

BANKING SUPERVISORS AND XBRL

1st EUROPEAN XBRL CONFERENCE FOR FINANCIAL SERVICES

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INTRODUCTION

- Speaking today in three capacities

BANCO DE **ESPAÑA**



THE IMPORTANCE OF XBRL



- **Not just a technical “IT” matter**
- **Market efficiency and the role of information flows**
- **Also, relevant to banking supervision, both nationally and internationally**
- **XBRL presents a unique opportunity to improve information flows for both the generators and users of financial information, which will in turn promote greater efficiency for the system as a whole**
- **These benefits come through flexibility – integrity - speed**

THE SPANISH PERSPECTIVE



Spain's involvement

- *Spain became an XBRL jurisdiction in 2004*
- *XBRL España Association is chaired by Banco de España (Central Bank and Banking Supervisory Authority of Spain). Public interest aspect of XBRL*

Aim of XBRL España

- *To foster the introduction, adoption and development, both at a national and international level, of the XBRL language, for the purpose of unifying the standards applicable to financial and business reporting*

MEMBERS AND ACTIVITIES OF XBRL ESPAÑA



- **XBRL España has grown rapidly from 11 founding members in April 2004 to 36 current members, from both the private and public sector, which collaborate in a partnership for the adoption and implementation of XBRL**
- **XBRL España fosters collaboration among regulators and other public sector bodies involved**
- **XBRL España is currently involved in the development of 7 domestic taxonomies + collaborating with CEBS in the development of the Common Reporting taxonomy**

THE INTERNATIONAL PERSPECTIVE



- **Financial communication must adapt to the reality of increasingly international business models**
- **XBRL means that financial information from entities can be understood and assimilated in other parts of the world in an accurate and timely manner**
- **In the banking sector, it could be a means of finding a common language for financial information needs**
- **It could thereby facilitate supervisory co-operation and promote a level playing field**
- **This is consistent with the needs of the EU single market in banking: integrated market with pan EU banks, multiple supervisory authorities and a single set of accounting and prudential rules.**

CEBS



What is CEBS?

- *A high-level committee of representatives from the banking supervisory authorities and central banks of the European Union*

What are its tasks?

- *to advise the European Commission on banking policy issues, in particular for the preparation of draft measures for the implementation of EU legislation*
- *to foster consistent day to day implementation and application of Community legislation by issuing guidelines, recommendations and standards*
- *to promote supervisory co-operation and provide for the exchange of supervisory information*

CEBS & COMMON EU REPORTING



- **CEBS has taken two initiatives to promote common reporting requirements:**
 1. ***Common reporting of the solvency ratio (COREP):***
Public consultation ended 30th April
 2. ***Common reporting for financial data (FINREP):***
Public consultation underway

- **These initiatives take advantage of the fact that Basel II and IAS will require all supervisors to change their reporting requirements**

- **Common EU reporting faces a trade off:**
 - **Simplicity (minimum harmonization)**
 - versus*
 - **Common framework**

CEBS AND SOLVENCY RATIO



- **Supervisors require banks to report on their risks and related capital requirements => capital adequacy**
- **CEBS is developing a set of common templates to be used by EU supervisors under future Basel II regime**
- **CEBS has also recommended a common technology protocol based on XBRL: taxonomy currently being developed by CEBS**
 - The initiative of developing an XBRL taxonomy for COREP was supported by the industry in the public consultation process that ended on 30 April

CEBS AND FINANCIAL DATA



- **CEBS is developing a set of common templates for reporting balance sheet, profit and loss account and annexes**
- **For credit institutions which prepare consolidated data according to the international accounting standards (IAS/IFRS)**
- **CEBS has also recommended a common technology protocol based on XBRL: taxonomy to be developed in future by CEBS**

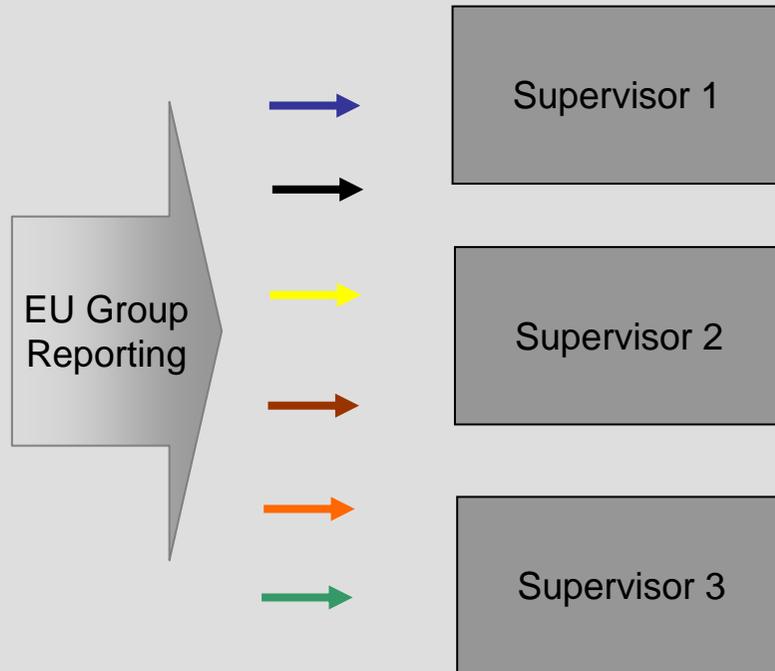
BENEFITS OF COMMON REPORTING

- **N.B.:** These initiatives are the first of their kind!
- **Expected benefits**
 - *Level playing field*
 - *Less administrative burden for cross-border groups (and limited burden for small, local banks)*
 - *Removal of potential obstacle to financial market integration*
 - *Easier exchanges of information between supervisors*
 - *Increased cost effectiveness of supervisory activities in the EU*
 - *More flexible framework: across countries and over time*

IMPACT

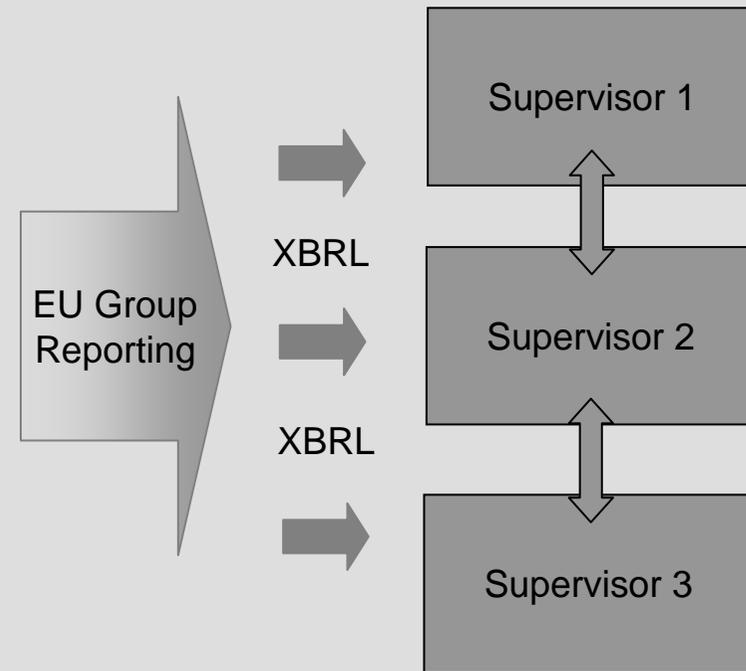


Reporting now...



Various data streams
Different reporting standards
Manual processes

and later...



Common framework
Single format
Automated data collection

A WORD OF CAUTION



- **Full convergence, i.e. having the same reporting requirements for all institutions across the EU**
- **Sounds attractive in principle...**
- **...but beware the practical issues**
 - Legal problems
 - Flexibility
 - Time
- **CEBS' approach provides a solution that should avoid these problems**

HOW XBRL CAN ENHANCE THE BENEFITS OF COMMON EU REPORTING (I)



- **XBRL will enable banks to fulfil the reporting requirements of supervisory authorities across the EU with a single IT standard**
 - ⇒ The costs of implementing EU common reporting in cross border groups will be reduced
 - ⇒ Less administrative and implementation costs

- **Small banks may benefit from a free standard like XBRL and the economies of scale derived from the development of the XBRL taxonomy by CEBS**
 - ⇒ Less implementation costs

- **Also, supervisors may benefit from economies of scale**
 - ⇒ Increased cost effectiveness of supervisory activities

HOW XBRL CAN ENHANCE THE BENEFITS OF COMMON EU REPORTING (II)



- **XBRL will provide the flexibility to accommodate in a consistent manner:**
 - *Multiple layers of legislation/regulation at the national level*
 - *Multiple languages and references*
 - *Each supervisor to easily customize the data it will receive according to its needs*
 - ⇒ *Easier exchanges of information and increased cost effectiveness of supervision*

HOW XBRL CAN ENHANCE THE BENEFITS OF COMMON EU REPORTING (III)



- **XBRL standard will facilitate the transmission of the common definitions expressed in common EU reporting**
 - ⇒ Level playing field and removal of obstacles for financial market integration
- **In short, the compatibility of formats, contents and IT systems supported by XBRL will allow supervisors to collect information on a decentralized way, while having all the functionalities as if a centralized data base were in place and benefiting from additional flexibility**

THE RISKS OF PROGRESS...



- **Risk of inconsistent results due to rapid progress in so many different places**
- **Not suggesting a slow-down of activity!**
- **But good coordination is essential**
- **Therefore, the role of bodies like XBRL in Europe will be crucial**

BUT ALSO THE PROSPECTS OF SUCCESS ARE HIGH



- **Scenario analysis**

- *Worst case: only in Spain, only for banks. Still, huge advantages*
- *Next steps*
 - ⇒ *All regulators in Spain*
 - ⇒ *All banking regulators in EU*
 - ⇒ *Basel III/IFRS reporting worldwide...*

- **The strength of XBRL:**

It makes sense even in a worst case scenario!



Thank you for your attention

BANCODE **ESPAÑA**