

# How European financial institutions will benefit from implementing the COREP and FINREP taxonomies



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# Abstract

- The Committee of European Banking Supervisors have finalised the COREP templates; they have been implemented in XBRL Taxonomies that present all financial institutions throughout Europe with an opportunity to streamline their reporting. A similar opportunity is presented by the emergence of FINREP standards and a corresponding XBRL taxonomies. We will evaluate basic methods for categorizing, mapping, and aggregating existing information and reports available within the institution into the COREP and FINREP taxonomies. We will discuss implementation issues and appropriate controls during this transition.

# Definitions

- European financial Regulatory Framework
- COREP and FINREP taxonomies
- Implementation issues
- Proof of Concept Demonstration
- Conclusions

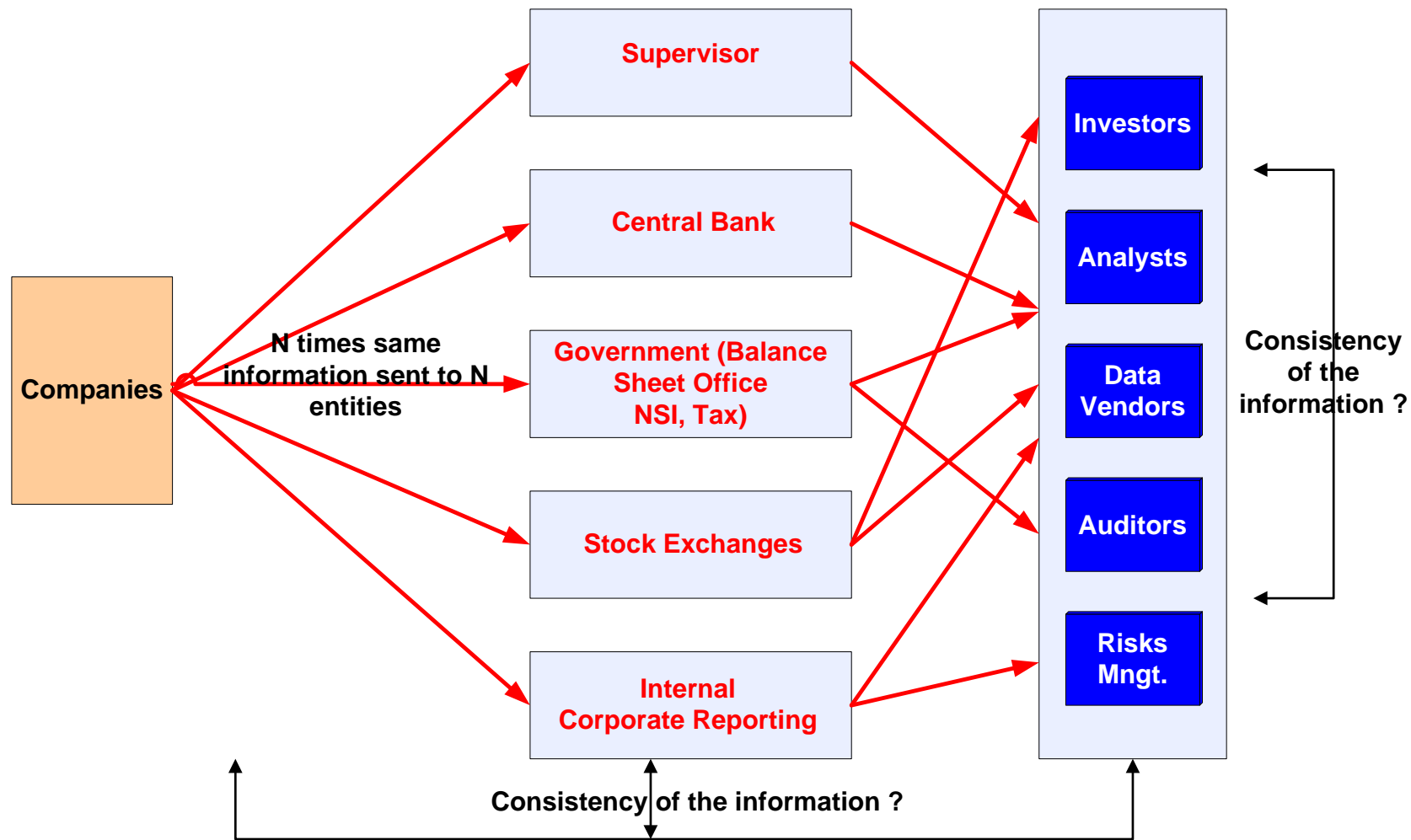
# Today's reporting challenges

## New regulatory framework

- Building of new EU regulation framework:
  - EU Directives (Transparency for listed companies, Prospectus, UCITS 3, Market Abuse, MiFID....);
  - Basel II / Credit Adequacy Directives;
  - IFRS;
  - Sarbanes Oxley;
  - SEC regulations;
  - CEBS (Committee of European Banking Supervisors):
    - COREP (Common Reporting) covers the Capital Requirements Directive/ Basel 2 regulatory information;
    - FINREP (Financial Reporting) covers IAS / IFRS consolidated financial information.
  
- Key reporting challenges for European Financial Services

# Today's reporting challenges

N times same data sent to n addresses = inconsistent reporting



# XBRL Reporting Opportunities

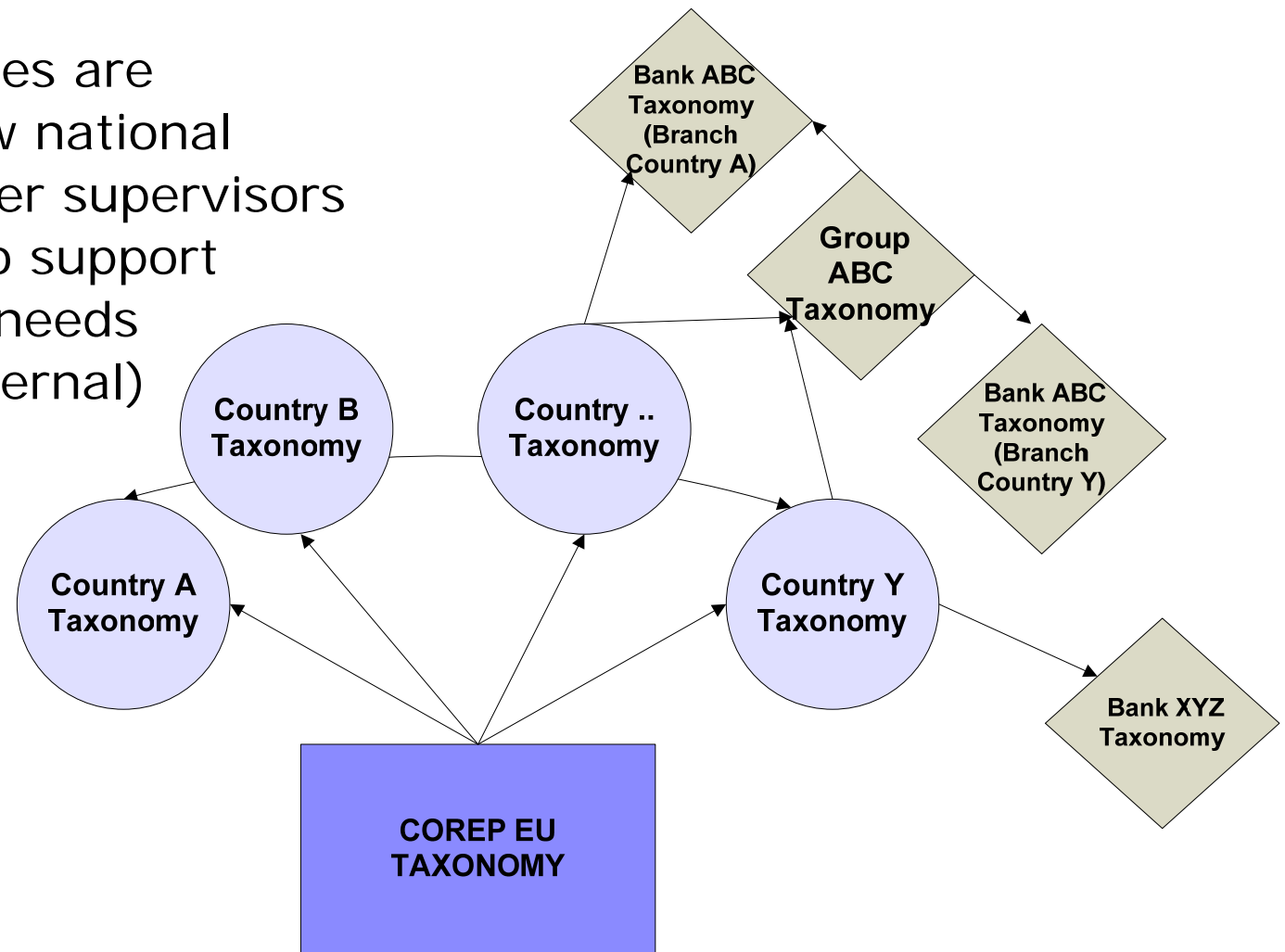
## COREP / FINREP Taxonomies

- XBRL: It's not just for Supervisors authority anymore.
- Contrary to the EU supervisors, the banks' awareness about XBRL is still low and misperceived while....
- ....Most of EU banks will be impacted by COREP project by 2007.
- EU banks are concerned by the costs of the regulatory reporting.
- Globally perceived XBRL as an additional IT costly project.

# XBRL Reporting Opportunities

## COREP / FINREP Taxonomies

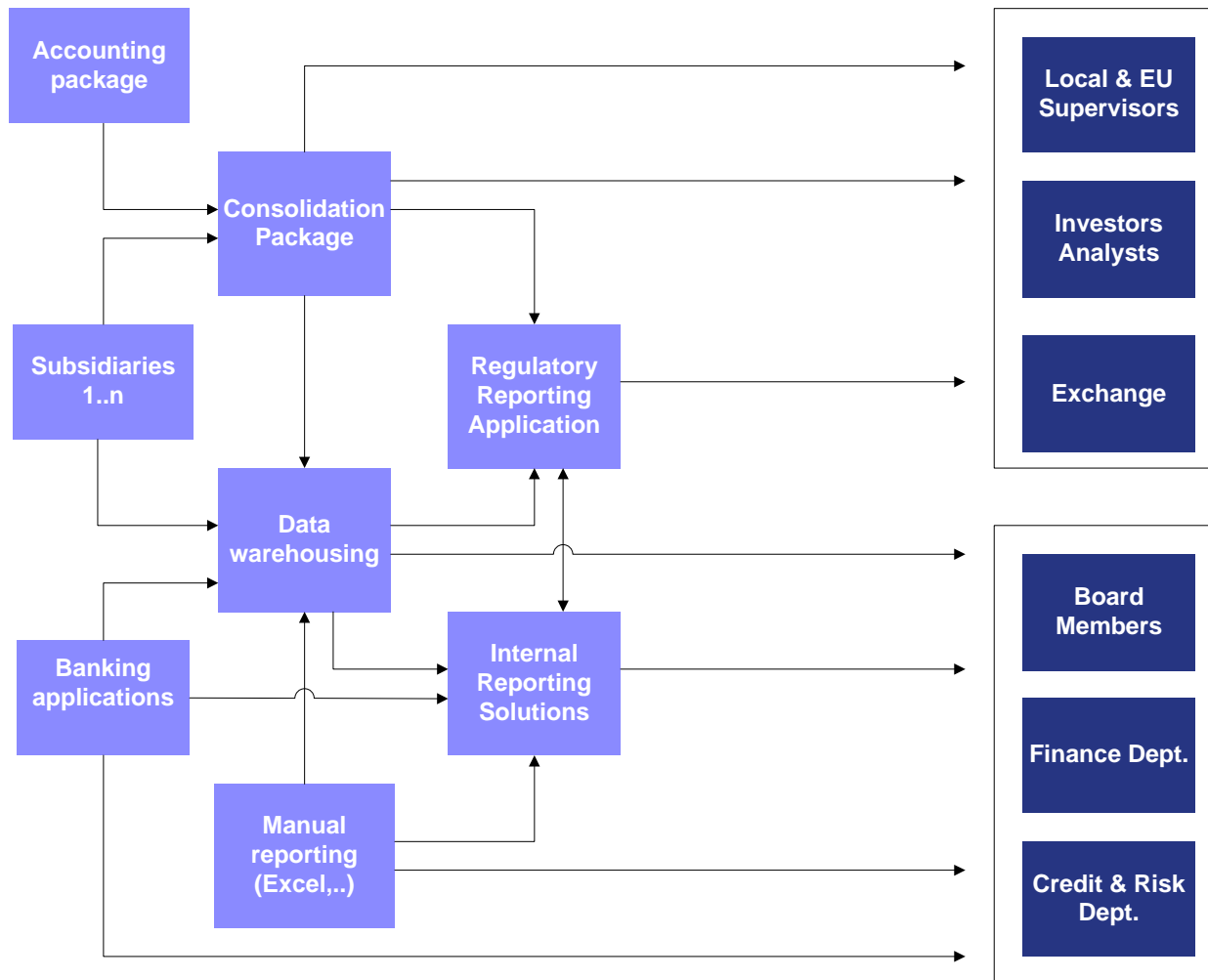
COREP taxonomies are designed to allow national adaptations as per supervisors needs but also to support banks reporting needs (internal and external)



# XBRL Reporting Opportunities

## COREP / FINREP Taxonomies

How can the banks integrate COREP/FINREP XBRL taxonomies within internal reporting model:



# XBRL Reporting Opportunities

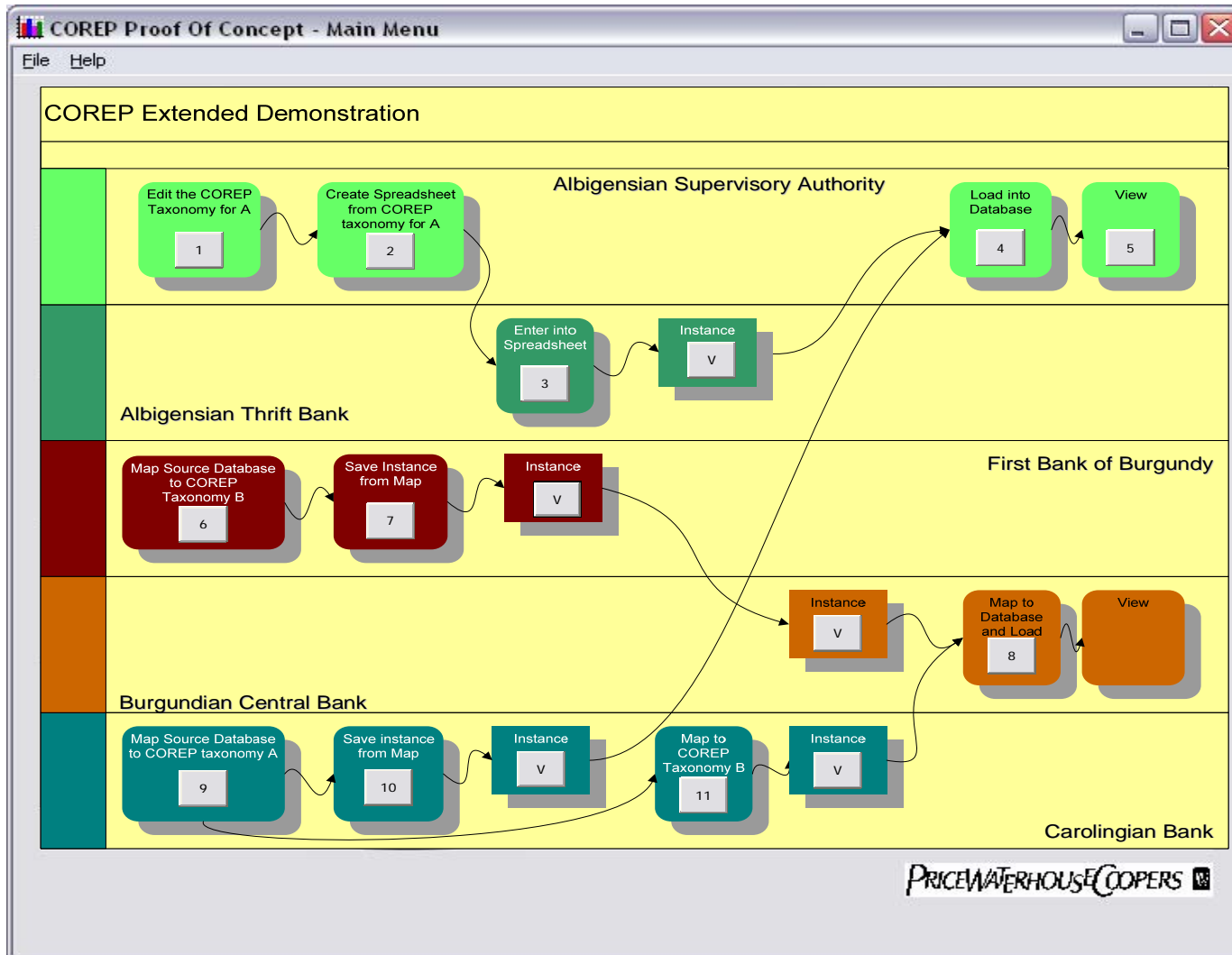
## COREP / FINREP Taxonomies

Banks can leverage and extend the COREP/FINREP XBRL taxonomies:

- Independently of the country concerned, they can report to their national supervisors using the same procedure and methods;
- They can benefit from a unique standard to support both the publication of financial information and the regulatory reporting;
- They can introduce more consistency to the individual entities reports so as to simplify reporting of an overall corporate situation;
- They can present their solvency ratios and financial results in a homogeneous way in all the countries where they operate;
- They can proactively integrate the supervisor taxonomy rules and controls within their internal framework and reduce the risks of reporting errors.

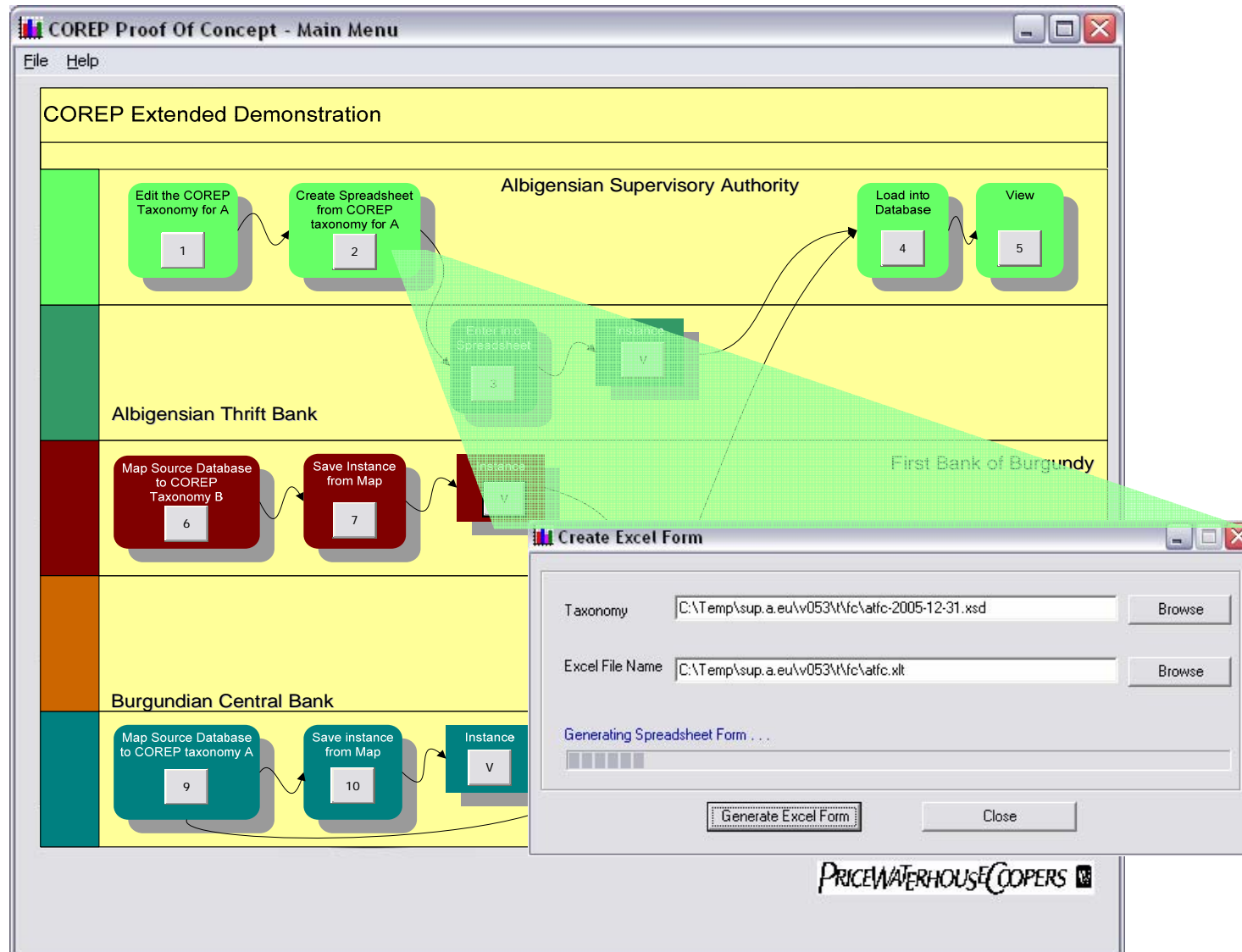
# XBRL Reporting Opportunities

## A COREP Proof of Concept



# XBRL Reporting Opportunities

## A COREP Proof of Concept



# XBRL Reporting Opportunities

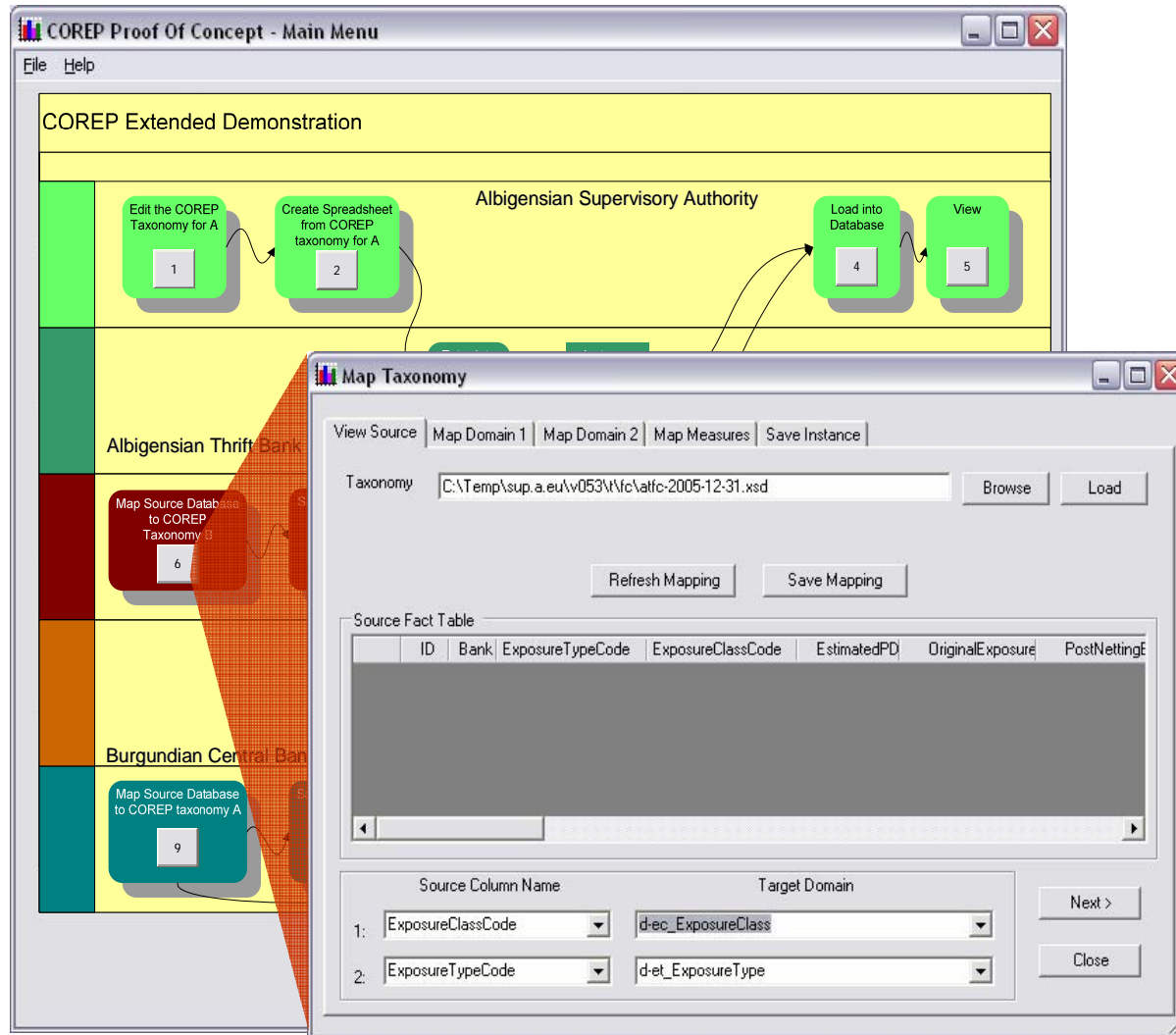
## A COREP Proof of Concept

The image shows two overlapping windows. The top window is titled "COREP Proof Of Concept - Main Menu" and displays a workflow diagram for "Albigensian Supervisory Authority". The workflow consists of five numbered steps: 1. Edit the COREP Taxonomy for A, 2. Create Spreadsheet from COREP taxonomy for A, 3. Enter into Spreadsheet, 4. Load into Database, and 5. View. Step 3 is labeled "Instance V". The bottom window is a Microsoft Excel spreadsheet titled "Microsoft Excel - atfc1", showing a template for "FIRB CRM Template: Albigensian Supervisory Authority". The spreadsheet includes a table with columns for various financial metrics and rows for different exposure classes.

8	Exposure Class Dimension	Original Credit & Counterparty Risk Exposure Pre Credit Conversion Factor	Exposure After Netting Agreements	Guarantees: Adjusted Value (Ga)	Credit Derivatives: Adjusted Value (Ga)	Other Funded Credit Protection	Total Outflows	Total Inflows	Exposure After Netting and CRM Redistributio n Effect	Exposure After Netting, CRM Redistributio n Effect and Credit Conversion Factors	Exposure Value
13	Total										
14	Central Governments and Central Banks										
15	Institutions										
16	Corporate										
17	Equity										
18	Other non Credit Obligation Assets										

# XBRL Reporting Opportunities

## A COREP Proof of Concept



**COREP Proof Of Concept - Main Menu**

File Help

COREP Extended Demonstration

Albigensian Supervisory Authority

1: Edit the COREP Taxonomy for A

2: Create Spreadsheet from COREP taxonomy for A

4: Load into Database

5: View

Albigensian Thrift Bank

6: Map Source Database to COREP Taxonomy B

Burgundian Central Bank

9: Map Source Database to COREP taxonomy A

**Map Taxonomy**

View Source | Map Domain 1 | Map Domain 2 | Map Measures | Save Instance

Taxonomy: C:\Temp\sup.a.eu\w053\vc\atfc-2005-12-31.xsd [Browse] [Load]

[Refresh Mapping] [Save Mapping]

Source Fact Table

ID	Bank	ExposureTypeCode	ExposureClassCode	EstimatedPD	OriginalExposure	PostNettingE
----	------	------------------	-------------------	-------------	------------------	--------------

Source Column Name | Target Domain

1: ExposureClassCode | d-ec\_ExposureClass

2: ExposureTypeCode | d-et\_ExposureType

[Next >] [Close]

# XBRL Reporting Opportunities

## A COREP Proof of Concept

**COREP Proof Of Concept - Main Menu**

Albigensian Supervisory Authority

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**Map Taxonomy**

View Source | Map Domain 1 | Map Domain 2 | Map Measures | Save Instance

Taxonomy: C:\Temp\sup.a.eu\v053\vc\atfc-2005-12-31.xsd

Field Name	Map Measure
CreditDerivativesAV	Original Credit & Counterparty Risk Exposure: Pre Credit Cr
EligibleCollateralOther	Original Credit & Counterparty Risk Exposure: Pre Credit Co
EstimatedPD	Exposure After Netting Agreements
ExposureCollateralisedByR	Guarantees: Adjusted Value (Ga)
ExposurePostCreditProtecti	Credit Derivatives: Adjusted Value (Ga)
ExposurePostNettingAndCR	Other Funded Credit Protection
ExposurePostRedistribution	Total Outflows
ExposureVolatilityAdj	Total Inflows
FinancialCollateralAV	Exposure After Netting and CRM Redistribution Effect
GuaranteesAV	Select
Inflows	Select
OriginalExposure	Select
OtherFundedCreditProtectio	Select
Outflows	Select

< Back | Next > | Close

# XBRL Reporting Opportunities

## A COREP Proof of Concept

**COREP Proof Of Concept - Main Menu**

File Help

COREP Extended Demonstration

Albigensian Supervisory Authority

1 Edit the COREP Taxonomy for A → 2 Create Spreadsheet from COREP taxonomy for A → 4 Load into Database → 5 View

Albigensian Thrift Bank

6 Map Source Database to COREP Taxonomy B → 7 Save Instance from Map

Burgundian Central Bank

9 Map Source Database to COREP taxonomy A → 10 Save instance from Map

Enter into Spreadsheet → Instance

**Map Source Data to Target Taxonomy**

View Source | Map Domain 1 | Map Domain 2 | Map Measures | Save Instance

Select rows to export:

InstrumentDetails : Table						
ID	Bank	ExposureTypeCode	ExposureClassCode	EstimatedPD	OriginalExposure	PostNet
1	C	BALN	CORP	0.01	30000	
2	C	BALN	CORP	0.0015	220000	
3	C	BALN	CORP	0.02	50000	
4	C	DERI	CORP	0.01	100000	
5	C	BALN	SOVRN	0.01	100000	
6	C	BALN	INST	0.01	75000	
7	C	BALN	OTHER	0.015	200000	
*jer)				0	0	

Instance

c:\www\sup.a.eu\v053\{t\fc}\*.xml

< Back Save Close

# XBRL Reporting Opportunities

## A COREP Proof of Concept

The proof of Concept highlights :

- The diversity of solutions which can answer to the COREP and FINREP regulatory reporting;
- Solutions are workable into familiar environment (Excel);
- Solutions fit the needs and size of the banks (large or small entities).

# XBRL Reporting Opportunities

## Implementation issues

- What are the primary XBRL value propositions for my organisation?
- Does XBRL provide me with opportunities for improved process efficiencies, improved data quality, faster validation, more efficient reporting?
- How do I judge the impact of XBRL on our existing business processes and IT structure?
- What is the most efficient and effective way to implement XBRL for my organisation?
- What taxonomy customisations will be required for my market? How do I define and implement these?
- How do we ensure that our XBRL implementation is sensitive to both technical and reporting process requirements?
- What combination of vendors and software will best work with my existing or desired environment?

# XBRL Reporting Opportunities

## Implement COREP / FINREP Taxonomies

- Process
  - Identify the supply-chain processes that can benefit from XBRL
  - Understand templates and data model
  - Design information quality into processes beginning with your reporting organisations through to your internal data analysis/calculations and your own external reporting requirements
  - Optimise for cost and efficiency
  - Define and implement COREP or FINREP Taxonomy extensions
- People
  - Train staff on the impacts and benefits of XBRL and on changes to your process and technology environments
  - Change management programme for your reporting organisations
- Technology
  - Strive for best fit with your current or desired environment

# XBRL Reporting Opportunities Summary

- XBRL emerges as the key reporting standard for financial and business information; CEBS (COREP and FINREP) projects have greatly contributed to the development of specifications.
- The benefits of XBRL to European supervisors are well-understood, awareness is also raising within financial sector;
- Solutions which can support XBRL projects are available now. Further involvements are still required among key software vendors.
- XBRL does not only mean IT related projects. An XBRL implementation requires several steps, including scoping, design, implementation, and internal and external change management.
- PwC has an EU-wide professional network which can provide XBRL, financial reporting, process re-engineering, project management, technology, IFRS and Basel II services.