

SEC publishes IFRS taxonomy and proposes to require Inline XBRL

The US Securities and Exchange Commission ("**SEC**") will require foreign private issuers that are subject to US public reporting requirements and that prepare financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") to comply with the SEC's XBRL reporting requirement for fiscal years ending on or after December 15, 2017. To enable compliance, the SEC has published on its website a specific set of data labels, or XBRL tags (collectively referred to as a taxonomy), customized for IFRS as issued by the IASB. In addition, the SEC has proposed to amend its XBRL reporting requirement to mandate use of Inline XBRL.

The SEC's XBRL reporting requirement, adopted in 2009, generally applies to SEC-registered companies when they file financial statements with their annual reports and other specified filings. These companies are required provide the financial data contained in their financial statements in machine-readable format using eXtensible Business Reporting Language (XBRL). The SEC's XBRL reporting requirement instructs filers to prepare interactive data files that comply with the SEC's EDGAR Filer Manual.¹ The manual specifies technical requirements for creating XBRL-encoded interactive data files and instructs filers to use a taxonomy posted on the SEC's website.

Before March 2017, however, the SEC's website only provided taxonomies for financial statements prepared in accordance with US GAAP. Foreign private issuers that report in accordance with IFRS as issued by the IASB relied on SEC no-action relief that stated they were not required comply with the XBRL reporting requirement until the SEC specified on its website a taxonomy for their use.² Now that the SEC has issued a notice of availability for an IFRS taxonomy, foreign private issuers who prepare financial statements in accordance with IFRS as

What is XBRL?

XBRL refers to eXtensible Business Reporting Language, a computer language used to provide financial information in SEC filings in an interactive data format. Companies use XBRL to apply tags to each piece of data in their financial statements. These tags identify the data and make it machine readable. This technology facilitates the aggregation, comparison, and large-scale statistical analysis of that information by investors, their financial advisors, and professional analysts, as well as the SEC and its staff.

¹ 17 CFR 232.405.

² SEC No-Action Letter from the Division of Corporation Finance and the Office of the Chief Accountant to the Center for Audit Quality (Apr. 8, 2011).

issued by the IASB and are subject to the public reporting requirements of the Exchange Act of 1934, as amended, will be required to file XBRL-tagged financial statement information with their annual reports on Forms 20-F for fiscal years ending on or after **December 15, 2017**.³

In addition, some reports on Form 6-K will need to comply with XBRL reporting. Specifically, Form 6-K requires companies to provide XBRL tags when the submission includes either:

- revised version of audited annual financial statements (previously filed with the SEC) that have been revised pursuant to applicable accounting standards to reflect the effects of certain subsequent events, including a discontinued operation, a change in reportable segments or a change in accounting principle; or
- interim financial statements pursuant to the nine-month updating requirement of Item 8.A.5 of Form 20-F.

For these reports on Form 6-K, XBRL reporting would not be required for any other types of financial statements that may also be included.

Foreign private issuers that prepare financial statements in accordance with their home country accounting standards instead of using IFRS (IASB) or US GAAP continue to not be required to report financial information using XBRL.

XBRL reporting process

SEC-reporting companies typically comply with the XBRL reporting requirement by creating XBRL data files, which are filed as exhibits. They do so by copying their finalized financial statements into a separate file and then applying XBRL tags. A key element of the XBRL reporting process is selecting the most appropriate tags to apply to the information in the financial statements. Companies may choose to use special XBRL tagging software in-house or to work with a third party that provides XBRL services (such as a financial printer). The SEC reported that over 60% of public reporting companies outsourced at least some part of XBRL preparation for their Form 10-K filings.⁴ The XBRL reporting process is typically overseen by the company's audit committee.

Under US federal securities laws, a public reporting company is responsible for the accuracy and completeness of the XBRL information it files with the SEC. The SEC requires each data element and label contained in the XBRL data file to reflect the same information as the corresponding disclosure in the related official (human-readable) filing. Accordingly, companies should verify that the tagged data is consistent with the HTML version of their financial statements.

The SEC staff has identified the following as recurring data quality issues to avoid:

- characterization of a number as negative when it is positive;
- incorrect scaling of a number (e.g., in billions rather than in millions);
- unnecessary custom tags (such as to achieve a particular presentation);
- incomplete tagging (e.g., a failure to tag numbers in parentheses); and
- missing calculations that show relationships between data.

The SEC provides a free previewer that can be used to review the accuracy of XBRL information before filing. The SEC's previewer does not, however, detect potential technical errors. If there is a major technical error with an exhibit providing an XBRL data file, the EDGAR validation system causes the exhibit to be removed from the submission, but the filing as a whole would not be suspended. To avoid this problem, companies can submit test filings on EDGAR to help identify and correct technical errors before filing. If a company

Will the SEC require hyperlinks to XBRL data exhibits in the exhibit table of a Form 20-F?

The SEC's recently announced requirement to provide active hyperlinks to exhibits (effective for filings made on or after September 1, 2017) specifically excludes XBRL data exhibits.

³ IFRS Taxonomy for Foreign Private Issuers That Prepare Their Financial Statements in Accordance with International Financial Reporting Standards as Issued by the International Accounting Standards Board, SEC Rel. No. 34-80128 (Mar. 1, 2017), available [here](#).

⁴ See Proposed Rule: Inline XBRL Filing of Tagged Data, SEC Rel. No. 33-10323, p. 13 (Mar. 1, 2017), available [here](#) (citing Financial Executives Research Foundation, 2013 survey, p. 15 (Nov. 15, 2013)).

encounters unanticipated technical difficulties in filing an XBRL data exhibit, a temporary hardship exemption under Rule 201 of Regulation S-T provides for a grace period of up to six business days.⁵

Website posting requirement

When companies include XBRL data exhibits with EDGAR filings, they are also required to make the XBRL information available on their website by the end of the day on which the filing is made. They are required to keep XBRL data files posted for at least 12 months. This website posting requirement may be satisfied by posting either the XBRL data file itself or a link that goes directly to the XBRL data file on any website other than the SEC's website. Companies typically coordinate with their investor relations staff or advisors to ensure timely website posting.

Inline XBRL

Inline XBRL allows filers to embed XBRL data directly into an HTML document, which eliminates the need to tag a copy of the information in a separate XBRL data file. Inline XBRL is both human-readable and machine-readable for purposes of validation, aggregation and analysis.

In June 2016, the SEC issued an exemptive order that permits public companies to report their financial information using Inline XBRL on a voluntary basis, subject to specified conditions.⁶ Companies that voluntarily report using Inline XBRL are required to include a statement in their exhibit index to explain that XBRL tags are embedded in the filing instead of being provided as a separate exhibit. These voluntary filers are not exempt from the website posting requirement.

On March 1, 2017, the SEC proposed amendments for public comment that would require the use of Inline XBRL and would eliminate the requirement for filers to post their XBRL data files on their websites.⁷ This proposal is meant to improve XBRL data quality and to decrease compliance costs in the long run. If adopted as proposed, the Inline XBRL requirement would be phased in over several years based on filer status categories.

⁵ 17 CFR 232.201. Depending on the circumstances, a continuing hardship exemption may be available pursuant to Rule 202 of Regulation S-T.

⁶ See Order Granting Limited and Conditional Exemption under Section 36(a) of the Securities Exchange Act of 1934 from Compliance with Interactive Data File Exhibit Requirement in Forms 6-K, 8-K, 10-Q, 10-K, 20-F and 40-F to Facilitate Inline Filing of Tagged Financial Data, SEC Rel. No. 34-78041 (Jun. 13, 2016).

⁷ See Proposed Rule: Inline XBRL Filing of Tagged Data, SEC Rel. No. 33-10323 (Mar. 1, 2017), available [here](#).

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