

BANKING SUPERVISORS AND XBRL

17th WORLD CONGRESS OF ACCOUNTANTS

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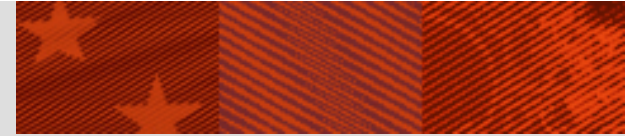
Director General of Banking Regulation, Banco de España

Chair of XBRL España

Member of the Board of Advisors XBRL International

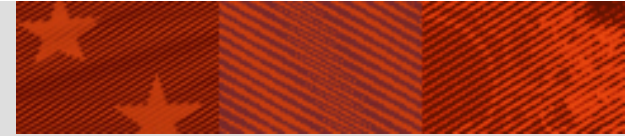
Istanbul, 14 November 2006

INFORMATION AND XBRL



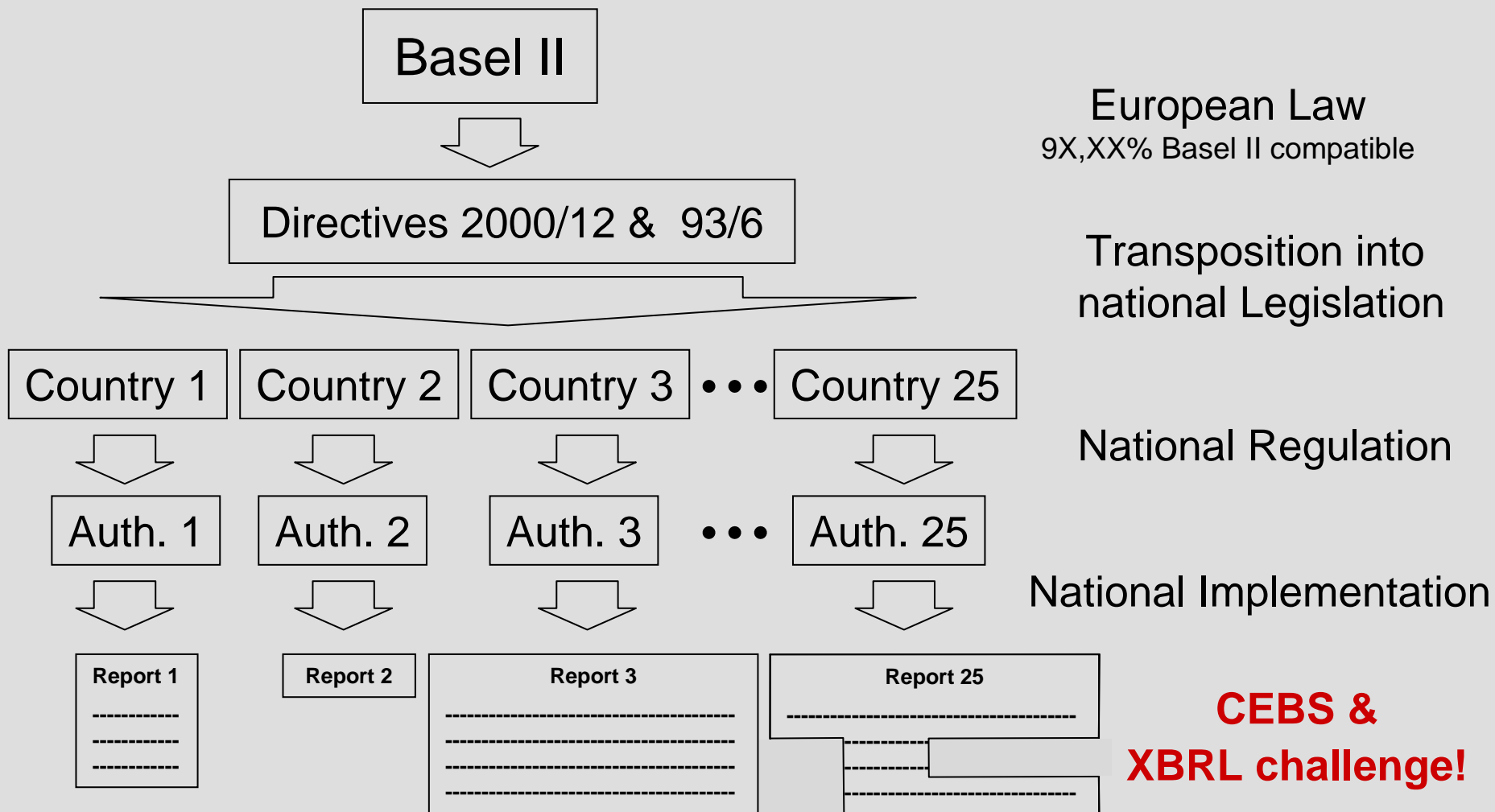
- **Efficient markets depend on information**
 - *Efficient market = prices reflect all information on underlying asset(s)*
- **But information is costly**
 - *To generate, transmit and use*
- **XBRL promotes efficiency of information flows**
 - *For both generators and users*
 - *Which, in turn, promotes efficiency and effectiveness of the system*
 - *Including through pricing that better reflects underlying realities*
- **Public policy aspect of XBRL**
 - *Accuracy*
 - *Reliability*
 - *Speed*

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*

THE EU EXAMPLE: BASEL II



CEBS



What is CEBS?

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

CEBS and reporting

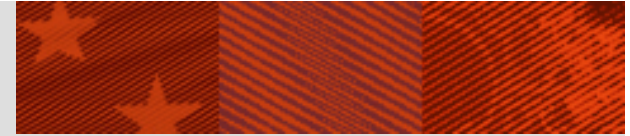
- *CEBS has taken two main initiatives to promote common reporting requirements:*
 - 1. Common reporting of the solvency ratio (COREP)*
 - 2. Common reporting for financial data (FINREP)*
- *CEBS has decided in both initiatives to promote the use of XBRL with the development of two taxonomies.*

BENEFITS OF COMMON REPORTING



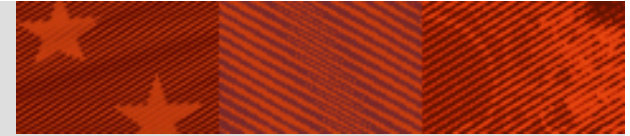
- **These initiatives are the first of their kind!**
- **Expected benefits**
 - *Level playing field*
 - *Less administrative burden for cross-border groups (and limited burden for small, local banks)*
 - *Removal of potential obstacle to financial market integration*
 - *Easier exchanges of information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

XBRL ENHANCING THE BENEFITS (I)



- **XBRL will enable banks to fulfil the reporting requirements of supervisory authorities across the EU with a single IT standard**
 - *Reduced costs of implementing EU common reporting in cross border groups*
- **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**
 - *Reduced implementation costs*
- **Also, supervisors may benefit from economies of scale**
 - *Increased cost effectiveness of supervisory activities*

XBRL ENHANCING THE BENEFITS (II)

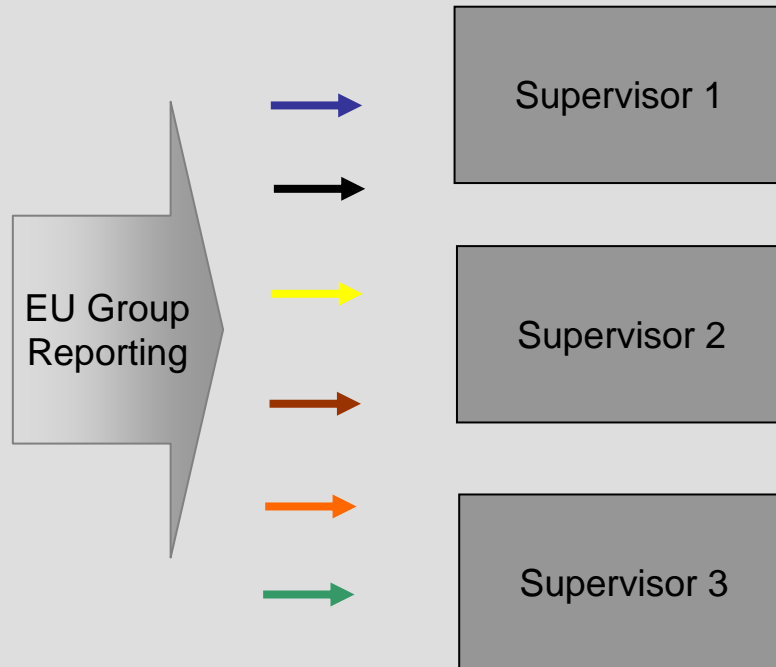


- **XBRL will facilitate the transmission of the common definitions expressed in common EU reporting**
 - *Level playing field and removal of obstacles to financial market integration*
- **XBRL provides the flexibility to accommodate in a consistent manner**
 - *Multiple layers of legislation/regulation at the national level*
 - *Multiple languages and references*
 - *Each supervisor can easily customise the data according to 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

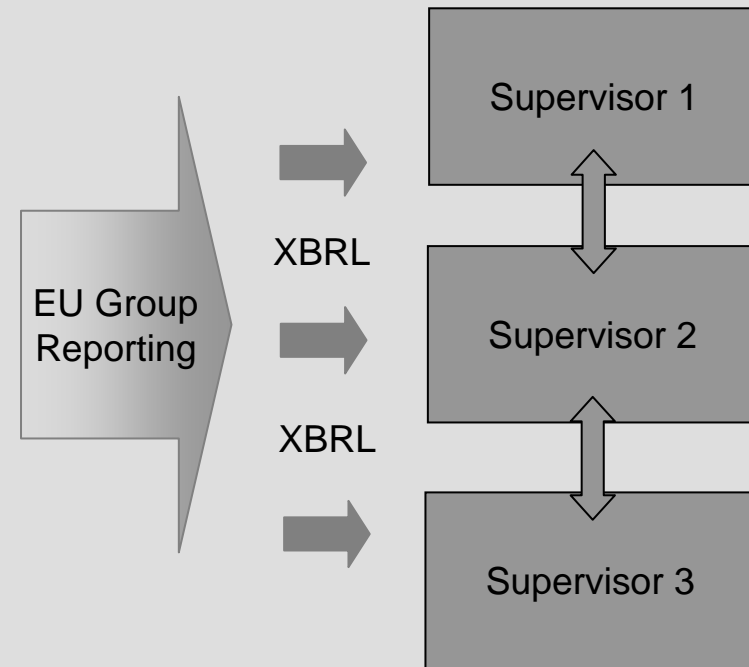


Reporting now...



Various data streams
Different reporting standards
Manual processes

and later...



Common framework
Single format
Automated data collection

XBRL WINDOW OF OPPORTUNITY



2002

2003

2004

2005

2006

2007

2008

Too late

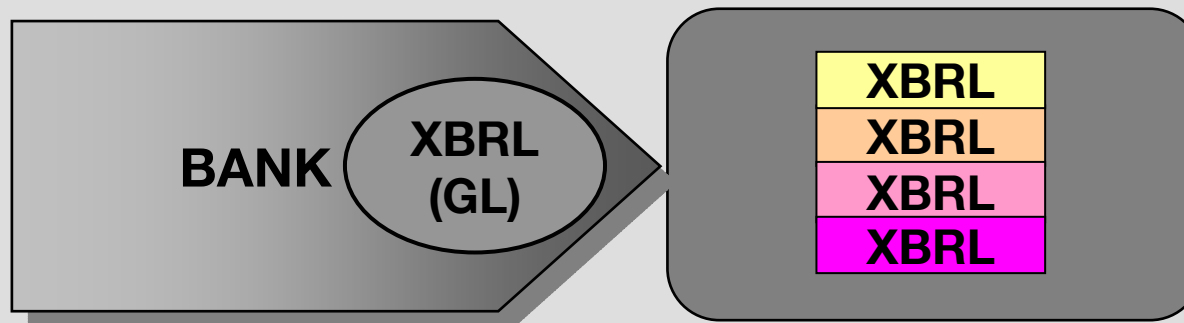
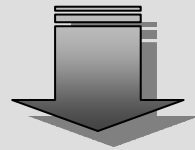
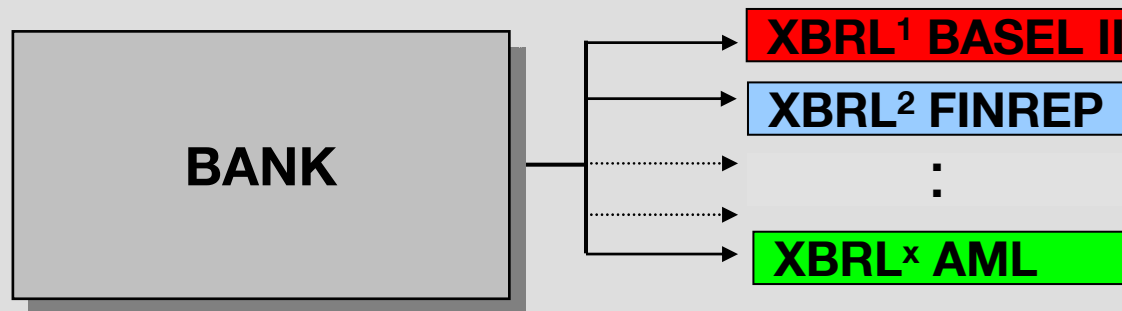
Operational:
Basel II
IFRS/IAS
...

Today!

Too early

Establishing:
CEBS
XBRL EU
...

DEEPENING THE USE OF XBRL



CHALLENGES

- **Timing: Window of opportunity closes soon**
- **Complexity: Synchronise XBRL initiatives**
 - *Among areas (e.g. banking, securities, auditing)*
 - *Among regions / countries*
- **Deepening: using XBRL deeper within the business (GL project)**
- **Conclusion: Public policy aspects mean we should increase the role / involvement of public authorities**



Thank you for your attention

BANCODE **ESPAÑA**