

Common Platform for Electronic Filing by Listed Corporates



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Towards further enhancing the efficiency of the Indian Securities Market by use of technology, BSE and NSE jointly launched the common platform at www.corpfiling.co.in recently thus, ushering an era of seamless electronic filing and dissemination of corporate information at one portal, irrespective of the number of stock exchanges a corporate is listed on. Although it was not without its trials and tribulations, I am sure that the portal, when fully implemented would simplify compliance with continuous disclosure requirements and improve information efficiency.

The common platform has been enabled for the eXtensible Business Reporting Language (XBRL) which has gained acceptance across markets and has been appreciated for its versatility and ease of use. The platform is presently being implemented in a phased manner, beginning with the top 100 corporate listed on BSE and NSE on a voluntary basis; after the success

of which, the same would be made mandatory, subsequent to which, they would not be required to make paper based filings. It would not be out of place to narrate the metamorphosis of the mechanism from physical filing at multiple locations to seamless electronic filing at one place.

Continuous Disclosures regime in India

It is wide knowledge that the setting up of SEBI has ushered in a disclosure based regime for the securities market which was a marked departure from the erstwhile regime of the Controller of Capital Issues. While in the Primary Market for securities, disclosures were extensively made in the Offer Documents as per the SEBI (Disclosure and Investor Protection Guidelines), 2000, the disclosures in the Secondary Market are made through the stock exchanges in terms of the Listing Agreement that is entered into between a listed company and the exchange.

The continuous disclosures made by the listed corporate have been historically communicated to the stock exchanges on paper, either through letters or by way of facsimile. Inconveniences were faced both, by corporate as well as stock exchanges. Filing corporate had to ensure that the letters or fax had reached all the stock exchanges where it has been listed, in time, and without a bad transit.

Stock exchanges on the other hand were inconvenienced with the bulk of filings on paper, especially during periods where financial information was reported. The exchanges also faced the challenge of disseminating the price sensitive information on a timely basis on their websites.

EDIFAR: Electronic Filing Begins

Towards making the process of information dissemination from corporate to investors more efficient and also to provide an extra push to Indian corporate to move towards electronic filing, SEBI had set up the Electronic Data Information Filing and Retrieval System (EDIFAR) in July 2002 in collaboration with the National Informatics Centre (NIC), the premier Information Technology Provider for most of the key Government of India websites. This was implemented by incorporating a new clause 51 in the listing agreement, which mandated more than 2500 corporate, in a phased manner to comply with electronic filing of corporate information.

Information filed on EDIFAR included financial statements & shareholding pattern on a quarterly basis, Segment Results, Action Taken Against Company, Cash Flow Statement, Annual Profit and Loss Account, Balance Sheet, Corporate Governance Report, Annual Reports, etc. The site also provides for registration of filers, a module using which the stock exchanges could add new filers. NIC then communicates a user ID and password to the new users who start filing on the portal.

Challenges with EDIFAR

Although EDIFAR was used widely by the investing public accessing the website for corporate information, the site was not without shortcomings which need to be seen in perspective that it was a valuable introductory phase in the arduous process of rolling out an all electronic filing regime in India. While some issues were plain teething problems such as lack of awareness and inadequate coverage of filers, certain issues related to the lack of resources at SEBI to critically monitor compliance levels. Although regulatory action was taken on the chronically non-compliant companies, the site however continued to suffer from incomplete data and unfriendliness for issuers and investors.

One of the main problems was the lack of operational awareness among users. Although a detailed operation manual has been provided on the EDIFAR portal, there are many instances where NIC as well as SEBI received queries, which would not have arisen if the user had studied the Manual. Technical matters, which were to be resolved by NIC, are also referred to SEBI through repeated phone calls, email and letters and vice versa to NIC on certain policy matters. SEBI therefore had conducted workshops for company secretaries in partnership with the ICSI. The problems however continued to persist due to the lack of awareness among the users. Also, EDIFAR covered only about 2500 listed companies on BSE and NSE which is about half the number of the companies listed on both the stock exchanges and hence did not cover all companies. Further, EDIFAR covered only a few forms and was not in a position to do away with physical filings.

Since filing by way of letters and facsimile with each of the stock exchanges continued to exist, filing on EDIFAR was an additional burden to most corporate. This was worsened with the introduction of electronic platforms by exchanges themselves. The situation thus led to duplication of efforts by corporate. Smaller corporate with resource constraints also faced issues due to increased reporting requirements. Thus, there was a need to replace the existing system with a more robust and a user friendly system which is easy to use. Also, there was a heightened need for participation by stock exchanges in the process of electronic filing. The exchanges would not only offer training programs to filers but also monitor filings by corporate.

EDIFAR also suffered due to the misplaced perception about it among the filers and common public accessing the site. As per the present legal framework, listed companies are not required to file any report/statements on continuous basis with SEBI. The intention for creating EDIFAR was to create a common platform where all information about listed companies can be viewed and to create a common electronic filing platform for listed companies. However, in the public eye, filing in EDIFAR sometimes is construed as filing with SEBI, a perception that chronically needed correction. Although parallels have been drawn between EDIFAR and the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system

mandated by the United States Securities and Exchange Commission (US SEC), for listed corporate in the USA, it was not understood by many that the elementary difference between them lies in the legal framework for continuous disclosures. In the USA, listed companies are required to file with SEC for review and examination on material information in the form and manner specified in the Exchange Act, 1934. The same in India is filed with the stock exchanges as per the listing agreement and not with SEBI.

Although efforts were made to resolve most technical issues through a Phase II of EDIFAR, the same were shelved in view of larger perception issues and resource constraints for regulatory oversight by SEBI on the filings made on the portal. Since filings on EDIFAR were directly disseminated, the same did not undergo a basic check by stock exchanges. Hence, there was a need to evolve a common portal for electronic filing and dissemination owned and maintained by the stock exchanges and ensures continuous improvement/up-gradation, handle the work of training & provide customer support for filers and users. The exchanges would monitor filings made on the common platform, initiate counseling and subsequent action on errant companies and also to submit periodic reports to SEBI. The system thus aimed at covering of all companies and forms in a single window filing irrespective of Multiple Listing, and elimination of paper filings with the Stock Exchanges.

Policy Evolution

The significant step towards setting up the common platform was achieved when the SEBI Board in its meeting held on December 30, 2005 was informed about the proposal of setting up of such a platform by the stock exchanges. This laid the foundation for the road map which aims at (i) providing a single window filing to listed companies irrespective of multiple listing (ii) eliminating paper filing with the stock exchanges (iii) covering all listed companies (including companies listed in stock exchanges other than BSE & NSE) and (iv) being a one stop shop for sourcing corporate information of listed companies by investors.

Although, both the stock exchanges, agreed to the concept of having a common platform for electronic filing, significant amount of time was spent in bringing about a consensus between the NSE and BSE on the specifics of setting up and running of the common platform. After subsequent discussions, it was agreed by all that the common platform would function through a routing portal www.corpfiling.co.in wherein companies can file and retrieve data electronically. The working of the portal can be seen in the enclosed diagrammatical representation. The portal has been developed and maintained by IRIS Business Services Private Limited who has been chosen by NSE and BSE as a technical vendor for the said project.

It was agreed that the platform would be based on eXtensible Business Reporting Language (XBRL) which was used extensively business reporting in many

jurisdictions. Based on the eXtensible Markup Language (XML), it uses the tagging feature of the language to identify each piece of data keyed into the form fields either through a spreadsheet or on an online form. A few parameters attached to the data include its currency, denomination, periodicity, filer name, etc. Although the complete set of taxonomies specific to the Indian Accounting Standards are being developed by the Institute of Chartered Accountants of India, the common platform is presently at work with the taxonomies developed by the service provider of the portal. Since the platform is fully XBRL enabled, it is presumed that there would be no problems transitioning towards full fledged XBRL filing in future.

Accordingly, the dissemination module of the portal was launched by the exchanges on January 1, 2007 and the filing module was launched on April 2, 2007 making www.corpfiling.co.in as the "common platform for electronic filing and dissemination". This coincided with the discontinuation of EDIFAR with effect from March 31, 2007. The common portal which now facilitates a listed company to file its submissions through this portal irrespective of the stock exchange(s) on which it is listed in a paperless manner is being rolled out in a phased manner.

How CorpFiling Works

The working of the portal is better understood by separately looking at the filing and disseminating features of the portal and the options available on the site for querying and research. Since it was felt that the continuous disclosures are made to the stock exchanges, it was felt that the information filed on the common portal needed to be a property of the concerned exchange. Therefore, the common portal functions as a routing platform and does not store any information filed on it. It would serve as a pass through interface for accepting filings from the corporate and passing on the same to concerned stock exchanges, NSE, BSE or other exchanges as the case may be.

Corporate have an option to file the information through the portal by either keying in the information in the form fields provided online which would be submitted along with a digital certificate to ensure high security of the price sensitive information. Alternatively, filers may choose to enter the same in a spreadsheet/ template/ add-in provided in the portal on an offline basis and subsequently submitting the same through the tool. Here, the information security and data integrity is ensured by a maker-checker mechanism. Here, the filer prepares and submits the information which is passed on to the competent authority within the filer corporate who is authorized to approve the same. Once approved by the checker, the same is filed on the common portal.

The server of the portal www.corpfiling.co.in compiles the information filed with it and converts the same into a file based on eXtensible Markup Language (XML) and which is then passed to the concerned stock Exchange which is authorized to receive the filing. The common

platform would identify the list of stock exchanges on which the company has been listed so as to make a near real time automated delivery of the corporate information in XML format. The information thus filed is also validated by the exchanges as per the existing practices, before the same is available on the websites of the common portal and the stock exchanges. During the entire exercise, an audit trail is maintained and email notifications/confirmations are sent to parties involved.

The Dissemination feature of the portal is again a pass through interface for displaying the information filed on the portal. When a user accesses the portal and queries for a particular filing, the portal would extract the relevant XML files and present the same for display. The filed information is available on the common portal for dissemination as soon as either exchange validates information received by it. In case the information has been filed by a company that is listed on both BSE and NSE, the XML file for display would be extracted by way of random number generation. Information is extracted from either databases of BSE or NSE on the basis of an odd/even result of the random number. Since the filed information is homogenous, the end user viewing the information on the portal is unaware and unaffected by the extraction of data from multiple databases.

To ensure that the information is available at a click of the mouse, the site displays the list of most recent filings in a box with tabs for "all filings", "financial results", "shareholding pattern", "annual reports", etc accessible on the homepage itself when clicked. A user can click on "more" under each of them and get into a detailed list of such filings in an inside page for further options. The site also provides an extensive search facility from its homepage ranging from a simple text search to an advanced search which is enabled to look-up company names, search filings exchange wise, filing type wise and date-wise and display search results. The results would show the filer name, type of filing, period for which filed (applicable for financial results) and filing date and results are available for sorting under the respective heads. Clicking 'view' against a particular result will display the said filing. The site also offers technical assistance to filers and viewers on an ongoing basis

The Way Ahead

The common portal presently on the web is only the beginning towards enhanced investor empowerment through disclosures. A sub committee set up by the SEBI Committee on Disclosures & Accounting Standards has been assigned the project of "integrating initial disclosures requirements with continuous disclosures requirements" with disclosures on the portal occupying a central place. When complete, the portal would, in future, be the only place to view all details about the listed company as per the continuous disclosure requirements evolved out of the project.

This is however not without its challenges. Taxonomy, which is the key ingredient for XBRL is still under preparation by the ICAI which has constituted a committee

for the purpose, until which only the interim taxonomies are being used. Other challenges include increasing the coverage to include all listed corporate across India and training them to use XBRL. But looking behind at the pace with which technology has revolutionized the securities market in India, it is a certainty that the common electronic filing too will battle challenges, upgrade itself and reach out for investors and corporate.

With the increased emphasis being placed information technology for governance, coupled with the efforts taken by premier databases in India such as the Prime Database, Directors Database, the MCA 21, etc., I am sure that the common portal will contribute to putting corporate and investors on the information superhighway, thus improving the market efficiency.

Diagrammatical Representation of the working of the Common Portal

