MFSA MALTA FINANCIAL SERVICES AUTHORITY

European Single Electronic Format

Frequently Asked Questions

Version 1.0

Date Issued: 06 June 2019

Table of Contents

Revisions Log

Version	Date Issued	Details
1.0	06 June 2019	Document Issued

FAQ-1 What is the European Single Electronic Format ('ESEF')?

The European Single Electronic Format (ESEF) is a new requirement mandating issuers having securities admitted to trading on EU Regulated Markets[1] to make use of a single electronic reporting data format in preparing their annual financial reports[2]. With the new rule, all natural and legal persons, regardless of whether their registered office is in the EU or in a third country, having securities listed on an EU Regulated Market will be required to produce annual financial reports that are machine-readable and more easily discoverable, bringing EU capital markets into the digital information age.

FAQ-2 When will these changes need to be adopted?

Issuers on EU Regulated Markets are required to prepare their annual financial reports, using the ESEF format, for financial years beginning on or after 1 January 2020.

The ESEF requirement for detailed tagging of the Primary Financial Statements is mandatory from 2020. From 2022 onwards, detailed XBRL tagging will be required for the entire set of consolidated financial statements, meaning that the notes will have to be block tagged.[3]

FAQ-3 Which type of instruments/markets fall under this requirement?

The European Single Electronic Format (ESEF) is the electronic reporting format in which issuers on EU Regulated Markets, within the meaning of the Transparency Directive, shall prepare their Annual Financial Report starting 1 January 2020.

FAQ-4 How will the ESEF requirement improve reporting?

The objective of the ESEF reporting is to make submission easier for issuers and facilitate accessibility, analysis and comparability for investors and regulators.

---

[1] According to MIFID II, a Regulated Market is a multilateral system that is operated or managed by a market operator and that brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments within the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments Admitted to Trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with Title III of Directive 2014/65/EU of the European Parliament and of the Council.

[2] Annual Financial Report as defined in terms of Article 4(2) of Chapter II of the Transparency Directive.

[3] The Notes will have to be marked up by applying mark-ups for whole sections of the Notes.
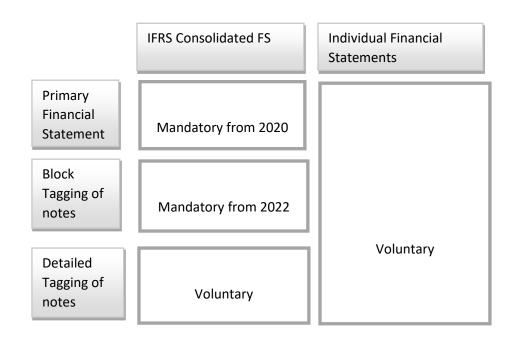
FAQ-5 Will the new ESEF format be applied for both the Annual and Interim financial reports?

As provided for in the Transparency Directive, the ESEF reporting requirement is mandatory for annual financial reports containing financial statements for financial years beginning on or after 1 January 2020.

FAQ-6 Will both the consolidated and the individual entities be affected by this format?

All annual financial reports shall be prepared in *XHTML* or *Extensible Hypertext Markup Language.*

Where annual financial reports contain consolidated IFRS financial statements, issuers are required to mark up those consolidated financial statements using XBRL tags. The XBRL or eXtensible Business Reporting Language is an open and therefore non-proprietary international standard for digital business reporting. The XBRL is currently the only appropriate mark-up language to mark-up financial statements.

	IFRS Consolidated FS	Individual Financial Statements
Primary Financial Statement	Mandatory from 2020	Voluntary
Block Tagging of notes	Mandatory from 2022	
Detailed Tagging of notes	Voluntary	

FAQ-7 What is XBRL format and how does it work?

The XBRL 'tags' shall be embedded in the XHTML document using the Inline XBRL (iXBRL) technology which allows to encapsulate the XBRL tags in the XHTML document within a single document set.

Structured electronic reporting using XBRL requires the existence of a taxonomy, which is a given hierarchical structure used to classify financial information. The IFRS Taxonomy, issued by the IFRS Foundation has been specifically developed to mark-up IFRS financial statements with XBRL tags. Therefore, the core taxonomy to be used is an extension of the IFRS Taxonomy.

The advantage of this format is that an XBRL report can be opened with any web browser, where instead of treating information as a block of text, an XBRL taxonomy provides an identifying tag for each individual item. Business information reported in XBRL can be easily extracted for reuse in other reports, analytical software, and databases while retaining its original, meaningful context.

FAQ-8 Will the Guarantor be obliged to follow the ESEF Format or just the issuer?

The ESEF reporting requirement is mandatory for listed issuers falling under the scope of the Transparency Directive. As such ESEF reporting requirements do not apply to guarantors (provided they do not have securities admitted on a Regulated Market).

FAQ-9 Is an off-the-shelf software package available?

An off-the-shelf software package does not exist. Issuers will have to choose a software provider.

FAQ-10 Will a centralised Officially Appointed Mechanism be in place for the purpose of storing information submitted in ESEF Format?

The Malta Stock Exchange shall continue to hold the responsibility of storing regulated information in terms of the requirements of the Transparency Directive.

FAQ-11 Is there a list of software providers available?

The following 2 lists of software providers available on the EuroFiling and on the XBRL Europe website, have been compiled at the initiative of market participants. Specifically, the following lists should neither be considered as exhaustive nor as a list of certified providers:

http://eurofiling.info/portal/ixbrl-solutions/
https://www.xbrleurope.org/?page_id=1243

Please note that the above lists are being circulated by way of guidance and should not be considered as either a requirement or a recommendation to use the said software developers for the purposes of implementing the ESEF reporting requirement.

FAQ -12 Will the disclosure and filing requirements under the ESEF reporting remain the same?

Regulated information still has to be: a) disclosed to the media (dissemination); b) filed with the Malta Stock Exchange (in its capacity of Officially Appointed Mechanism 'OAM'); c) available on the issuer's website.

There are no indications of changes to the timing of the filing obligations as stipulated under the Transparency Directive.

FAQ-13 Are all the tagging items available in the Regulatory Technical Standards?

No. There might be line items which are specific to the Company which are not contained in the IFRS Taxonomy. In this regard, extensions would need to be created, in order to allow issuers to tag information which is unique about a company, for which there is no available appropriate tag with an equivalent accounting meaning in the ESEF base Taxonomy.

FAQ-14 What challenges are being envisaged?

Based on the United States ('US') experience, the most challenging issues include:

1.   Final review process/validation;
2.   Mapping and tag selection;
3.   Proper handling of negative values;
4.   Education and training;
5.   Security of xHTML document is at a higher risk than pdf.