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Comments on Due Process Handbook for XBRL Activities

Dear Mr. Servais,

Thank you for the opportunity to provide feedback on the Due Process Handbook for XBRL Activities.

My comments on the Due Process Handbook for XBRL Activities are separated into two categories: general comments; and responses to the specific questions raised in the draft handbook.

The general comments are provided first because they underpin many of the responses to specific questions.

Yours sincerely,

A handwritten signature in purple ink, appearing to read "G. Shuetrim", with a long horizontal flourish extending to the right.

Geoffrey Shuetrim
Director
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General comments

Scope

Taxonomies released by the IASC (IASC taxonomies) need to reflect all of the Financial Reporting Guidance (FRG) issued by the IASC. This includes:

- existing IFRSs;
- new IFRSs;
- any modifications to IFRSs; and
- IFRS interpretations.

Whenever there are changes in the FRG issued by the IASC, the IASC taxonomies need to adapt to reflect those changes. Note that the scope is limited to FRG under the control of the IASC. IASC Taxonomies should not reflect financial reporting practices or guidance that has not been issued by the IASC.

Synchronisation

The draft handbook indicates that planning of a new taxonomy only starts when new FRG has been officially released by the IASC. Given the due processes in the draft handbook, this implies that IASC taxonomies will not reach the market until at least 12 months after the release of FRG changes. This delay is unacceptable if IASC taxonomies are to be adopted because, in the absence of IASC taxonomies, either XBRL will not be usable by companies and investors trying to adopt XBRL or non-IASC taxonomies will spring up, undermining the value of the IASC taxonomies in the first place.

Note also that the taxonomy release delays may well be exacerbated if extensions are required for XBRL usage within IFRS jurisdictions. The delay between release of the IFRS taxonomy and the necessary jurisdiction extensions will only worsen the adverse impact on XBRL reporting attempts using IFRS taxonomies.

To prevent these delays, the triggers for IASC taxonomy updates should be:

- discovery that an IFRS may require revision
- discovery that a new IFRS may be required
- discovery that a new IFRS interpretation may be required (see paragraph 3)
- discovery that a taxonomy may require modification

Taxonomy development then needs to proceed in line with drafting of the changes to IASC FRG.

Due processes for IASC taxonomy development need to be tightly synchronised with the due processes governing the drafting of IFRSs and governing the drafting of interpretations. Specifically:

- stages in the taxonomy review process should match stages in the reporting

guidance review process; and

- release dates for the taxonomies should exactly match release dates for changes to FRG.

This synchronisation will also yield improvements to the FRG deliverables because of quality assurance on the XBRL taxonomy deliverables. Specifically, it will be possible for the FRG drafting to be adjusted to accommodate feedback on the taxonomies (for example, addressing an issue of completeness in the taxonomies that is actually an issue of completeness in the underlying FRG).

At a more technical level, it will be possible for the very granular nature of the XBRL taxonomies to enhance the completeness of the FRG review. For example, analysis of the references from XBRL taxonomies to the FRG can yield insights into material that is missing from the taxonomies and from the underlying FRG.

With a delayed taxonomy development and review process, the IASC taxonomies have to take the FRG as given and this cannot be optimal for either the taxonomies or the FRG.

Stability

To lower the costs of using IFRS taxonomies to investors, to reporters, and to stakeholders needing to extend and build upon IFRS taxonomies, it is vital that the concepts defined in IFRS taxonomies remain stable over time. It is not acceptable for a concept to modify its local name, or its namespace simply because of a new release of the IFRS taxonomies. New taxonomy releases need to reflect FRG changes only.

This stability requirement precludes issuance of a complete new taxonomy, replacing previous taxonomies, each and every year. This needs to be reflected in the due processes for taxonomy development. Specifically the due processes needs to incorporate:

- an assessment of the stakeholder impact of instabilities that are anticipated to arise as a result of IASC taxonomy changes;

The IASC taxonomies also need to be released with documentation, ideally expressed using XBRL constructs such as labels and/or references, that highlight areas of instability.

Responses to specific questions

Question 1

Technology evaluation should not be a standard part of taxonomy development due processes. Such evaluation should instead be done through ongoing interaction with the XAC, based upon developments in:

- standards;
- tools; and
- good XBRL taxonomy design practices.

Such evaluation should feed directly into the taxonomy architecture documentation. That documentation should then govern taxonomy creation and assessment of consistency with

that documented architecture then needs to be part of the due processes documentation.

Alignment of the XBRL taxonomies to IASC FRG needs to be assessed by both the XBRL team and those responsible for the drafting of IASC FRG. It needs to be a part of the due processes for both deliverables.

Question 2

As stated above, it is vital for new FRG (the IASB deliverable) to be drafted in parallel with new IASC taxonomies (the XBRL team deliverable). This synchronisation, and the due-processes feedback loop incorporating both deliverables, demands greater IASB involvement in and responsiveness to XBRL taxonomy development.

Question 3

The XBRL taxonomies need to exactly reflect the IASC FRG. This is best achieved if the taxonomies are produced as part of FRG drafting and assessment, prior to final release of the FRG.

Question 4

Public release of exposure drafts of taxonomies would be an excellent part of bringing taxonomy development into alignment with IFRS drafting.

Question 5

The IASC should only issue taxonomies that reflect the FRG that they have issued.

Question 6

Taxonomy release should exactly mirror FRG release. As FRG evolves, the taxonomies also need to evolve in a timely manner if they are going to be usable for those needing to comply with the FRG.

Question 7

The terminology is fine.

Question 8

Interaction with such other agencies should relate more to taxonomy architecture changes than to releases of specific new XBRL taxonomy components. It would be useful to explicitly include such agencies in any review of taxonomy architecture.

Question 9

The terminology is fine.

Question 10

The review process for IASC taxonomies needs to take into account the sometimes conflicting needs of:

- investors;
- publishers of financial reports;
- taxonomy developers needing to extend IFRS taxonomies; and
- agencies trying to harmonise taxonomy architecture with IASC taxonomies.

All of these requirements need to be weighed up when making decisions about taxonomy architecture or specific taxonomies.