulated capital markets for small listed companies.

**Question 3: Potential diminution of cost for small listed companies.** What changes of the Transparency Directive will bring important reductions in costs for small listed companies? *Please provide evidence in support of your answer (see also questions 7 and 8 if you are able to provide more detailed replies).*

XBRL Europe is of the opinion that the use of a common standard reporting format and of the common language XBRL will bring important reductions in costs for small listed companies. Evidently the large use of common standard reporting as stated in the European Parliament Directives, will bring the emergence of tools and of an ecosystem which will lead to reductions of costs for all the companies and thus for small listed companies.

*Reminder of the Note page 123 of the Working Document from the European Commission: The European Parliament's Resolution of 21 May 2008 on a simplified business environment for companies in the areas of company law, accounting and auditing, notes the advantages of XBRL and urges the Commission to actively promote the use of electronic means in relations between undertakings and public*

*administrations. Also the European Parliament Resolution of 9 October 2008 on Lamfalussy followup: future structure of supervision, calls on the L3 Committees to design common reporting standards, preferably in a multi purpose format such as XBRL and calls upon the Commission to submit adequate legislative proposals.*

The small listed companies must provide annual financial reports and disclosures, as regulated information listed in the Transparency directive.

As an example, in France, this reporting, named “Document de référence” is a hundred pages PDF document to be sent to the national French regulator, the AMF, and then booked into the French OAM French website “info-financieres.com”.

To develop a proof of concept, XBRL France has issued an executive compensation XBRL Taxonomy (“Rémunérations des dirigeants” taxonomy). Based on this XBRL taxonomy, a website has been launched, aiming at a public free access to view the executive compensation of listed companies, in a unique reporting format, proposed by the AMF.

This sort of website could also well be used by all listed companies to post directly their information in a common XBRL format still to be agreed and developed. In this respect the development of a XBRL taxonomy which would include all the regulated information, could prevent all listed companies from building each year a whole “document de référence”.

**Question 4: The lower visibility of smaller listed companies.** How does the visibility problem materialise (e.g. lower attention of analysts, lower investment levels, lower trading etc.) for (objectively) well performing small companies? *Please provide evidence supporting your answer.*

The cost of extracting the relevant information on small listed companies is certainly deterring financial analysts to devote resources on this sector. This implies lower attention from the market and limited possibilities to raise funds, and attract attention from investors.

Standardized information gives the ability to the financials analysts to download the regulated information, in XBRL, Excel or HTML format, to retrieve and compare the relevant data, which can lead to a better understanding of each company business model and financial results.

Most of the time, the financial analysts do not know where to find all the data for all the small listed European companies, and even if they do, the presentation format and the meaning of each item are different from one country to another.

The example mentioned above of the executive compensation reporting in France shows that the 10 tables recommended by the French regulator (AMF) since 2008 for the compensation disclosures lead to a better comparison between all the listed companies, as in addition the great majority of them have adopted the proposed reporting format.

In using XBRL, this information could also be more easily extracted and analysed by the analysts, without any manual re-keying as of now, thanks to the use of a relevant XBRL taxonomy and the appropriate tools to key (input) in and to retrieve (output) the information.

XBRL Europe is thus of the opinion that the use of a common standard reporting format and of the common language XBRL will ease the visibility of the smaller listed companies as with the large use of XBRL the analysts will be more able to extract and compare financial data than with the present paperbased system.

**Question 7.1.** If a differentiated regime for small listed companies is added to the Transparency Directive with a view to reduce the compliance costs of those companies, would it be desirable to prevent Member States/regulated markets from imposing in national law/listing rules more stringent or additional obligations on small listed companies?

XBRL Europe thinks that preventing national law/listing rules to be more stringent is always desirable, but if absolutely necessary at least to harmonise the development of these national rules within the EU and to use XBRL for it to avoid redundancies. Indeed developing at the European level a XBRL EU Taxonomy containing all the national obligations could be a very important answer to the reduction of costs, to the visibility of small listed companies and to the harmonisation of the rules between the EU countries.

**Question 7.5.** If the Transparency Directive provided for maximum harmonisation (no national add-ons) of the content of narrative reports referred to in question (7.3) for small listed companies, would this imply a reduction in legal, auditing or other type of costs? *Please provide evidence supporting your answers.*

**Question 7.6.** In case you think maximum harmonisation regarding the content of narrative reports referred to in question (7.5) is desirable, what do you think would be the best way? *Please provide reasons on your reply.*

- i) non-mandatory ready-to-use templates regarding these narrative disclosures (which could be prepared for instance by CESR/ESMA);
- ii) more detailed rules in European law, either in the Transparency Directive or in delegated acts adopted by the Commission;
- iii) a combination of both

XBRL Europe thinks that harmonising the content of narrative reports is always beneficial for all and thus for the Small Listed companies as the process of establishing these narrative parts could be more automated and thus less costly. Using XBRL there could also be a huge advantage as the “tagging effect” of XBRL is applicable not only to figures but also on texts and parts of text.

As mentioned above and for instance a specific XBRL taxonomy has been developed in France in collaboration with the regulator AMF for the disclosures regarding the compensation of the executives.

As regards to the 7.6 XBRL Europe is of the opinion that a combination (thus answer iii)) of ready to use templates with detailed rules in the transparency directive is the right answer. The implication of CESR/ESMA (but also of IASB and EFRAG) is important in the definition process as well as the involvement of the political level and thus the directive level in the decision making process is crucial in order to avoid rejection by countries.

**Question 9.2.** What type of measures at EU level could help solving the visibility problem of small listed companies?

- i) The Transparency Directive should contain differentiated rules for small listed companies regarding timing and/or methods for the disclosure and dissemination of information (*please explain*);
- ii) there are rules in other EU directives (e.g. prudential requirements) and/or national law (e.g. tax law) which discourage financial analysts and intermediaries' interests in small listed companies which should be modified (*please explain*)
- iii) financial analysts and intermediaries should get incentives to interest themselves in small listed companies (*please explain*);
- iv) other (*please explain*).

**Question 9.3.** Do you think that the development of an EU database<sup>9</sup> storing regulated information on all issuers of securities in the EU will facilitate research and create interest/result in greater attention in small listed companies by financial analysts, financial intermediaries and investors? *Please explain.*

If the example from the United States is taken with their US GAAP and the EDGAR system, XBRL Europe is of the opinion that the large use of the IFRS with a simplified/differentiated approach for small listed companies will help solving the visibility problems.

But to be complete and useful as in the US the use of a so called EU database storing XBRL Instance documents fully comparable would be a real asset.

We can also here mention the example of the EFIREP (European Financial Reporting Platform) initiative. This French project comprised of software and research

organisations including XBRL France, has the objective to create such a database, based on the XBRL format, to store and retrieve the IFRS information provided by the European listed companies, whatever their size.

Another option could also be to develop and maintain a repository. The internet enables access to millions of separate proprietary sites that should have all been standardized. XBRL is the standardized language for business information enabling similar standardization for reports relevant to the listed companies sector and to CESR/ESMA.

Rather than creating a EU level storage point, why not create an EU level registry of all of the company storage points where the companies maintain the documents on their respective websites? It could lower the cost, increase the access and enable investors to obtain both the regulatory and non-regulatory content from the same process. Leveraging standards like XBRL and RSS only make the content more accessible and reusable.

We have also to mention that it exist European software companies who have already developed the technology to implement a system comparable to EDGAR in XBRL and in using relational databases. This system works like a repository and has loaded all XBRL reports sent to the EDGAR System. The system is fully automatic, all new taxonomies and instance documents are loaded automatically form the RSS feeds. This initiative could also serve the purpose described above.

Last, regarding the repository solution it should be mentioned that it is important (not at least from an auditor's point of view) that the information contained in such secondary registries is authentic i.e. that all information is precisely as in the original version of a financial statement etc. . It means that the authentication should be secured and XBRL associated with authentication solutions are prefect solutions for that specific purpose.

## II. Information about holdings of voting rights.

As a general comment on these issues, XBRL Europe would like to mention that XBRL is a perfect standard and technology to provide harmonised extractable and readable information to the market.

For instance the aggregation of holdings and of voting rights as well as “insufficient corporate ownership” as mentioned in the questionnaire could easily be covered within a XBRL Taxonomy to be developed at the European level under the aegis of CESR and of the European Commission.

As a result the business information would be easily available in XBRL format (instance files) and would be accessible to investors and analysts for easy comparison.

Regarding the proxy voting rights, the US SEC commissioners voted on July 14<sup>th</sup> to approve a Concept Release that proposes sweeping revisions of the US proxy voting system.

The Concept Release also calls for the SEC to explore the usefulness of XBRL to tag executive compensation and director qualification information in proxy statements. The Sec Investor Advisory Committee first recommended this move, extending it to include environmental, social, and governance (ESG) data that typically are covered in shareowner resolutions voted on in the proxy.

### III. Ineffective application of the Directive because of diverging national measures and/or unclear obligations in the Directive

**Question 19.** Would it be desirable to set up a uniform EU regime (e.g. by a directly applicable EU Regulation) for the notification of major holdings of voting rights? *Please justify your reply by describing any legal obstacles (e.g. related to civil or company law) to such uniform EU regime.*

**Question 20.** If a fully uniform EU regime is not possible because of insurmountable legal barriers, should Member States be prevented from adopting more stringent requirements than those of the Transparency Directive regarding the notification of major holdings of voting rights<sup>20</sup>?

As a general comment on these questions, XBRL Europe would like to underline that national measures are huge barriers towards comparability and thus transparency. Even with the use of XBRL technology if the EU regime is not the same within the EU it will continue to be difficult to compare the ownership and the voting rights of listed companies.

XBRL Europe proposes that as mentioned in the previous chapter, a XBRL EU taxonomy on major holdings and voting rights is developed at the EU level under the aegis of CESR and of the European Commission. This taxonomy should be part of the mandatory XBRL business reporting to be filed and to be spread to the market for transparency purpose.