

12 September 2019

European Single Electronic Format (ESEF) - Tutorial 3

Background

On 9 September 2019, ESMA published the third video tutorial on the European Single Electronic Format (ESEF). The tutorial is prepared in a manner to answer a number of questions on the ESEF Regulation which market participants frequently ask ESMA and National Competent Authorities.

For ease of reference, the script of the third video tutorial on the European Single Electronic Format has been attached with this Circular.

Contacts

Should you have any queries relating to the above, kindly contact the Authority on esef@mfsa.com.mt.

TUTORIAL ON THE EUROPEAN SINGLE ELECTRONIC FORMAT

Further implementation support

Please note that this is not a formal ESMA's Q&A Document and has not therefore been approved by ESMA's Board of Supervisors.

Welcome to this third video tutorial on the European Single Electronic Format, or ESEF. This tutorial aims to answer in a clear and easily accessible way a number of questions on the ESEF Regulation which market participants frequently ask ESMA and National Competent Authorities.

This tutorial builds on two further tutorials on the ESEF published by ESMA, both of which are available on ESMA's website and Youtube channel.

Let's get started.

To whom and when will the European Single Electronic Format (the ESEF Regulation) apply?

The ESEF Regulation will apply to all issuers with securities admitted to trading on regulated markets under the obligation to make public annual financial reports in accordance with Article 4.1. of the Transparency Directive (TD).

The ESEF Regulation will apply to annual financial reports containing financial statements for financial years beginning on or after 1 January 2020. It is relevant to highlight that the deadline for the publication of annual financial reports set out in Article 4.1. of the TD remains unchanged.

What is the single electronic format set out by the ESEF Regulation?

The ESEF Regulation establishes that the single electronic format shall be xHTML. Where annual financial reports contain consolidated IFRS financial statements, certain tagging obligations using the XBRL format/ iXBRL technology apply.

It is worth highlighting that the ESEF Regulation only deals with the *format* of the annual financial report. As such, it does not contain provisions modifying the *content* of the financial statements or of other sections of the annual financial report.

What filing obligations apply for annual financial reports prepared on the basis of the ESEF Regulation?

The ESEF Regulation does not change the filing obligations contained in the Transparency Directive. In particular, annual financial reports in ESEF format will not be filed to ESMA, but to National Competent Authorities on the basis of the applicable national laws transposing Article 19 of the Transparency Directive.

Which authority will ensure that the provisions contained in the ESEF Regulation are complied with?

The ESEF Regulation does not change responsibilities regarding supervision and enforcement of regulated information. As set out by Article 24 of the Transparency Directive, the competent authorities designated by Member States have the responsibility of ensuring that the provisions contained in the ESEF Regulation are applied.

Does the ESEF Regulation require issuers to submit their 2020 AFRs in xHTML even if the financial statements included therein are not consolidated IFRS financial statements?

Yes. All issuers falling under the requirements of Article 4 of the Transparency Directive must publish their AFRs in electronic format, i.e. in xHTML.

Does the ESEF Regulation require issuers to mark-up the financial statements contained in their 2020 annual financial reports using the XBRL format / iXBRL technology even if those are not IFRS consolidated financial statements?

No. The ESEF Regulation does not require marking-up of financial statements which are not prepared on a consolidated basis, regardless of whether those are prepared using IFRS or national GAAP.

However, issuers should monitor whether additional local requirements regarding the format of separate or of individual financial statements are introduced in their jurisdiction.

Does the ESEF Regulation require Interim Financial Reports to be prepared in electronic format (xHTML or xHTML with iXBRL)?

No. ESMA's mandate contained in the Transparency Directive regards only *annual financial reports* (Article 4, paragraph 7).

However, issuers should monitor whether additional local requirements regarding the format of Interim Financial Reports are introduced in their jurisdiction.

Are issuers required to mark-up IFRS disclosures or figures presented outside the financial statements?

Where IFRS disclosures or figures presented outside the financial statements are part of the financial statements and incorporated therein by cross reference (for example, disclosures relating to paragraph 21B of *IFRS 7 Financial Instruments : Disclosures*), issuers are required to mark-up those figures as set out in the ESEF Regulation.

In addition, it is worth mentioning that issuers are allowed, on a voluntary basis, to mark-up IFRS disclosures or figures presented outside the financial statements whenever such disclosures are not part of financial statements.

Can annual financial reports prepared in PDF format be used to comply with the obligations contained in Article 4 of the Transparency Directive?

No, the annual financial report prepared on the basis of the ESEF Regulation (xHTML, or xHTML with iXBRL, as applicable) is the only version of the annual financial report which may be used to comply with the obligations set out in Article 4 of the Transparency Directive.

It is relevant to note however that issuers may be allowed or required by national legislation to also publish Annual Financial Reports in other formats to comply with obligations stemming from other requirements.

Can the Notes to the financial statements included in 2020 annual financial reports be tagged, i.e. ahead of the block tagging obligation coming into force in 2022?

Yes, issuers can tag more than what is required as a minimum by the ESEF Regulation. They are therefore allowed to tag the Notes to the financial statements already in the 2020 annual financial reports, using either block tags or detailed tags.