

SEC Announces XBRL Taxonomy for Foreign Private Issuers Reporting under IFRS; Implementation Required for Fiscal Years Ending December 31, 2017

March 6, 2017

The SEC recently announced that foreign private issuers reporting under IFRS must file their financial statements in XBRL, an interactive data format, for fiscal years ending on or after December 15, 2017.

The attached memorandum summarizes the new requirements and what this means to foreign private issuers reporting under IFRS.

If you have any questions concerning this memorandum, please reach out to the partners and counsel listed under [Capital Markets](#) or [Latin America](#) in the “Our Practice” section of our website.



On March 1, 2017, the SEC announced that foreign private issuers that prepare their financial statements under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) must file their financial statements in eXtensible Business Reporting Language (“XBRL”) for fiscal years ending on or after December 15, 2017. Foreign private issuers that prepare financial statements under IFRS may, but are not required to, file in XBRL for fiscal periods ending on or after December 31, 2016.

XBRL is an interactive data format that makes a company’s financial statements machine-readable so they can be downloaded, analyzed and compared using certain software applications. XBRL enables investors, analysts and the SEC staff to capture and analyze financial information more quickly and at a lower cost. The technology relies on data tags that identify and describe different elements of the financial statements. The SEC has developed a standard list of tags, called a “taxonomy,” for IFRS. Issuers that report under U.S. GAAP have been subject to XBRL requirements since fiscal years ended after June 15, 2011. Implementation of XBRL requirements for foreign private issuers that prepare financial statements under IFRS was originally scheduled for fiscal years that ended after June 15, 2011, but was delayed while the SEC finalized the IFRS taxonomy.

Pursuant to the XBRL requirement, issuers must prepare an exhibit that contains tagged data for the face of the financial statements, the footnotes to the financial statements and the related financial statement schedules. The exhibit must be filed with annual reports on Form 20-F and 40-F and registration statements filed under the Securities Act of 1933, as well as any Form 6-K with interim financial statements that are being incorporated by reference into a Securities Act registration statement to comply with the nine-month updating requirement of Item 8.A.5 of Form 20-F. The XBRL exhibit should be filed at the same time as the rest of the filing to which it relates; however, there is a 30-day grace period for the first two years of XBRL reports filed with annual reports.

To comply with the new XBRL requirements, an issuer may either upgrade its systems with commercially-available tagging software to produce XBRL financial statements in-house or work with an XBRL service provider, such as a financial printer, to apply the XBRL tags to its financial statements. Regardless of the approach, tagging the information will be very time and labor intensive. The SEC estimates an issuer will spend approximately 125 internal hours preparing the first XBRL filing and 17 internal hours for each subsequent filing. Because significant time is required to prepare the interactive data files even if the issuer uses an outside vendor, issuers should act now to decide which approach to pursue.

The XBRL rules do not change any requirements applicable to the financial statements themselves and do not affect the substance of the information in the issuer’s annual reports or registration statements. In addition, the XBRL exhibit is not required to be covered in officer certifications on internal controls over financial reporting and disclosure controls and procedures.

To make the interactive data file more broadly accessible, foreign private issuers required to present their financial statements in XBRL format must also post their financial statements on their web site in XBRL format on the same day that the XBRL exhibit is filed (or is required to be filed) with the SEC, and the financial statements must remain there for at least 12 months.

Notably, the SEC has not indicated whether foreign private issuers will be entitled to have the XBRL exhibit “furnished” rather than filed and exempted from certain anti-fraud provisions under the Securities Act for an initial transition period of two years from an issuer’s first XBRL exhibit filing. These exemptions, which were available to domestic issuers, expired on October 31, 2014.

Questions regarding the new requirements can be directed to your regular contacts at the firm or to any of the partners and counsel listed under Capital Markets on this website.

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