

COMMONG REPORTING AND XBRL: EXPECTED BENEFITS

INTERNATIONAL INNOVATION NETWORK CONFERENCE

José María Roldán

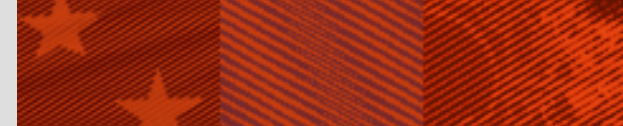
Director General of Banking Regulation, Banco de España

Chair of XBRL España

Member of the Board of Advisors XBRL International

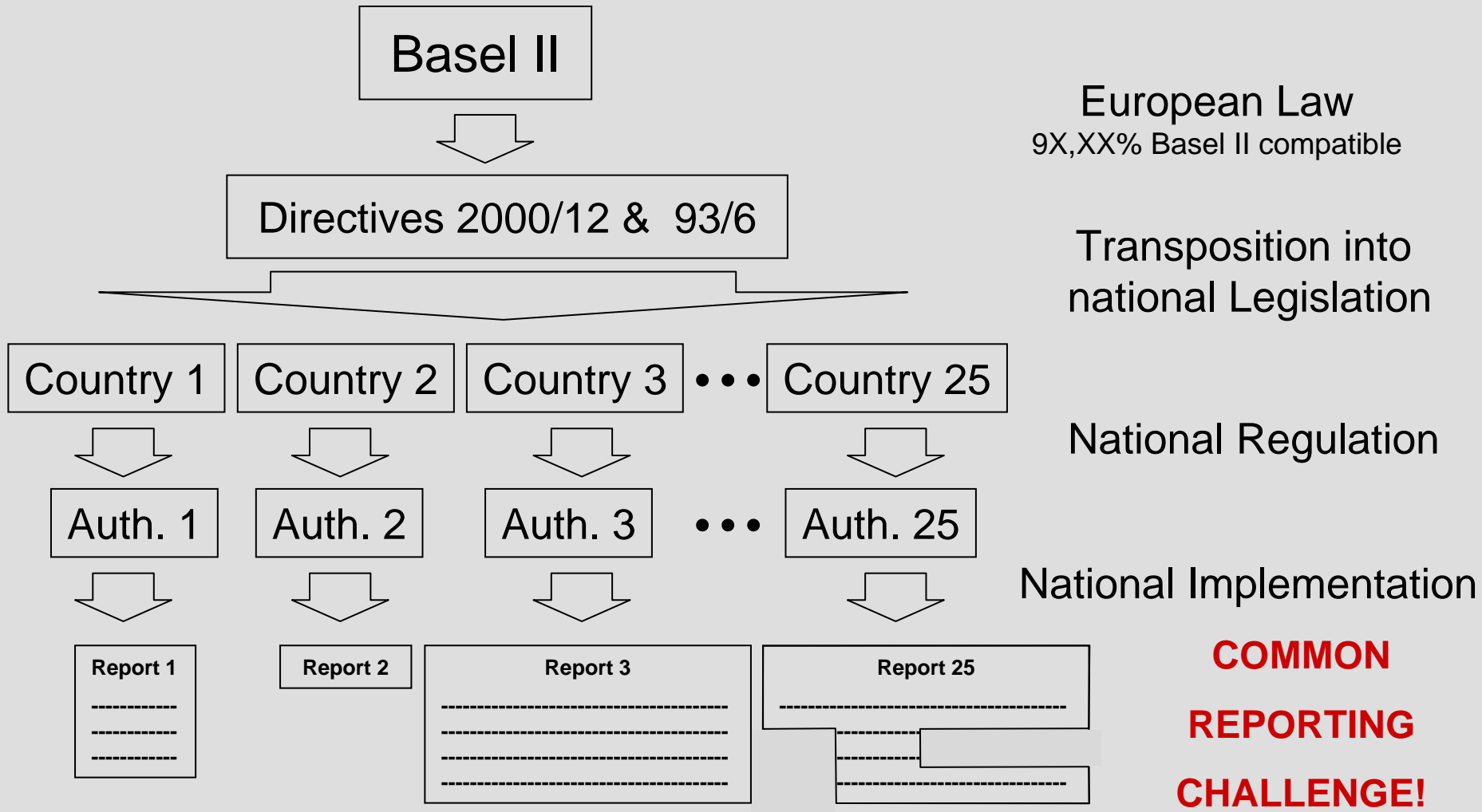
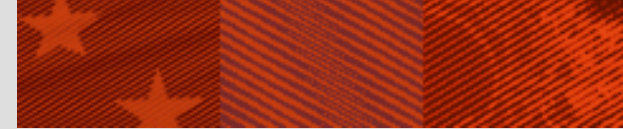
Valencia, 23 January 2007

EFFICIENT MARKETS AND INFORMATION



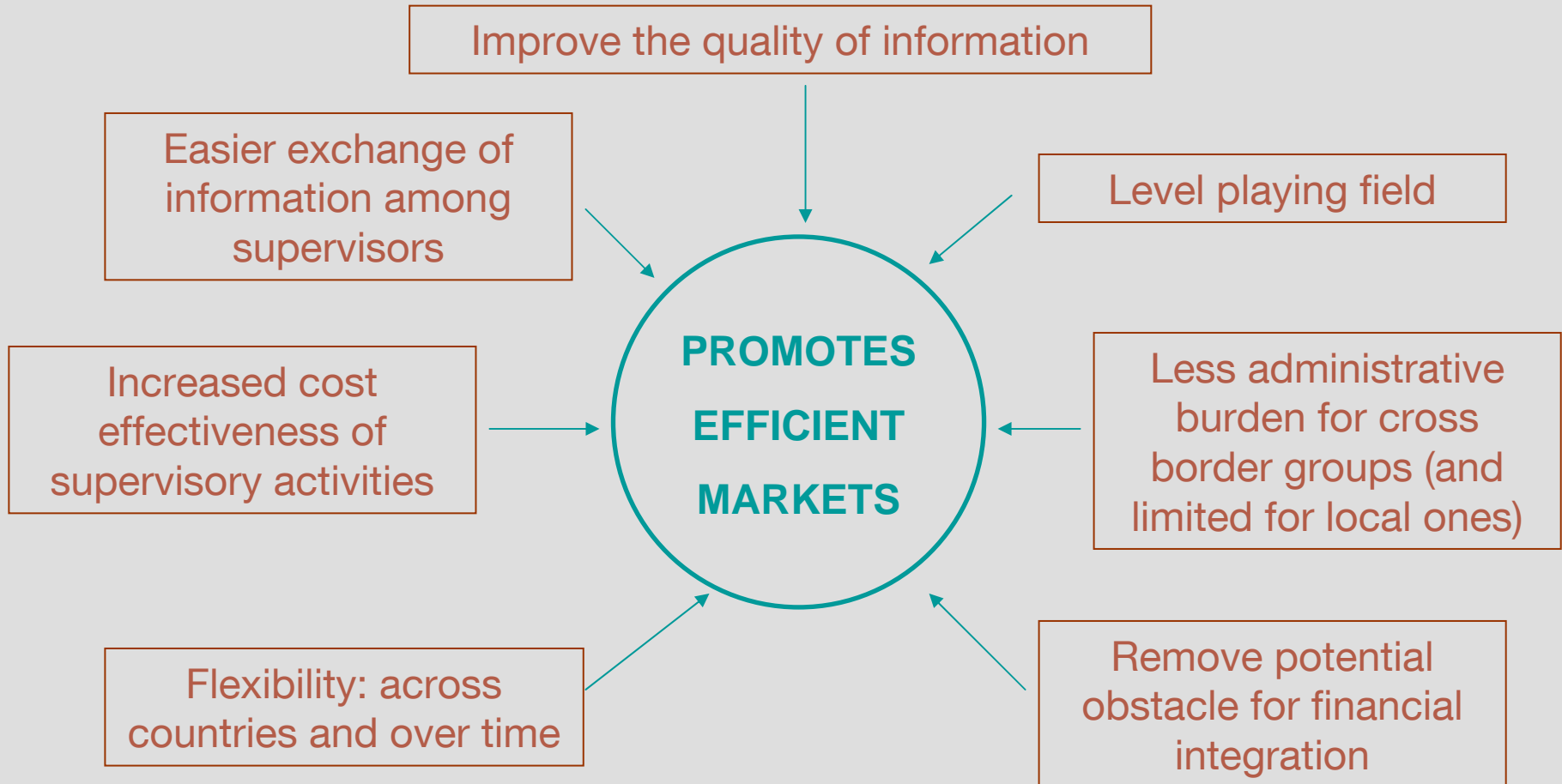
- Efficient financial markets promote the sustainable growth of our economies
 - Channel funds and transmit risks
- In order to be efficient, markets need information
 - Prices reflect all the information of the underlying assets
- But information is costly ...
 - To generate, transmit and use
- ... and even more in a context of increasing internationalization of financial markets and companies business models

INTERNATIONAL COMPLEXITY: THE EU EXAMPLE

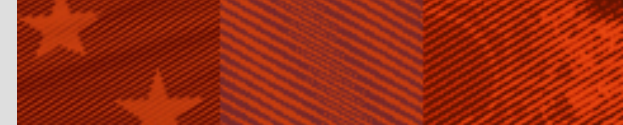


BENEFITS OF COMMON REPORTING

- Common financial reporting introduces mutual reinforcing benefits for all the participants in the financial markets



CEBS AND COMMON REPORTING (I)

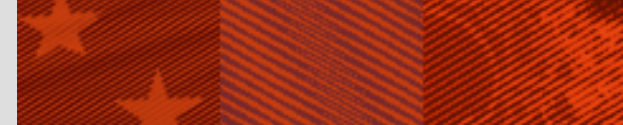


- EU banking supervisors and central banks have recognised the potential benefits of common reporting: CEBS

- What is CEBS?
 - A high level committee of representatives from banking supervisors and central banks of the EU

- 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

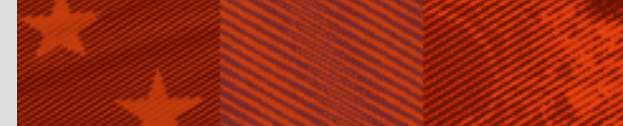
CEBS AND COMMON REPORTING (II)



- Two main initiatives in the field of common financial reporting
 - Common reporting of the solvency ratio (COREP)
 - Common reporting for financial data (FINREP)
- These two initiatives take the advantage of the fact that Basel II and IFRS/IAS will require all supervisors to change their reporting requirements

CEBS has recommend a common technology protocol based on XBRL

WHY XBRL? (I)



- It is a system designed for information exchange that establishes a model of sending and representing information
- 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:
 - Common language for financial information needs
 - Facilitate supervisory co-operation and promote level playing field
 - Consistent with the needs of the EU single market in banking

WHY XBRL? (II)



- XBRL presents a unique opportunity to improve information flows both for generators and users of financial information

- Benefits came through:

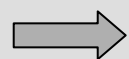
- Accuracy
- Reliability
- Speed



Public policy aspect of XBRL

- All in all, XBRL promotes efficiency and effectiveness of the system

- Enhancing the benefits of common reporting



It is more than a “technical” IT mater

XBRL ENHANCING THE BENEFITS (I)

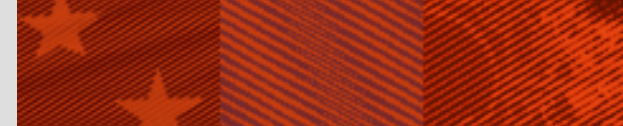


- Will XBRL reduce costs of implementing EU common reporting in cross border groups?
 - Single IT standard

- Will XBRL also reduce implementing costs for small banks?
 - Free standard
 - Economies of scales derived from the development of the XBRL taxonomy by CEBS

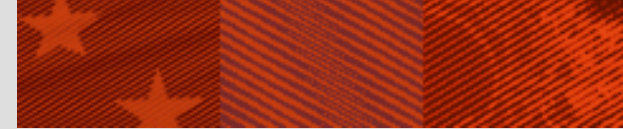
- Will XBRL increase cost effectiveness of supervisory activities?
 - Economies of scale

XBRL ENHANCING THE BENEFITS (II)

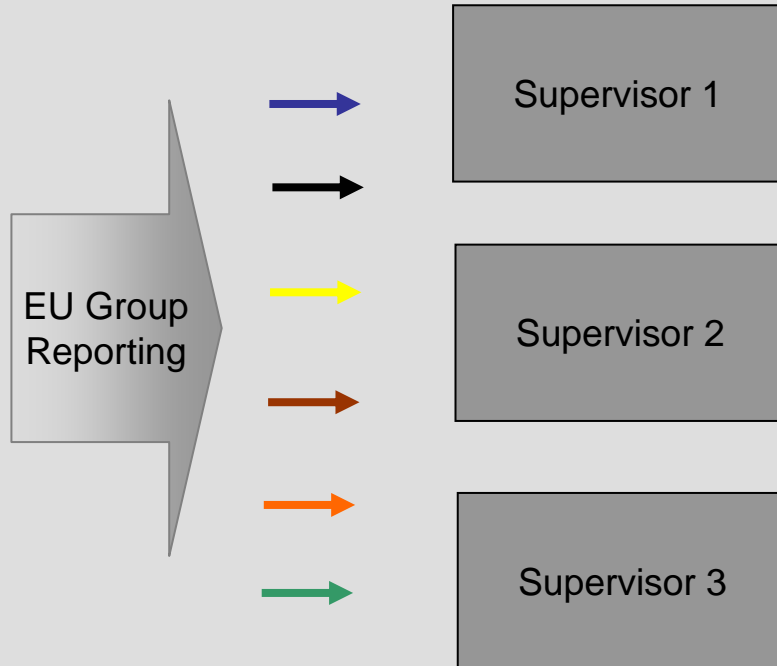


- Will XBRL enhance level playing field and remove obstacles to financial market integration?
 - Facilitating the transmission of the common definitions expressed in common EU reporting
- Will XBRL provide flexibility and consistency?
 - Multiple layers of legislation/regulation at the national level
 - 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
- In short, the compatibility of formats, contents and IT systems supported by XBRL will allow supervisors to collect information in a decentralised way, while having all the functionalities as if a centralised data base were in place and benefiting from additional flexibility

IMPACT

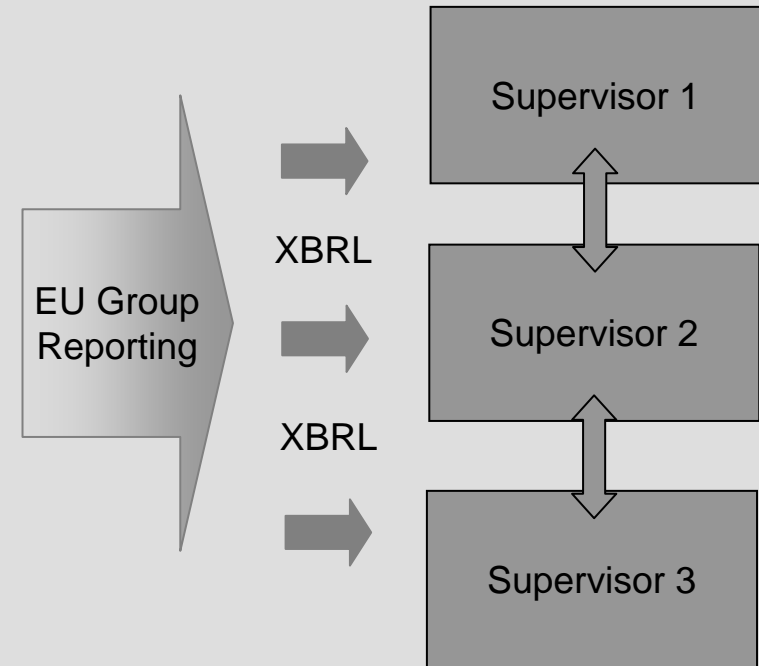


Reporting now...



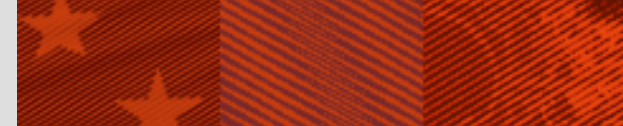
Various data streams
Different reporting standards
Manual processes

and later...



Common framework
Single format
Automated data collection

CHALLENGES



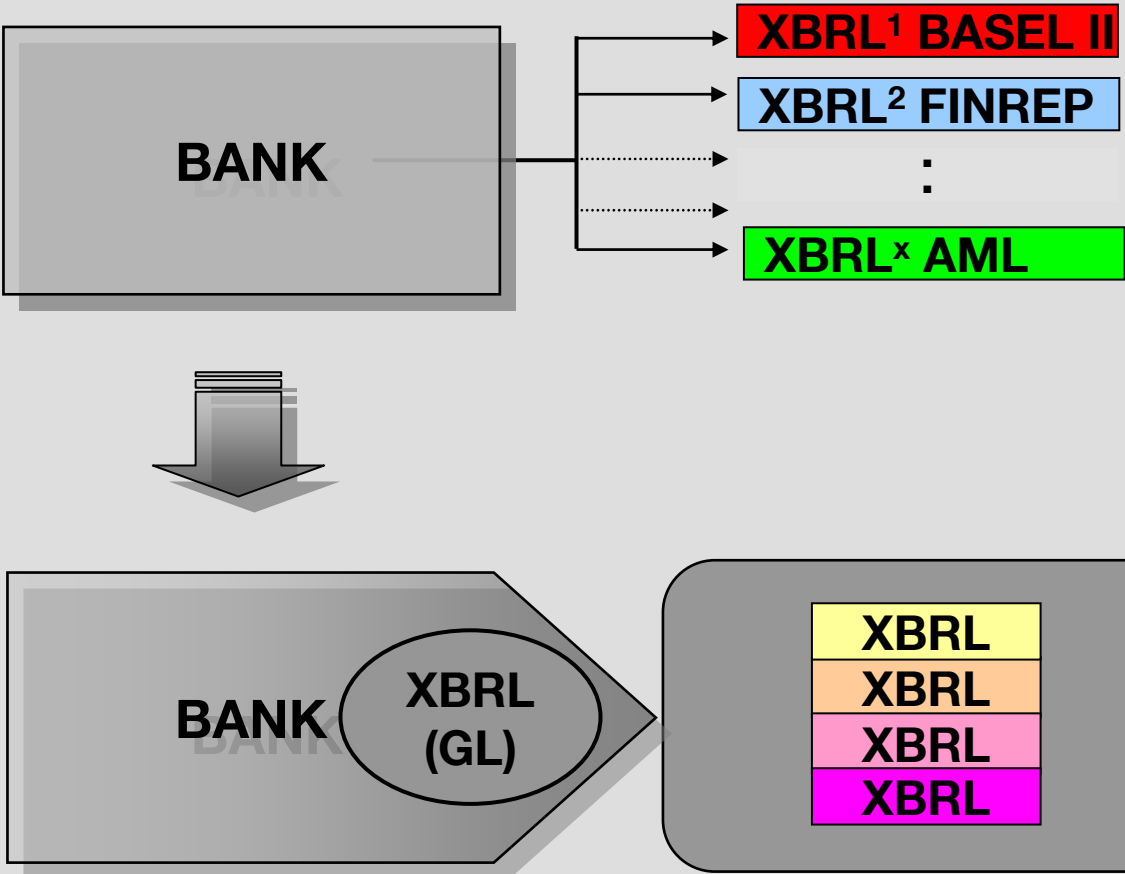
■ Complexity

- Risk of inconsistent results due to rapid progress in so many different places
- Not suggesting a slow down in activity,
- But synchronise XBRL initiatives
 - *Among areas (e.g. banking, securities, auditing)*
 - *Among regions / countries*

■ Deepening

- Using XBRL deeper within the business: GL project

DEEPENING THE USE OF XBRL



OPPORTUNITIES

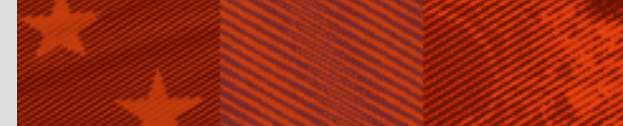


- Window of opportunity
 - 2002-2003
 - *Too early, establishing CEBS, XBRL EU ...*
 - 2007-ownwards
 - *Too late, Basel II, IFRS/IAS ...*

TODAY !

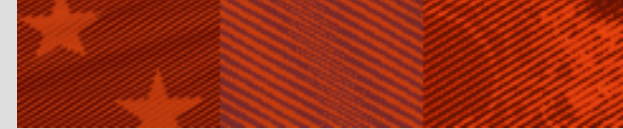
- In order to take these opportunities and limit the challenges we should increase the role and involvement of public authorities

XBRL IN SPAIN



- Spain became an XBRL jurisdiction in 2004
- XBRL España Association is chair by Banco de España
 - Public interest aspect of XBRL
- Intermediate goal:
 - To foster the adoption and development of XBRL (both at a national and international level): unifying reporting standards
- Ultimate goal:
 - Integration of the Spanish and European financial markets
- To attain these goals:
 - Cooperation between different regulatory agencies
 - Collaboration with other international taxonomies (i.e. COREP, IFRS-GP)
- XBRL has been implemented and now is in use

PROJECTS OF BANCO DE ESPAÑA



- SIIF: receiving public financial statements in XBRL
 - Starting with the main groups to the rest of the banking groups
 - Banks may re-use the information to report other agencies
- Spain COREP: receiving capital information based on new CRD (EU's Basel II):
 - Leading the XBRL project since the beginning
 - Cross-border Spanish banks may report the same information to other supervisors in the EU
- Spain FINREP: receiving supervisory reporting in XBRL
 - Participating in the development of the FINREP taxonomy

CONCLUSION

- One of the strengths of XBRL is that it only needs a small critical mass
- So, XBRL would make a case even in a worse case: only Spain - only banks → huge benefits.
- But it is specially powerful in terms of improving information flows, and hence the efficiency of the financial system, when we take all the different initiatives together:
 - In Spain, in the EU (CEBS) and more further afield (e.g. SEC initiatives)



Thank you for your attention