18th International XBRL Conference

**XBRL Emerging in an Emerging Market**
—XBRL practice at SZSE

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Shenzhen Stock Exchange
1. Market at a Glance
2. XBRL work at SZSE
3. Gains from XBRL work
4. Challenges and ongoing process
1. Market at a glance - Historical Evolution

- **Piloting**
  - 12/1990: Starting Operations
  - 8/1997: Under CSRC oversight

- **Restructuring**
  - 12/1992

- **Fast-growing**
  - 12/1995

- **Exploring GEM**
  - 8/2000: Initiating preparation for GEM

- **Creating Tiered-market**
  - 5/2004: Launching SME Market
  - 12/2005: Further developing OTC STS
1. Market at a glance — A Growing Market

Listed Companies and Information Disclosures

- No. of Companies
- Disclosures

![Chart showing the growth in number of companies and information disclosures from 1999 to 2008-9.]
### 1. Market at a glance — Investors Structure (1)

<table>
<thead>
<tr>
<th>Individual investors type (share-holdings in 1,000 yuan)</th>
<th>Investors (%)</th>
<th>Capitalization ratio (%)</th>
<th>Ratio of trading value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0.000</td>
<td>0.000</td>
<td>0.928</td>
</tr>
<tr>
<td>100</td>
<td>83.37</td>
<td>15.36</td>
<td>26.375</td>
</tr>
<tr>
<td>100~1000</td>
<td>15.39</td>
<td>26.37</td>
<td>39.694</td>
</tr>
<tr>
<td>1000~5000</td>
<td>0.922</td>
<td>11.597</td>
<td>14.404</td>
</tr>
<tr>
<td>5000~10000</td>
<td>0.065</td>
<td>2.867</td>
<td>3.049</td>
</tr>
<tr>
<td>10000 and over</td>
<td>0.033</td>
<td>4.147</td>
<td>2.987</td>
</tr>
</tbody>
</table>

Source: Shenzhen Stock Market Investors Structure and Behavior, Year 2007, Financial Innovation Lab. and Research Institute, SZSE
Investors structure and trading behavior

Small and Medium investors:
- Holding the largest portion of market cap
- Major liquidity provider
- Trading frequently

Information needs
- Easy-access
- User-friendly
- Reprocess-ready
- Low or zero cost
- Fast and wide dissemination
1. Market at a glance — Open to the World

China is more open after joining WTO

- In year 2007
  - FDI 82.6 billion USD
  - QFII quota 30 billion USD
  - QDII more than 30 billion USD

International Investors needs

- XBRL data to Bloomberg and Thomson Reuters
- Corporate Action data to HSBC

International standard and interactive data to the world

- 2007 New accounting standard converging to IFRS
- Implemented XBRL for disclosure practice
1. Market at a Glance

2. XBRL work at SZSE

3. Gains from XBRL work

4. Challenges and ongoing process
2. XBRL work at SZSE — Overview

- Jan. 2003 CSRC formed a task force setting up a framework of *Electronic information Disclosure standard for listed companies*

- April, 2003 SZSE completed an XBRL-based *Electronic information Disclosure standard for list companies*

- Oct. 2004, SZSE Updated XBRL-capable filing software for listed companies

- Feb. 2005, SZSE published XBRL application guidelines and implemented web-published annual reports for Shenzhen Composite Index companies

- Since 2004, all listed companies started submitting their periodic disclosure data through XBRL-capable filing software SZSE provided.

- Since 2006, according to New Accounting Standard, updated Electronic information Disclosure standard for listed companies And XBRL-capable filing software
2. XBRL work at SZSE — Info Disclosure Structure

Core Practice 1: Taxonomy-based data exchange
Core Practices 2: whole-course electronic disclosure process
### Taxonomy Items

<table>
<thead>
<tr>
<th>Items</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td>438</td>
</tr>
<tr>
<td>Notes to Financials</td>
<td>1201</td>
</tr>
<tr>
<td>Non-financials</td>
<td>1307</td>
</tr>
<tr>
<td>Total</td>
<td>2946</td>
</tr>
<tr>
<td>Tuple</td>
<td>109</td>
</tr>
<tr>
<td>Relation</td>
<td>15010</td>
</tr>
<tr>
<td>Schema files</td>
<td>12</td>
</tr>
<tr>
<td>Likebase</td>
<td>30</td>
</tr>
</tbody>
</table>

### Taxonomy Structure
2. XBRL work at SZSE — Whole-course Electronic Disclosure Process

- **Filing Sys**: Listed Co → SZSE Internet Business Platform
  - 1. Filing: Disclosure submission
  - 2. Validation: Feedback to SZSE Supervision Systems

- **SZSE Web site**: Disclosure

- **Analytical Tools**: Presentation

- **Investors**
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3. Gains from XBRL—Faster, Better Quality (1)

XBRL whole-course disclosure process:

1. Preparers generate XBRL data
2. SZSE performs data collection, validation
3. SZSE provides data for the industry

Data Dissemination
- faster
- better quality
- lower cost
# 3. Gains from XBRL: Faster, Better Quality (3)

<table>
<thead>
<tr>
<th>Periodic disclosure</th>
<th>Prior to filing software</th>
<th>XBRL-based filing software</th>
</tr>
</thead>
<tbody>
<tr>
<td>Format</td>
<td>No standard format</td>
<td>Software-generated standard format</td>
</tr>
<tr>
<td>Data validation</td>
<td>No rule-based</td>
<td>All rule-based validation with integrity checking</td>
</tr>
<tr>
<td>Data elements (yearly)</td>
<td>100 thousand</td>
<td>620 thousand</td>
</tr>
<tr>
<td>XBRL instance files (yearly)</td>
<td>0</td>
<td>2600</td>
</tr>
<tr>
<td>Financial data error</td>
<td>7.8%</td>
<td>0.065%</td>
</tr>
<tr>
<td>Data timeliness</td>
<td>Web release day plus 1</td>
<td>Web release day (WRD)</td>
</tr>
<tr>
<td>Data maintainence staff</td>
<td>25</td>
<td>2</td>
</tr>
</tbody>
</table>
3. Gains from XBRL: Faster and Better quality (2)

Periodic Disclosures at SZSE

- CSID: Correctional and Supplemental Information Disclosure
3. Gains from XBRL: Enhancing Data Marketability

- Domestic Partners: 指南针 大智慧 金融界
- Intl. Partners: Edgar Online Bloomberg Thomson Reuters

Diagram:
- Data submission
- Validation Management
- Info. Delivery
- Web Disclosure
- Info Business
- Domestic vendors
- Intl. Vendors

Flow:
- Supervision
- Media
- Investors
3. Gains from XBRL: Better Investor Services (1)

SZSE’s XBRL-based analytical tools for investors
3. Gains from XBRL: Better Investor Services (2)

SZSE’s XBRL-based tools for investors, showing non-financial info

- Floating-restricted shares released from “freeze”
3. Gains from XBRL: Improve supervision efficiency (1)

**New Accounting STD & Info Dis. Rules**
- MOF
  - New accounting standard
  - Standard Explanation
  - Expert opinion

- CSRC
  - Special on new accounting STD
  - Directions on financial Disc.
  - disclosure formats and requirements
  - Other practice guidelines

- SZSE
  - filing rules and directions
  - Software and system modifications

**Interactive**

**XBRL Taxonomy & Implementation**
- Adapt to changes
  - System and Software Modification
3. Gains from XBRL: Improve Supervision Efficiency (2)

Filing system

**Function:**
- Reporting templates
- Rule-based data integrity-checking
- Generating report files
- Calculation and analysis tools

**Benefits:**
- Enforce the consistency of business rule
- Standardize disclosure preparation
- Increase accuracy and completeness
- Enhance preparers’ efficiency
- Generate consistent XBRL data
3. Gains from XBRL: Improve Supervision Efficiency (3)

Supervision Systems

Periodic Disclosure Checking:
- Integrity
- Flow control
- Work process review for efficiency
- ...

Post-disclosure Review
- Consistency and Compliance Checking
- Rule-based data analysis, generating supervision focus
- Record supervision result
- Statistical Analysis
Example: New Accounting Standard Implementation (1)

2007 New Accounting Standard in China

- Converging to IFRS
- Strengthened the international platform for listed companies’ investing and financing activities
- Eliminated accounting discrepancies for dual listings in mainland and Hong Kong
- Helpful to companies’ healthy and sustainable development
- Investors have more reliable and complete financials
Example: New Accounting Standard Implementation (2)

SZSE’s XBRL work to ensure smooth transition:

**Enforce the implementation of new standard**
- XBRL-based filing software helped implementation
- New filing software enforced preparers to comply with the new standard
- Effectively applied rule-based validation to ensure integrity

**Effective validation to ensure data integrity**
- Pre-filing validation and Post-filing review
- Prompt data collection for supervision systems and MOF
- Real time statistical analysis to spot problems in real time

**Timely and richer information**
- Providing more timely and richer disclosure data to information vendors
- Direct information tools to investors
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4. Challenges and Ongoing process
Mission Objective:
Complete, reliable, low cost and fast information to investors

Major Strategic Blocks:

- Standards
  - Accounting standards, information disclosure requirement, taxonomy

- Technology
  - Preparers side technology
  - Frequent changes in business rules resulting in taxonomy changes
  - Taxonomy framework extensibility

- Business models
  - Cost-effective: making business sense
  - Participants are able to develop business models
Challenges — How to reach stakeholders’ consensus?

Reaching Consensus:

- **XBRL China include:**
  - Ministry of Finance (MOF)
  - CSRC, CBRC, CIRC,
  - Shenzhen, Shanghai Exchanges
  - Academic entities
  - Data vendors and accounting firms

- **Major tasks**
  - XBRL Standards (China)- MOF and CSRC lead the process
  - Shenzhen, Shanghai Exchanges’ application
Ongoing process — Collaboration on Standards

Core financials
- General info
- Financials
  - Commercial-&-industry
  - Insurance
  - Securities
  - Commercial Bank

Industry Extension
- CSRC
  - Securities
- CBSC
  - Banking
- Tax Bureau
  - Taxation
- Audit Admin.
  - Auditing
  - ...

Company Extension
- Company-extended taxonomy
  - Instance Doc.
Ongoing Process — at SZSE (1)

- **Improve Disclosure Quality**
  - Improve disclosure format requirements
  - Tabulate information in ad-hoc disclosure guidelines
  - Develop more sophisticated supervision systems

- **Provide more information**
  - Provide deeper and broader data to data vendors
  - Equip investors with better analytical tools

- **Development more alliance and partnership**
  - Accounting firms
  - Financial data vendors
Ongoing Process — at SZSE (2)

Business sector collaboration

- Help business sector to development business models
- Encourage business initiatives
- Technology-level cooperation
- Bring market participants into the process of forming standard / Taxonomy
- Create win-win market environment

Protecting investors’ interests—The stage is as spacious as your mind.
Thank You !