

BANKING SUPERVISORS AND XBRL

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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*

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 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 has taken two initiatives to promote common reporting requirements:**
 - 1. Common reporting of the solvency ratio*
 - 2. Common reporting for financial data*
- **These initiatives take advantage of the fact that Basel II and IAS will require all supervisors to change their reporting requirements**

CEBS AND SOLVENCY RATIO



- Supervisors require banks to report on their risks and related capital requirements => capital adequacy
- CEBS has developed a set of common templates to be used by EU supervisors under future Basel II regime
- CEBS has also recommended a common technology platform based on XML/XBRL: coding and taxonomy currently being developed by CEBS
- Public consultation opened in January, earlier informal consultation showed industry support for the initiative

CEBS AND FINANCIAL DATA



- **CEBS has developed 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 new international accounting standards (IAS/IFRS)**
- **CEBS has also recommended a common technology platform based on XML/XBRL: coding and taxonomy currently being developed by CEBS**
- **Public consultation underway**

BENEFITS OF COMMON REPORTING

- **NB: 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*

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 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