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SURVEY REPORT

Report on the Use and Digitalisation of Issuer Data: CFA Society France Member Survey

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This report examines the impact of current technological and regulatory developments in the digitalisation of corporate data for finance practitioners by surveying CFA charterholders based in France. The report is based on a survey conducted from 17 March to 5 April 2023.

This research is a collaborative work between CFA Society France and CFA Institute.

KEY FINDINGS

- The survey demonstrates that 50% of respondents use data directly issued by corporate issuers. It is notably the case for analysts who use alternative information, such as EBITDA (earnings before interest, taxes, depreciation, and amortization), in their work.
- The survey shows that 57% of respondents systematically recalculate EBITDA using public data obtained directly from issuers.
- Respondents therefore naturally agree, at over 80%, that the digitalisation of source data will allow them to save time from quicker direct downloads of information (50%) and by eliminating the need to manually reinput and reprocess the data.
- In turn, a number of respondents believe that the digitalisation of data will allow them to increase their analytical productivity (19%) and improve the quality of their analytical work (16%).
- However, the lack of knowledge regarding this regulatory framework is hindering technological developments in the field of data analytics; 80% of respondents report having no or little understanding of this regulatory and technological evolution. Nonetheless, they recognise its potential benefits; 40% claim they want to learn more by getting involved in a specific work group on the subject. Our survey therefore opens the door to potentially valuable joint work or projects associated with XBRL (eXtensible Business Reporting Language).

SURVEY QUESTIONS

- **Question 1:** What is your profession?
- **Question 2:** What type of company do you work for?
- **Question 3:** On a scale of 1 to 5, rate the importance of the following sources of information.
 - Direct financial statements (produced by issuers)
 - Appendices to the financial statements
 - Intermediary reports
 - Presentation to investors, investor days
 - Broker reports and publications
- **Question 4:** Regarding the financial data you use, what proportion comes directly from source documents and what proportion comes from third-party data providers?
- **Question 5:** Regarding the nonfinancial (ESG) data you use, what proportion comes directly from source documents and what proportion comes from third-party data providers?
- **Question 6:** Do you use the EBITDA indicator as published, or do you recalculate it systematically?
- **Question 7:** On a scale of 1 to 5, please rate the following aspects of information according to their importance in your work.
 - Trustworthiness (the labelling associated with the data corresponds to the accounting definition for the data)
 - Consistency (the indicators are properly comparable between time periods for a single entity)
 - Comparability (the indicators are properly comparable among different entities for a given time period)
 - Punctuality (the information is rapidly accessible after publication)
 - Granularity (the information is made available at precise sub-levels)
- **Question 8:** How long after publication do you continue to use the information produced by issuers?
- **Question 9:** How much do you know about the obligations related to the Transparency Directive (2004/109/EC)?
- **Question 10:** How much do you know about the ESEF/XBRL regulation?
- **Question 11:** Do you think that the digitalisation of source data from issuers will help you in your work?
- **Question 12:** For which processes would the digitalisation of source corporate data help you?

OBJECTIVE OF THE STUDY

Investment professionals increasingly make use of data stemming from a variety of sources. Regarding fundamental and regulated financial information, the EU's Transparency Directive made official an electronic format for publication: XBRL. The implementation of this format aims to allow the various users of financial data to access quality information via a simple, fast, and free process.

Our survey aims to ascertain the level of understanding of CFA Institute members regarding these technological and regulatory developments, including measuring their level of interest as part of their analytical work using financial and nonfinancial data.

CFA Institute has historically been in favour of regulations and initiatives introducing standardised and digitalised solutions that would facilitate analysts' access to quality information provided by corporations. The objective of this study is to reinforce this viewpoint and encourage a constructive dialogue among the various stakeholders of the investment industry.

BACKGROUND AND REGULATORY CONTEXT

Recent technological advances observed in a number of domains are pushing most professions and sectors to question how the future of their work will be affected. On the one hand, the automation of complex processes is accelerating and widening in scope, threatening to eliminate tasks and jobs with formulaic and specialized technical features. On the other hand, professionals who are highly qualified are being employed to provide low-value-added labour, which tends to limit creativity and therefore value creation. CFA Institute is interested in identifying the available technological levers investment professionals could use to optimise the intersection between technology and human intelligence. In particular, for this study, we chose to focus on the digitalisation of financial information.

Indeed, financial information is digitalising across the globe, notably through a specific programming language: XBRL,¹ which was developed in the United States for the purpose of identifying and transmitting accounting and financial data. This technology was created out of a simple assessment; that is, a number of financial information users are manually recompiling and reprocessing the data they need using corporate reports that are hundreds of pages long. In line with policy objectives to develop digital finance, regulators around the world have embraced this technology as the new standard for the publication of corporations' financial reports, superseding the traditional PDF format. This approach was first imposed in the United States by regulators in 2011. The EU followed suit with modifications to the Transparency Directive,² which is enforced for the approximately 4,000 issuers listed on an EU-based regulated exchange. The EU legislator has already agreed to widen the scope of data related to the Transparency Directive by including nonfinancial information produced as part of the EU's Corporate Sustainability Reporting Directive (CSRD),³ for application by 2024 and concerning 49,000 companies across Europe.

In 2019, the EU published the technical standards of a unique electronic format with the ESEF regulation, with the objective of codifying and standardising the formats and the taxonomy of the information to be produced by corporations within the framework of the Transparency

¹For details on the consortium and the XBRL standard, go to <https://www.xbrl.org/the-standard/what/an-introduction-to-xbrl/>.

²For details on the amended Transparency Directive (2013/50/EU) and the transparency rules for listed companies in the EU, go to https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/transparency-requirements-listed-companies_en.

³For details on the rules that apply to corporate sustainability reporting in the EU, go to https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.

Directive. The XHTML and iXBRL formats were thus introduced by the regulation with a view to allowing the readability of the data both directly by individuals and by automated computerised processes. Clearly, the objective is to implement a form of centralisation of corporate data through an electronic format that would be exploitable and accessible in a simple fashion across the EU. This principle, in turn, underpins the proposition under the European Single Access Point (ESAP) regulation,⁴ concerning the establishment of a unique access point for data in the EU.

CFA Institute and CFA Society France therefore conducted a joint study in March and April 2023 of the membership in France in order to determine the interest in this technology and the associated regulatory framework from professionals in the financial sector. The survey starts by asking about the existing methods used by professionals to access data, which we could use to infer actual support for or interest in electronic data transmission capabilities. Next, we endeavoured to gauge the respondents' knowledge concerning these regulatory and technological developments. Finally, the objective was to determine the members' willingness to learn more about these new possibilities introduced by regulation via potential work groups dedicated to data analytics and accessibility.

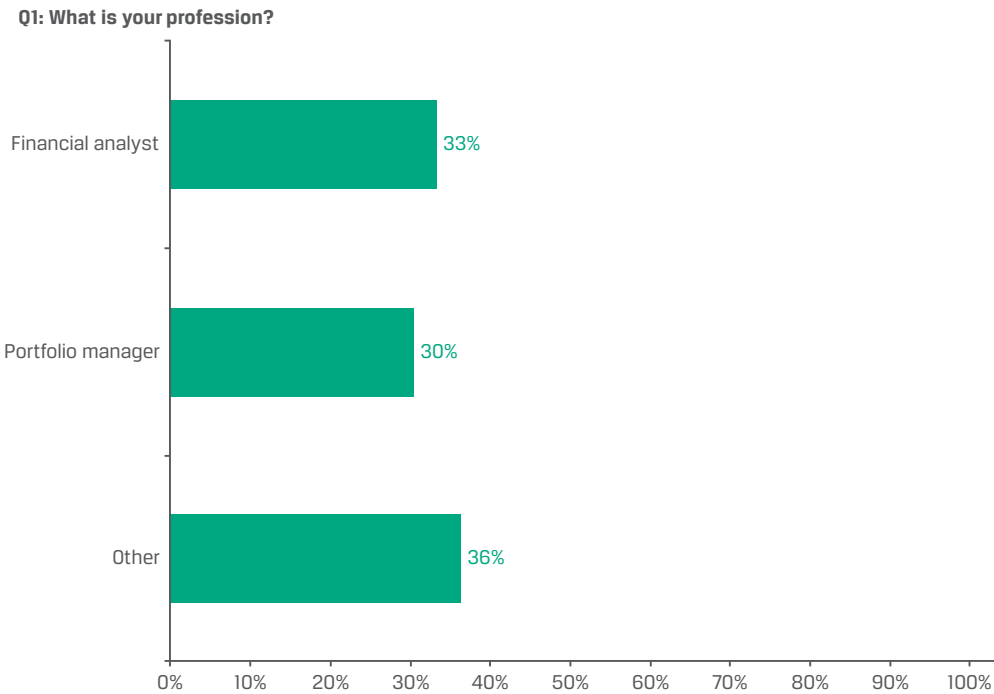
METHODOLOGY

The survey was conducted from 17 March to 5 April 2023 and was sent to the 1,649 members of CFA Society France; 55 complete responses were obtained, corresponding to a response rate of 3.3%.

⁴For details on the proposed ESAP regulation, go to https://finance.ec.europa.eu/publications/capital-markets-union-commission-adopts-package-ensure-better-data-access-and-revamped-investment_en.

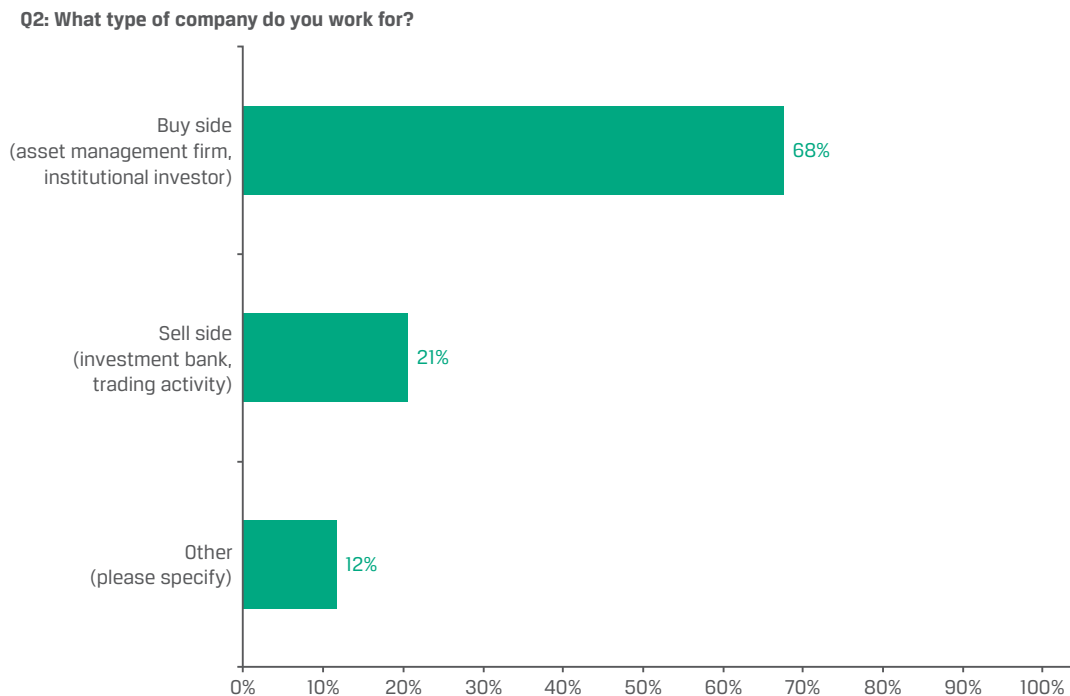
DETAILED RESULTS

Figure 1. Work Sector and Profession of Respondents



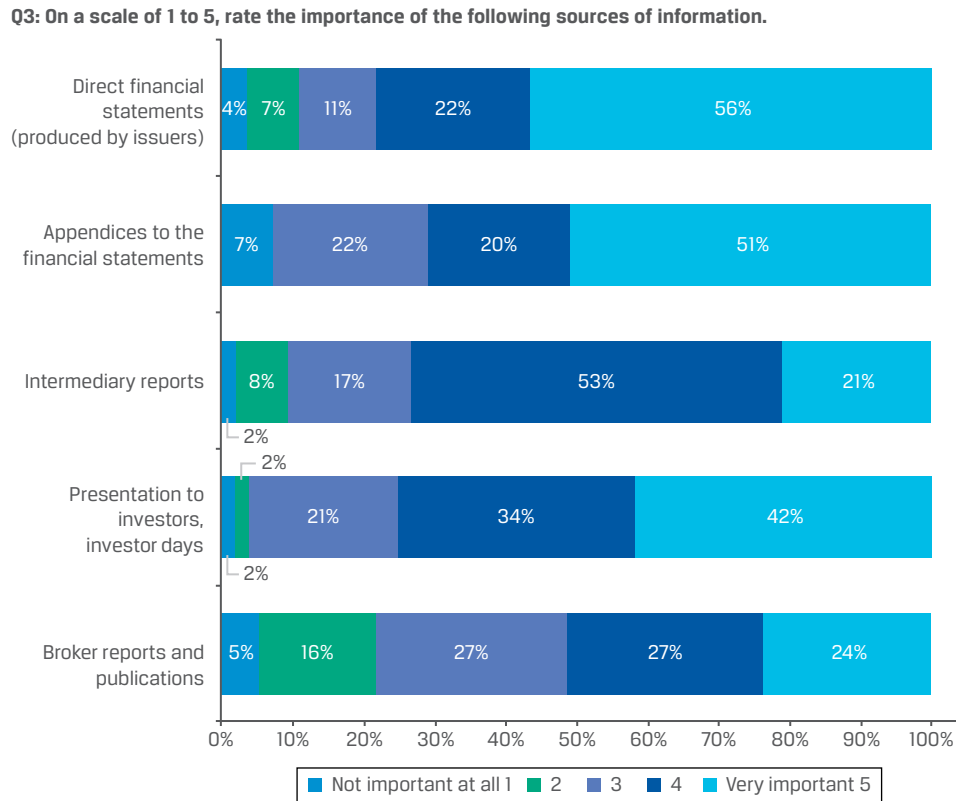
Note: Numbers do not sum to 100 because of rounding.

Figure 2. Respondents' Employer Type



Note: Numbers do not sum to 100 because of rounding.

Figure 3. Relative Importance of Available Information Sources



Note: Numbers may not sum to 100 because of rounding.

Figure 4. Relative Importance of Third-Party Data Providers in Respondents' Analytical Work

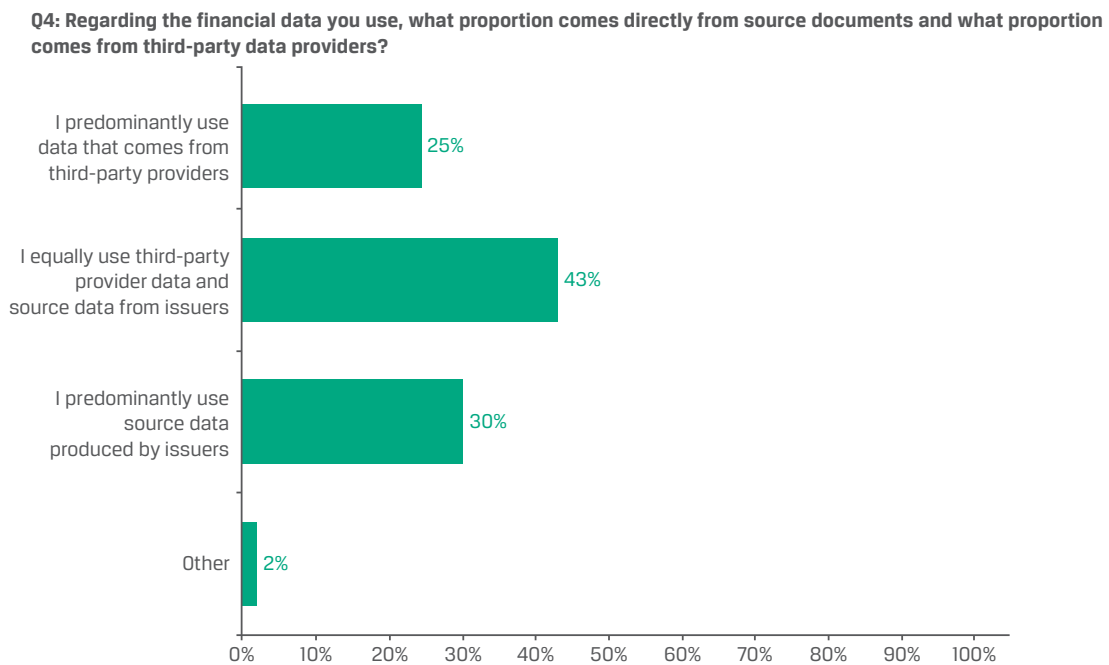


Figure 5. Relative Importance of Third-Party Data Providers, Specifically Related to ESG (Sustainability), in Respondents' Analytical Work

Q5: Regarding the nonfinancial (ESG) data you use, what proportion comes directly from source documents and what proportion comes from third-party data providers?

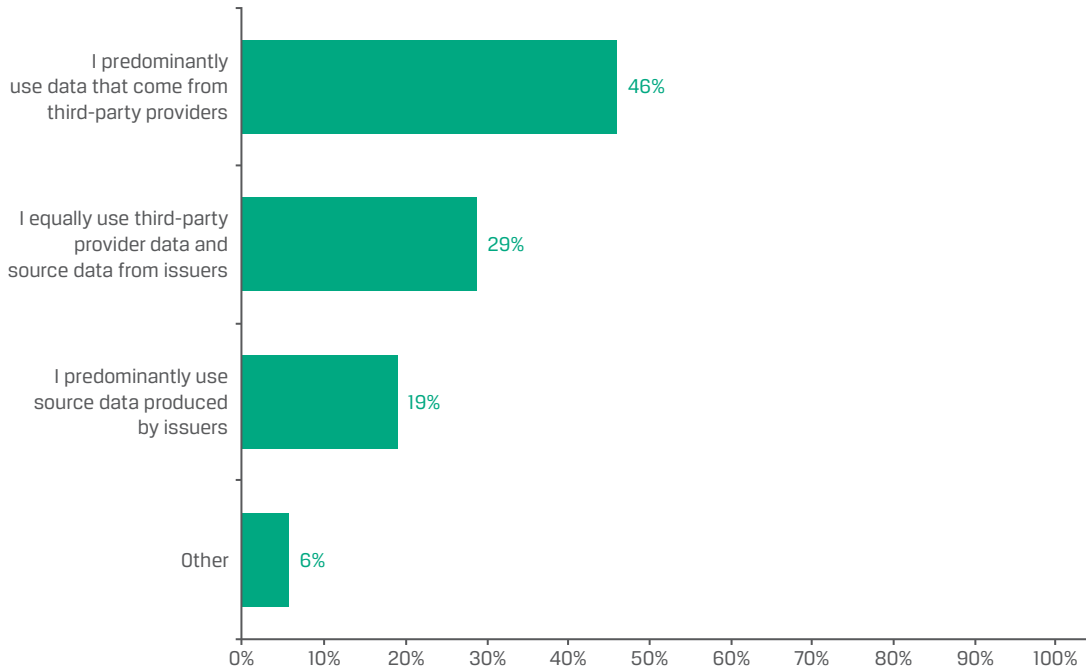
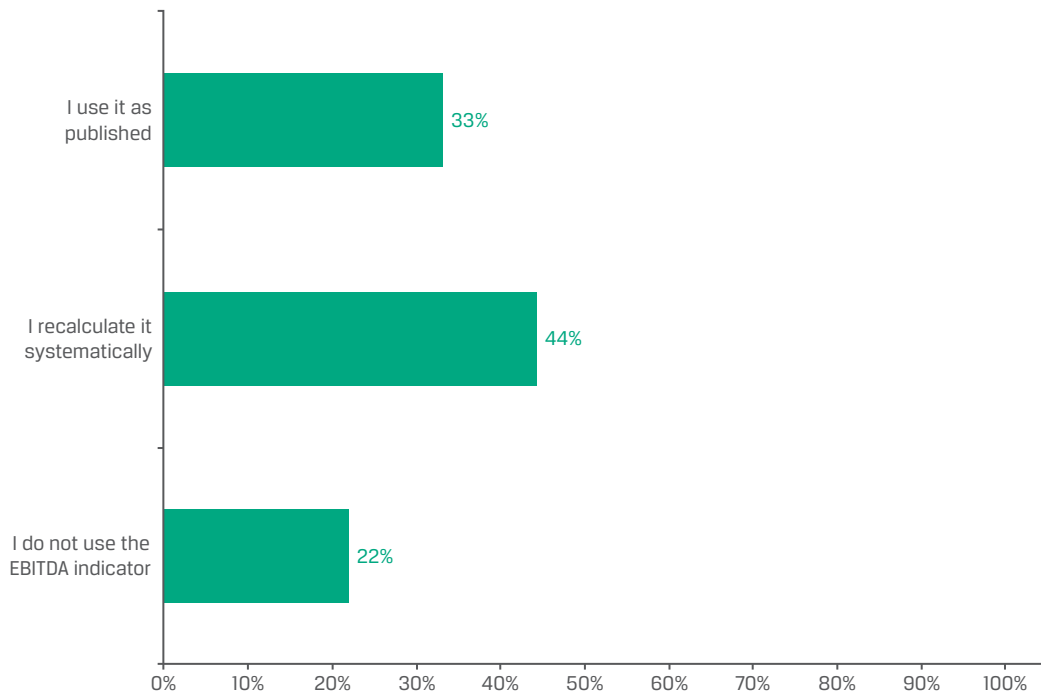


Figure 6. Utilisation of Non-GAAP Information (Alternative Data)

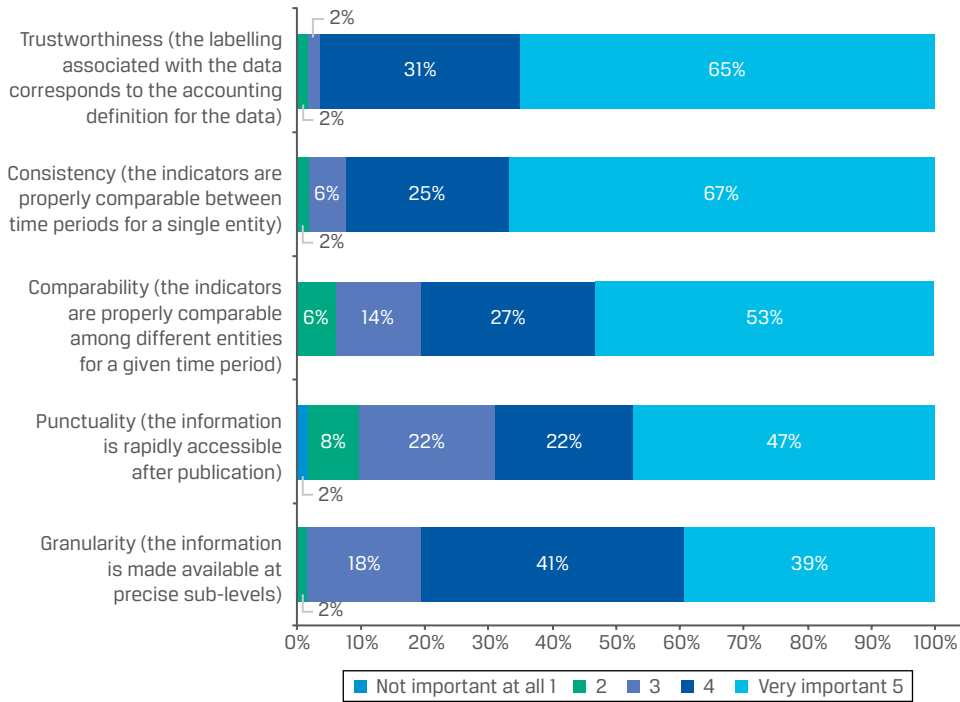
Q6: Do you use the EBITDA indicator as published, or do you recalculate it systematically?



Note: Numbers do not sum to 100 because of rounding.

Figure 7. Criteria Used to Assess the Importance of Information (Reliability, Consistency, Comparability, Punctuality, Granularity)

Q7: On a scale of 1 to 5, please rate the following aspects of information according to their importance in your work.



Note: Numbers may not sum to 100 because of rounding.

Figure 8. Period of Time the Information Remains Valid for Analysts' Work

Q8: How long after publication do you continue to use the information produced by issuers?

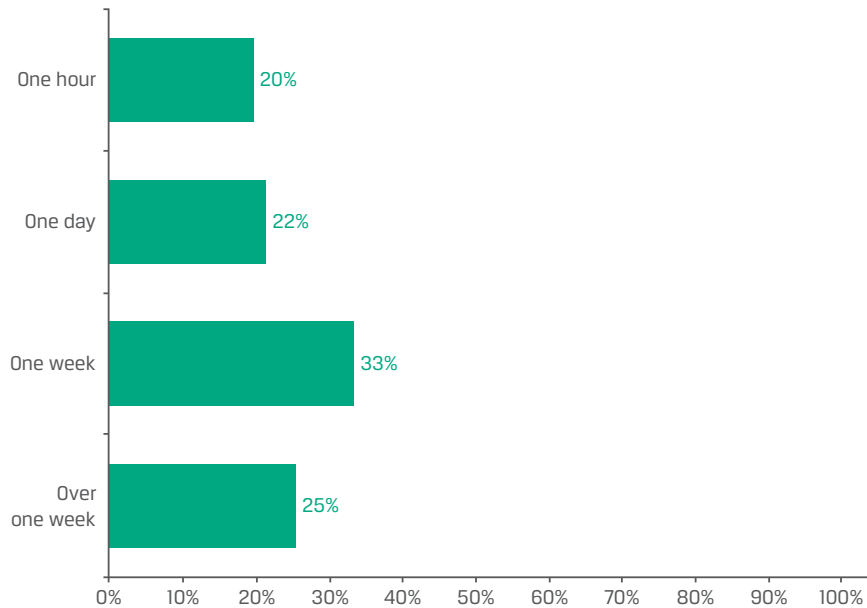


Figure 9. Level of Understanding Regarding the Transparency Directive

Q9: How much do you know about the obligations related to the Transparency Directive (2004/109/EC)?

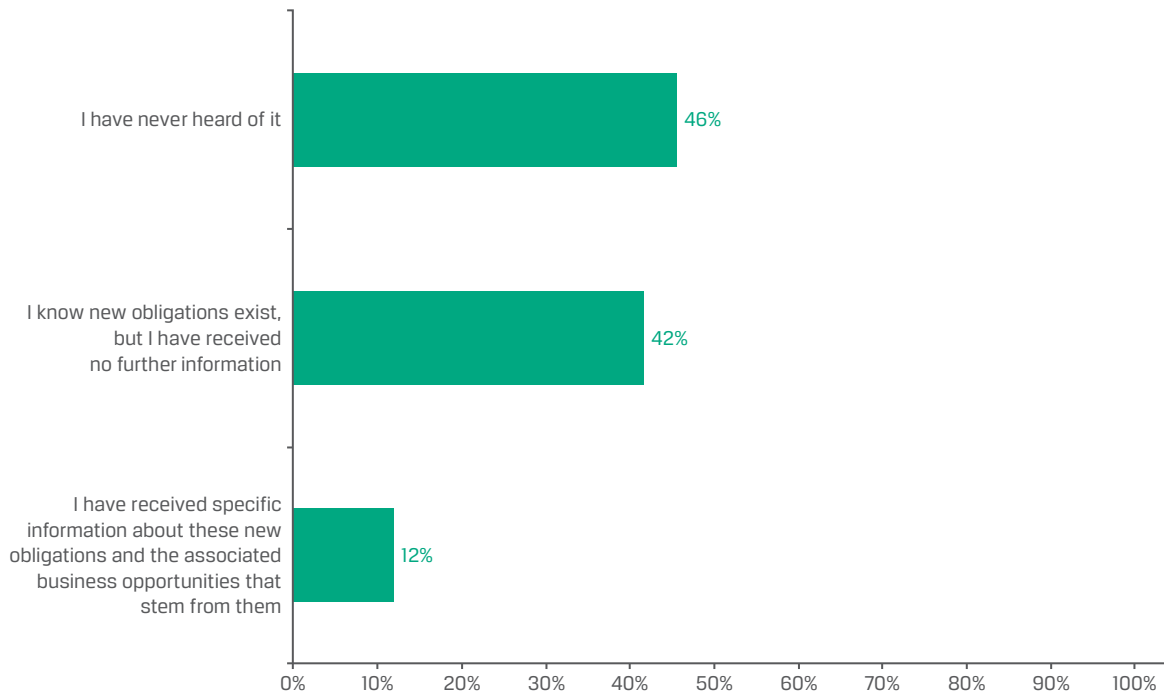


Figure 10. Level of Understanding Regarding the ESEF/XBRL Regulation

Q10: How much do you know about the ESEF/XBRL regulation?

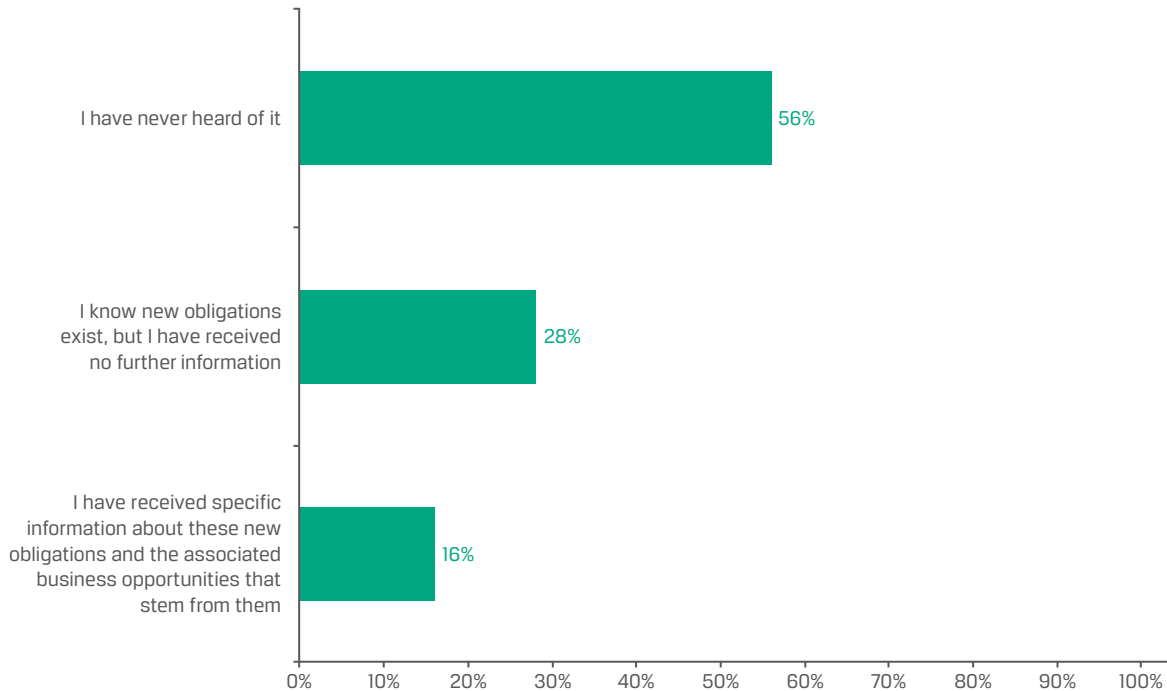


Figure 11. Relative Importance of the Digitalisation of Data in Financial Analysis and Valuation Work

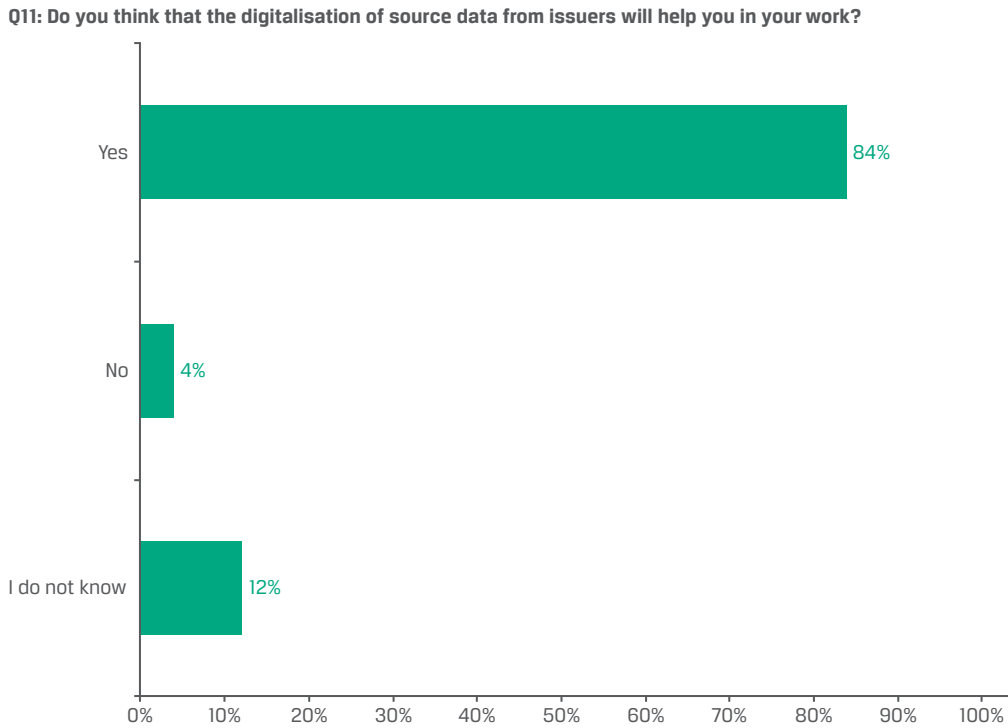
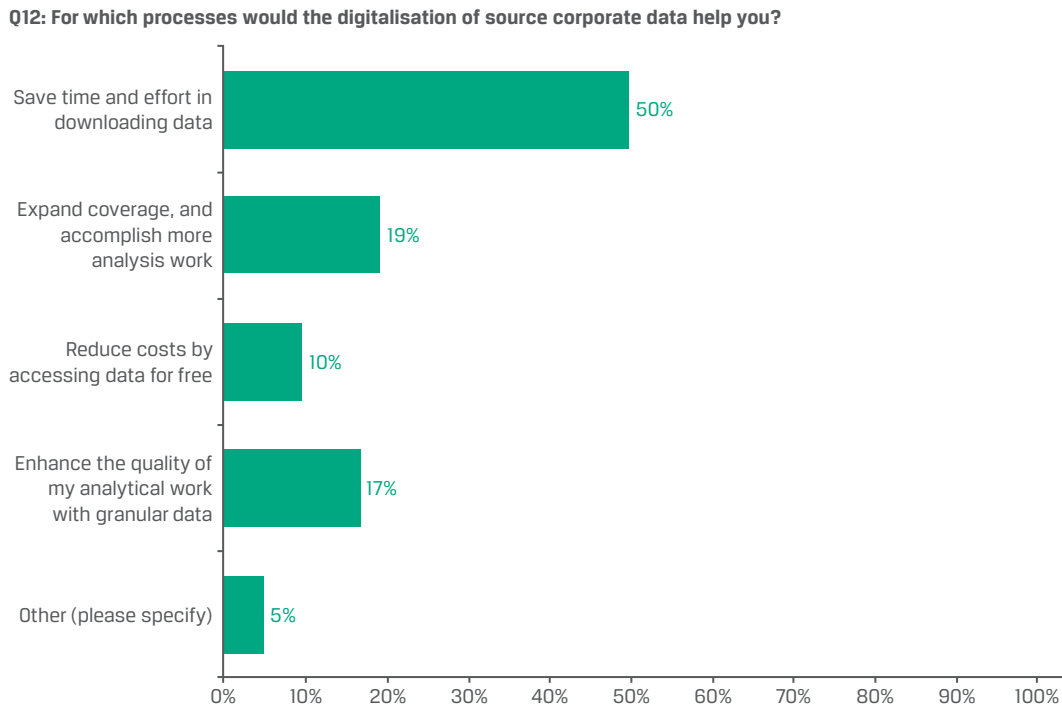


Figure 12. Processes That Could Gain the Most from the Digitalisation of Data



Note: Numbers do not sum to 100 because of rounding.

CONCLUSION AND POLICY PERSPECTIVES

Our report evidences a dichotomy in the investment industry regarding the availability and use of digitalised issuer data. A majority of professionals we surveyed indicated a preference for data sourced directly from corporate issuers and hence are naturally of the view that the digitalisation of data will bring clear analytical and operational benefits to their work. However, they are also largely unaware of regulatory and technological developments related to the digitalisation of issuer data, which evidently hinders the deployment and adoption of such progress in the industry.

We think this paradox should be resolved for the benefit of investors through greater transparency and efficiency in accessing source corporate issuer data.

CFA Institute has formulated a series of policy recommendations and reflections on this development of digital issuer data:

- **Regulators should act to strengthen controls over the quality of corporate data.**

In a world where the production of and need for data are only going to further accelerate, quality and reliability are essential. It is the responsibility of issuers and their auditors to ensure that the data they submit to the market is of sufficient quality; however, we believe regulators have a role to play in enforcing high standard expectations in this respect, to protect the interests of data users.
- **The scope of data that are digitalised could be expanded.**

Current regulatory requirements in the EU concern only annual reports, while our survey highlights the importance of intermediary reports and investor presentations. While we recognise the difficulty of expanding the coverage of data under a format such as XBRL, which requires standardisation, we believe there are obvious options for expanding the scope of coverage, including intermediary reports.
- **Policymakers and regulators should work jointly to facilitate access to data.**

Our report highlights that the main benefit identified by respondents from the digitalisation of data is to save time in downloading the data they need. However, we note how access to data is not always straightforward across EU jurisdictions, depending on local restrictions (e.g., volumes of data), whether voluntary or due to technical limitations related to infrastructure reliability. In such a context, we continue to support the development of a unique data access point through the ESAP regulation, which would bring natural benefits to the work of analysts and investors.
- **The deployment of ESG regulations depends on consistent and accessible data of sufficient quality.**

The successful implementation of regulations related to sustainable finance depends to a large extent on an efficient taxonomy of these data in the first place, as well as on robust technology giving access to this new and sizable dataset in an optimised fashion. The quantity of new data that ESG regulations represent makes the case for an international standard even more obvious.

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About CFA Society France

CFA Society France was originally established in 1998 to bring together and support CFA Institute members and charterholders. It is the French local society of CFA Institute, bringing together local investment professionals consisting of portfolio managers, investment advisers, educators, and other financial professionals. Our members work in many professions across France, with the vast majority working in portfolio management. We promote ethical and professional standards in the investment industry, professional development through the CFA® Program and continuing education, and the exchange of information and opinions among people in the local investment community and beyond to further the public's understanding of the CFA designation and the investment industry. Our mission is to provide our members with professional development plans, a sense of community, and networking opportunities primarily via regular conferences and events. We also seek to maintain constructive relations with local financial and regulatory institutions. For more information, visit www.cfasociety.org/france/.

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French Version

The French version of this report can be found at <https://rpc.cfainstitute.org/-/media/documents/survey/rapport-sur-lutilisation-et-la-digitalisation-des-donnees-fournies-par-les-emetteurs.pdf>.

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