

Proposed changes to allow companies to use a more up to date electronic format for their annual financial reports

Consultation Paper

CP22/5*

March 2022

CP22/5: Proposed changes to allow companies to use a more up to date electronic format for their annual financial reports

This consultation applies to issuers in scope of DTR [4.1](#)

Under our transparency rules, from 1 January 2022, certain companies on UK regulated markets must report their end of year annual financial statements in a machine-readable and ‘tagged’ electronic format. This requirement began for financial years starting on or after 1 January 2021. This reform aims to make information in annual financial reports easier to extract and compare for investors, research analysts and other market participants. This improves transparency which should support market integrity and efficient price formation.

Under our current rules, issuers who are in scope of DTR [4.1](#) must prepare their annual financial report in the electronic reporting format required by DTR [4.1.14R](#). This is set out in a supporting Technical Standard, which is derived from onshored EU legislation and is referred to in DTR 4.1.14R as the ‘[TD ESEF Regulation](#)’.

Rule changes were finalised in December 2021. Following these, we currently allow issuers to use, among other permitted taxonomies, the UKSEF 2022 taxonomy issued by the Financial Reporting Council (FRC) on 8 October 2021 (v1.0.0) to mark up their annual financial statements within the annual financial report.

Earlier this year, the FRC issued a replacement version of the taxonomy in its 2022 taxonomy suite ([v.2.0.0](#)), which reflects updated standards following recently adopted EU legislation on the European Single Electronic Format (ESEF). However, our rules do not reference this new version. In response, we updated our [website](#) to inform issuers and software vendors that this new version had been published. We explained our intention to switch our National Storage Mechanism (NSM) over to accepting filings in UKSEF 2022 v2.0.0 in place of UKSEF 2022 v1.0.0 at the end of April. We said we would consult on updating our rules. For technical reasons, we cannot accept both versions in parallel.

Consultation on proposed changes to our rules on UKSEF 2022

We now propose to change the definition of UKSEF 2022 in the range of permitted taxonomies in Article 2(4B) of the TD ESEF Regulation so that it refers to UKSEF 2022 v2.0.0 instead of v1.0.0. We propose that this change would take effect from Tuesday 3 May 2022. Since we cannot accept both versions into the NSM at the same time, the last business day we would accept filings using UKSEF 2022 v1.0.0 would be Friday 29 April 2022. The annex below has the instrument showing the proposed changes. It also includes the new ESEF 2021 taxonomy which we consulted on in September before it had formally entered into force in the EU. As we explained in our [December Handbook Notice](#), we deferred adding a reference to this taxonomy until it had been adopted in the EU. We are now planning to add ESEF 2021 as a permitted taxonomy in our rules, subject to the FCA Board shortly approving a further amendment to the TD ESEF Regulation.

We consider the proposed update on UKSEF 2022 v2.0.0 will support issuers in reporting their financial statements with electronic tags based on an up-to-date taxonomy and will support users of the data. The later version reflects changes in International Financial Reporting Standards (IFRS) for tagging the notes to the financial statements (which issuers can choose to apply before they become mandatory

next year) and a number of general [taxonomy improvements](#) such as clearer labels and new common practice tags.

By making clear in advance our intention to switch over from UKSEF 2022 v.1.0.0 to v.2.0.0 at the start of May, we aim to minimise the disruption and any related costs to issuers who are required to tag their annual financial statements and are currently preparing these or will need to do so in the near future to meet our rules.

We welcome views from all market participants and any wider stakeholders on the following question:

Q1: Do you agree with our proposed changes to amend the TD ESEF regulation to add UK SEF v.2.0.0 to list of permitted taxonomies, to replace v1.0.0, from 3 May 2022?,

Process and next steps

We want to know what you think of our proposals. Please use this [online form](#) or email: cp22-05@fca.org.uk by Friday 8 April 2022. We propose that this change would take effect from Tuesday 3 May 2022.

Cost benefit analysis

Our proposal gives in-scope issuers the option to use a more up-to-date version of the UKSEF taxonomy to prepare their annual financial statements under our rules in line with the switchover of our NSM to this version at the start of May. This should benefit issuers and users of the data because the later version contains improvements.

As this proposal does not increase requirements on issuers but updates one of the existing permitted taxonomies within our rules, we do not consider our changes impose any material costs.

Issuers and service providers (including software vendors) may have limited one-off familiarisation costs from reading this consultation and the legal instrument. We expect these costs to be minimal.

There may be some incremental costs to issuers who were planning to use the earlier version of UKSEF2022 after April. We have tried to minimise disruption and any related costs for these issuers by making an early announcement in February of the planned switchover. This was to enable issuers and software providers to plan ahead for using one of the other versions of the underlying IFRS taxonomy within our range of permitted taxonomies.

Impact on mutual societies

Sections 138S and 138K of the Financial Services and Markets Act 2000 (FSMA) require us to state whether, in our opinion, our proposed technical standards have a significantly different impact on authorised persons who are mutual societies, compared to other authorised persons. We do not expect our proposals to have a different impact on mutual societies.

Compatibility statement

We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. The amendments are compatible with our strategic objective and advance our operational objectives of securing an appropriate degree of consumer protection, promoting market integrity and promoting effective competition in the interests of consumers.

As set out above, we consider the proposed update of UKSEF 2022 will support issuers in reporting their financial accounts based on a more up-to-date taxonomy aligned with current IFRS. In turn, electronic tagging should make information more accessible to market participants and enhance the efficiency and integrity of our markets, supporting price formation and better-informed investment decisions by consumers.

We consider the measures to be proportionate considering section 3B of FSMA, since we do not expect these changes to create any material costs. This is because they have the benefit of enabling issuers to use more up-to-date taxonomies, while preserving the flexibility and clarity for companies subject to DTR 4.1.14R.

Equality and diversity

Having considered the equality and diversity issues that may arise from the proposed amendments in this chapter, we do not think they will adversely impact any of the groups with protected characteristics under the Equality Act 2010. However, we welcome comments on any equality and diversity issues respondents believe may arise. We will review our assessment before publishing final technical standards.

TECHNICAL STANDARDS (ELECTRONIC REPORTING FORMAT) INSTRUMENT 2022

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) regulation 72 (Transfer of directive functions to the FCA) of the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019 (the “Regulations”), for the purposes specified in paragraph 31 (to specify the electronic reporting format for annual financial reports) of Schedule 2, Part 3 of the Regulations; and
 - (2) the following sections of the Financial Services and Markets Act 2000 (the “Act”):
 - (a) section 138P (Technical standards);
 - (b) section 138Q (Standards instruments);
 - (c) section 138S (Application of Chapters 1 and 2); and
 - (d) section 137T (General supplementary powers).
- B. The rule-making powers listed above are specified for the purposes of section 138Q(2) (Standards instruments) of the Act.

Pre-conditions to making

- C. The FCA has consulted the Prudential Regulation Authority and the Bank of England as appropriate in accordance with section 138P of the Act.
- D. A draft of this instrument has been approved by the Treasury in accordance with section 138R of the Act.

Commencement

- E. This instrument comes into force on *[date]*.

Amendments

- F. The following technical standard is amended in accordance with the Annex to this instrument.

Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format
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Citation

- G. This instrument may be cited as the Technical Standards (Electronic Reporting Format) Instrument 2022.

By order of the Board
[*date*]

Annex

In this Annex, underlining indicates new text and striking through indicates deleted text.

Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format

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Article 2

Definitions

For the purposes of this Regulation, the following definitions shall apply:

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(1B) “ESEF 2021 taxonomy” means the combined set of the taxonomy elements set out in Annex II of Commission Delegated Regulation (EU) 2022/352 amending Delegated Regulation (EU) 2019/815 as regards the 2021 update of the taxonomy laid down in the regulatory technical standards for the single electronic reporting format, and the following collection of links:

- (a) presentation linkbase, which groups the taxonomy elements;
- (b) calculation linkbase, which expresses arithmetic relationships between taxonomy elements;
- (c) label linkbase, which describes the meaning of each taxonomy element;
- (d) definition linkbase, which reflects dimensional relationships of the core taxonomy elements;

...

(4B) “UKSEF 2022 taxonomy” means:

(a) for annual financial reports published and filed with the Financial Conduct Authority’s National Storage Mechanism on or before 2 May 2022, the combined set of the taxonomy elements set out in the UKSEF Taxonomy v.1.0.0 within the 2022 Taxonomy Suite issued by the Financial Reporting Council on 8 October 2021, available at <https://www.frc.org.uk/accountants/accounting-and-reporting-policy/xbrl-frc-taxonomies>, and the following collection of links:

- ~~(a)~~(i) presentation linkbase, which groups the taxonomy elements;
- ~~(b)~~(ii) calculation linkbase, which expresses arithmetic relationships between taxonomy elements;

~~(e)~~(iii) label linkbase, which describes the meaning of each taxonomy element;

~~(d)~~(iv) definition linkbase, which reflects dimensional relationships of the core taxonomy elements;

(b) for annual financial reports published and filed with the Financial Conduct Authority's National Storage Mechanism on or after 3 May 2022, the combined set of the taxonomy elements set out in the UKSEF Taxonomy v.2.0.0 within the 2022 Taxonomy Suite issued by the Financial Reporting Council on 3 February 2022, available at <https://www.frc.org.uk/accountants/accounting-and-reporting-policy/xbml-frc-taxonomies>, and the following collection of links:

(i) presentation linkbase, which groups the taxonomy elements;

(ii) calculation linkbase, which expresses arithmetic relationships between taxonomy elements;

(iii) label linkbase, which describes the meaning of each taxonomy element;

(iv) definition linkbase, which reflects dimensional relationships of the core taxonomy elements.

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Article 4

Marking up IFRS consolidated financial statements

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(5) The permitted taxonomies are:

(a) for financial years beginning on or after 1 January 2021 but before 1 January 2022:

(i) the core taxonomy;

(ii) the ESEF 2020 taxonomy;

(iii) the UKSEF 2021 taxonomy; ~~and~~

(iv) the UKSEF 2022 taxonomy; and

(v) the ESEF 2021 taxonomy;

(b) the UKSEF 2022 taxonomy for financial years beginning on or after 1 January 2022.

