

SEC “tags” public companies using IFRS with XBRL reporting requirements

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Today, the U.S. Securities and Exchange Commission (SEC) made a long-awaited update to its requirement for public companies to provide a version of their financial statements in interactive data format using eXtensible Business Reporting Language (XBRL). As a result, all Canadian issuers filing reports with the SEC will be required to include financial statements in XBRL format, even if they prepare their financial statements in accordance with IFRS, beginning with their annual reports filed in 2018 relating to their fiscal years ending on or after December 15, 2017.

In January 2009, the SEC adopted rules requiring SEC reporting companies to file with the SEC and post to their corporate websites their financial statements in XBRL format. In XBRL format, financial statement information can be downloaded directly into spreadsheets, analyzed in a variety of ways using commercial off-the-shelf software, and used within investment models in other software formats. The SEC's XBRL format requirements are in addition to requirements to provide financial statements in their traditional format. While the XBRL requirements apply to all SEC reporting companies, the SEC delayed compliance by foreign private issuers that prepare their financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS), until the SEC specified an XBRL “taxonomy” for IFRS (that is, a standard list of tags for specific pieces of IFRS financial data).

On March 1, 2017, the SEC issued a notice that the IFRS taxonomy has now been published on the SEC's website. While the existing XBRL rules would have required foreign private issuers that prepare their financial statements in accordance with IFRS to begin filing financial statements in XBRL format immediately upon publication by the SEC of the IFRS taxonomy, in its March 1 notice, the SEC stated that those issuers may instead choose to begin filing their financial statements in XBRL format starting with their first annual report on Form 20-F or Form 40-F for the fiscal period ending on or after December 15, 2017.

Canadian Implications

As a result of the SEC's approval of an XBRL taxonomy for IFRS today, Canadian foreign private issuers using IFRS that are SEC reporting companies will become subject to XBRL tagging requirements beginning with their first annual report on Form 20-F or Form 40-F for a fiscal year ending on or after December 15, 2017. Those issuers will have to file the following financial data information in XBRL format as a new separate exhibit to their Form 20-F or Form 40-F annual report, and also post the information to their corporate websites on the same date as the filing:

- balance sheet;

- income statement;
- statement of cash flows;
- statement of stockholders' equity;
- statement of comprehensive income, if presented separately;
- notes to the financial statements; and
- any applicable schedules to the financial statements.

In addition, financial statements in XBRL format will be required as an exhibit to a registration statement filed under the U.S. Securities Act of 1933, as amended (1933 Act) that contains financial statements, such as a registration statement on Form F-1, but not in connection with an initial public offering. Financial statements in XBRL format will not be required as an exhibit to a 1933 Act registration statement that does not contain financial statements, such as a Form F-10 registration statement filed by a Canadian issuer under the U.S.-Canada Multijurisdictional Disclosure System (MJDS) or other registration statement form that incorporates by reference all required financial statements from an issuer's periodic reports. Also, interactive data in XBRL format will not be required as an exhibit to a registration statement filed by an issuer under the Securities Exchange Act of 1934, as amended.

While an issuer may opt to tag its financial statements internally using XBRL software, due to time and cost-efficiencies, many issuers elect to use an outside service provider such as a financial printer to prepare their financial statements in XBRL format.