

Foreign Private Issuer Alert: SEC Mandates XBRL for IFRS Companies and Use of Hyperlinks in Exhibit Index

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Client Advisory

April 3, 2017 by Guy Ben-Ami

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The Securities and Exchange Commission ("SEC") allows foreign private issuers to present financial statements pursuant to U.S. generally accepted accounting principles ("U.S. GAAP"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), or home country accounting standards with a reconciliation to U.S. GAAP.

Since 2009, the SEC has required domestic issuers and those foreign private issuers who prepare their financial statements pursuant to U.S. GAAP to provide their financial statements to the SEC and in their corporate Web sites in interactive data format using XBRL. XBRL (Xtensible Business Reporting Language) is a computer language that provides information in an interactive data format. Companies preparing their financial statements pursuant to U.S. GAAP use XBRL to tag, or code, each piece of data in their financial statements. Anyone with an XBRL software reader (also called an XBRL interactive viewer) can then use the codes to assemble the financial information in a user-friendly, readable report.

Financial data information in XBRL format must be submitted as a separate exhibit to the Annual Report, and the XBRL links must also be included on the foreign private issuers' websites on the same date as the filing [1]. Financial statements in XBRL format are also required under certain registration statements that contain financial statements, such as Form F-1 (although not in connection with an IPO).

In 2013, the SEC announced that foreign private issuers that prepare their financial statements in accordance with IFRS as issued by the IASB are not required to submit XBRL and interactive data files until the SEC specifies a taxonomy for their use in preparing interactive data files on its Web site. For years, the SEC acknowledged that it had not specified such a taxonomy and it was not possible for foreign private issuers to comply with Rule requiring issuers to submit their financial statements using XBRL and interactive data files.

On March 1, 2017, the SEC published an [IFRS Taxonomy](#) on its website. As a result, all foreign private issuers using IFRS will be subject to XBRL tagging requirements beginning with their first Annual Report on Form 20-F (or Form 40-F for certain Canadian issuers acting pursuant to the U.S.-Canada Multijurisdictional Disclosure System (MJDS)) for a fiscal year ending on or after December 15, 2017.

Hyperlinks in connection with SEC Filings

The SEC has also adopted a final rule related to the use of hyperlinks for exhibits in public filings. Companies that file an Exhibit Index, as required under Forms F-10 or 20-F, will now be required to include a hyperlink to each exhibit listed in the exhibit index. Exhibit hyperlinks will, at this stage, not be required in Form 40-F or in Form 6-K. The hyperlink rule will be effective for filings beginning September 1, 2017 (with

"smaller reporting companies" having until September 1, 2018 to comply). Companies should begin to review the documents enumerated in their exhibit index to make sure such documents have been edgarized.

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Endnote

[1] An SEC proposed rule to require the use of the Inline XBRL format for the submission of financial statements would eliminate the requirement for filers to post XBRL data on their websites. See <https://www.sec.gov/rules/proposed/2017/33-10323.pdf>

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