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Taiwan Stock Exchange's XBRL disclosure system upgrade places priority on global comparability in conjunction with IFRS adoption from 2013

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Executive Summary



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NOTE

1) eXtensible Business Reporting Language

This year, the Japanese FSA will upgrade its EDINET corporate disclosure system and expand the scope of XBRL disclosure in Japan. XBRL disclosure systems are widely used overseas also. A case in point is the Taiwan Stock Exchange, which has undertaken various XBRL initiatives to gain favor with institutional investors, including foreigners. Its initiatives are instructive for Japan.

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In 2013, Japan's Financial Services Agency (FSA) plans to upgrade its EDINET corporate information disclosure system and expand the scope of XBRL¹⁾ disclosures. Such disclosure systems are already in use and being improved upon overseas. For example, the Taiwan Stock Exchange (TWSE) is now upgrading its XBRL disclosure system launched in 2008 to develop its taxonomy for International Financial Reporting Standards (IFRS) in conjunction with Taiwanese companies' universal adoption of IFRS from 2013. This upgrade project was the focus of a July 2012 XBRL conference sponsored mainly by the TWSE and attended by interested parties from Taiwan and overseas. In his opening remarks to the conference, Taiwan's Financial Supervisory Commission Vice Chairperson Wu Tang-chieh said, "XBRL and IFRS are important for revitalizing the Taiwanese market." This paper profiles Taiwan's XBRL initiative, discusses differences between the current state of XBRL in Japan and Taiwan, and considers issues that Japan should address in the future.

TWSE's XBRL initiative

The TWSE encourages its listed companies to use its disclosure system to disclose not only financial statements but also earnings forecasts, medium-term management plans, and corporate social responsibility (CSR) reports. Like in Japan, companies in Taiwan have been issuing disclosures in XBRL since 2008. Taiwan is currently ahead of Japan in terms of XBRL disclosure in several respects. First, XBRL is used in Japan for disclosure of primary financial statements only. In Taiwan, it is used for not only primary financial statements but also audit reports and detailed information on subsidiaries. Second, the TWSE endeavors to increase the reliability of XBRL disclosures through such means as rigorously checking incoming document submissions for inconsistencies in numerical data between the account line-items for which XBRL is used. Third, the TWSE's website, in addition to providing English

2) English labels are one XBRL feature. Tags that label financial statement accounts allow account names to be input in multiple languages. XBRL readers enable users to select the language displayed.

menus, allows users to display information and download data in English using XBRL English labels²⁾ (English account names).

The TWSE's use of XBRL for non-financial-statement information from the outset reflects a devoted commitment to meeting investors' needs. The aforementioned audit report information is in strong demand for company analysis in Japan also. The independent auditor's name, information on the accountants who conducted the audit, and audit report content related to going-concern issues are cited by investors as important information. According to investment analysts that cover Taiwanese companies, information on affiliates, particularly subsidiaries in mainland China, is particularly important because Taiwanese companies' earnings are affected by changes in such subsidiaries' earnings and exchange rates.

Placing priority on improving comparability

The features mentioned above are slated to be incorporated into Japan's next-generation EDINET system also. However, one feature of the TWSE's XBRL disclosure system that is not included in the current EDINET upgrade is that companies are not given the option of using their own unique account names. Japanese companies tend to use various names for the line items in their financial statements. XBRL tags³⁾ also can be extended to accommodate company-specific terminology⁴⁾. While such efforts by companies to explain in detail are commendable, users are unable to determine whether differently named accounts are synonymous. This lack of clarity impedes intercompany comparisons by investors. The TWSE has studied the financial disclosures of all 1,500 of its listed companies and prepared a list of some 9,000 account names. To enhance comparability for users' benefit, the TWSE generally requires its listed companies to select account names from this list, prohibiting them from utilizing their own unique account names.

3) Tags are character arrays used in markup languages such as HTML and XML. With XBRL, an XML-based language, tags are defined for account names and convey the account names' meaning to users.

4) EDINET permits companies to submit documents containing their own extended tags in addition to account name tags provided by the FSA.

This rule will be carried over to the upgraded system also. In upgrading its XBRL system to conform to IFRS, the TWSE basically adopted the International Accounting Standards Board's (IASB) XBRL taxonomy to facilitate intercompany comparisons by global investors.

In addition, the TWSE is conducting a study and preparing its own XBRL tags to be used in disclosures containing information not covered by the IASB's taxonomy. By developing an XBRL taxonomy that accommodates companies' current needs, the TWSE plans to obviate company-specific customization of XBRL tags for account names.

Exhibit : Comparison of EDINET (existing and new) and TWSE's XBRL disclosure system

	Existing EDINET	Next-gen EDINET	TWSE
Financial statements	Detailed tags	Detailed tags	Detailed tags
Segment information	Not available	Detailed tags	Not available
Audit reports	Not available	Block tags	Detailed tags
Affiliated companies	Not available	Mainly block tags (with a few detailed tags—e.g., number of subsidiaries, number of equity-method affiliates)	Detailed tags
Validation	Tables of content (TOC) check	Numerical data check in addition to TOC check	Numerical data check
English search function	Not available	Available	Available
Standardized account names	FSA provides frequently used tags only. Companies extend their own terminology for other accounts.	No change from existing EDINET	TWSE provides all account names used by all of its listee companies (companies do not extend their own).

Source: NRI, based on FSA website and conversations with TWSE officials

The TWSE's strong commitment to developing such an XBRL taxonomy reflects the state of Taiwan's equity market.

The TWSE's Corporate Communications Department conducts IR activities, including visits to Japanese pension funds, to promote Taiwanese stocks in general. At the aforementioned conference, TWSE Senior Executive Vice President Michael Lin emphasized the exchange's motivation in investing in its XBRL disclosure. He said, "Taiwan was previously known as a highly liquid market. Today, Taiwanese stocks tend to be overshadowed by emerging markets such as China. We want to rectify this situation by using XBRL disclosure to make corporate information more readily accessible even to overseas investors."

2013 EDINET upgrade and future vision

In Japan, the 2013 EDINET upgrade will expand the scope of XBRL disclosure and make entire disclosure reports taggable. However, audit reports are to be block-tagged (i.e., the document as a whole will be tagged with a single identifying tag). Details such as the independent auditor's name will not be retrievable from the document using XBRL. Information on affiliated companies will likewise be presented in a simplified block-tagged format⁵⁾. Additionally, dozens of Japanese companies are reportedly set to adopt IFRS in 2014. Currently, companies that switch to IFRS are not mandated to submit their reports using IFRS-compliant XBRL (as part of their consolidated financial statements) to EDINET, but they will have to prepare non-

5) According to the third draft of the next-generation EDINET's specifications released on January 18, 2013, users will be able to retrieve limited numerical information (e.g., number of subsidiaries).

consolidated financial statement in XBRL using Japanese GAAP. In such respects, Japanese companies' utilization of XBRL still lacks consistency. On the other hand, the next-generation EDINET is slated to include detailed XBRL disclosure of certain information heavily demanded by investors, including information on companies' business segments and major shareholders. Such details are not yet available from the TWSE's XBRL. The next-generation EDINET is expected to also improve data quality through better validation (validity checks of data and XBRL content).

Like their Taiwanese counterparts, Japanese companies face a language barrier for global investors. Japan's annual securities filings are said to be voluminous by global standards. Many Japanese companies also publish CSR reports and medium-term management plans, but such information tends to be inaccessible to overseas institutional investors. Equity analysts today are increasingly treating Japanese stocks as one subset of Asian stocks. Differences in electronic disclosure between Japanese companies and their Asian rivals could end up disadvantaging Japanese companies. Awareness of developments in other Asian countries is thus another important consideration in terms of XBRL disclosure initiatives. In addition to initiatives spearheaded by regulatory authorities, companies themselves must also proactively embrace XBRL disclosure.

about NRI

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