

A world map with several vertical blue bars of varying heights overlaid on it, representing different regions or countries. The bars are positioned over North America, South America, Europe, Africa, Asia, and Australia.

# **COREP - FINREP - XBRL**

## **The French Banking Commission approach**

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Jean-Luc MENDA  
Deputy Director, Policy and Research  
Sylviane DELARUE  
Head of IT Department

# COREP- FINREP- XBRL

## The French Banking Commission approach

- 1 • The XBRL choice : not only a technical choice
- 2 • Large and open consequences on IT systems
- 3 • The French Banking Commission COREP-FINREP project : « COFINREP »

# 1. The XBRL choice : not only a technical choice

- First reason : a fast changing environment :
  - The complexity of new products in the banking sector...
  - ...is a strong incentive for supervisors to adapt their methods, and refine their risks analysis.
- Major evolutions in two areas :
  - Basel II and the Capital Requirements Directive (2000/12/CE and 93/6/EEC)
  - Introduction of new international accounting standards (IAS-IFRS)

# 1. The XBRL choice : not only a technical choice

- Second reason : the objectives of Committee of European Banking Supervisors :
  - Harmonising banking supervision practices in Europe, and developing a common supervisory culture
  - Reducing unnecessary costs of prudential and financial reporting to the banking supervisors through European convergence
- In order to fulfill this goal, need for :
  - The definition of a common framework
  - A common vocabulary based on the European legislation
  - A degree of flexibility in order to adapt to national specifics.

# 1. The XBRL choice : not only a technical choice

- Two european initiatives were taken to this endeavour :
  - A common reporting for a common solvency ratio (COREP – COMmon REPorting)

## CRD Directives

- 14 June 2006: final adoption of Directives 2006/48/CE et 2006/49/CE
- June 2006: French text transmitted for approval after a common work with the banking industry

## COREP

- 13 January 2006: CEBS publishes COREP templates => <http://www.cebs.org/standards.htm>
- 28 June 2006 : Banking Commission examines the COREP project to be adopted once the final text introducing the CRD in the French legal framework will be adopted.

# 1. The XBRL choice : not only a technical choice

- A common « supervisory financial » reporting for banks consolidated accounts in IFRS (FINREP, FINAncial REPorting)
- European regulation introducing IFRS is directly applicable in Europe
- European reporting published by the CEBS on 16 December 2005 => <http://www.c-ebs.org/standards.htm>
- Discussion with the banking industry on the French reporting during the first half of the year
- Adoption of the French FINREP project by the Banking Commission on 28 June

1st remittance date for COREP and FINREP  
30 June 2007 in France

# 1. The XBRL choice : not only a technical choice

- XBRL taxonomies built by the CEBS for COREP and FINREP will be essential in order to create a common framework, because they include :
  - A common vocabulary for European supervisors, elaborated on the basis of official European regulations and
  - A common « grammar » through its « Linkbases ».
- XBRL allows for a european flexible approach, including national specific elements
- European taxonomies will constitute a common framework, to which elements :
  - ✓ can be added ⇔ extension
  - ✓ or from which elements can be inhibited ⇔ restriction

# 1. The XBRL choice : not only a technical choice

- Also a technical choice since XBRL :
  - relies on a proven technology of data transmission, XML, which has become a standard in the internet world
  - is a business language, supplementary layer over XML, in order to meet the requirements of financial reporting
  - which allows to communicate, not only between institutions: banks/supervisors, supervisors/supervisors...
  - but also within a banking group, in order to exchange accounting and prudential data with a given format.
- But XBRL standard must also keep pace with the evolution of business requirements, and the complexity of COREP and FINREP reportings.

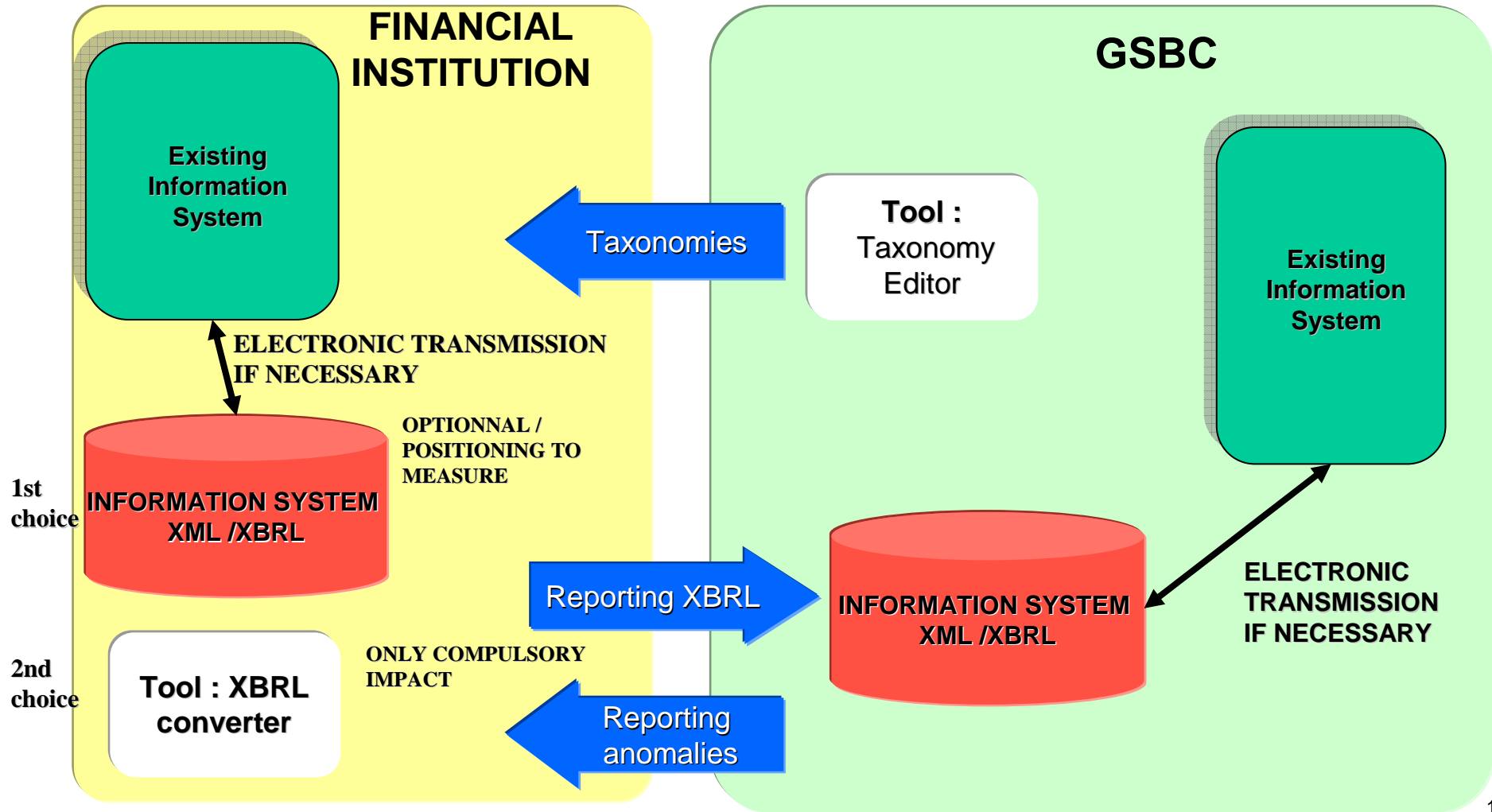
## 2 • Large and open consequences on IT systems

- The French Banking Commission decided to make it mandatory for the banks to transmit their COREP and FINREP reports, using the XBRL standard for reasons of efficiency and cost.
- The working relation between banks and the BC will change only marginally :
  - The General Secretary of the Banking Commission will provide the banks with the adapted French version of the European taxonomies
  - The financial institutions will transmit their reports (instance documents according to XBRL vocabulary) XML/XBRL, via the usual data transmission means
  - After verification of data quality, anomalies will be restituted to each institution

## 2 • Large and open consequences on IT systems

- There are however important choices to be made on how to introduce XBRL within IT systems, which are for the time being, very open
- Two ways can be considered :
  - In a first step : the choice of converting the data in the XBRL format before transmission to the Banking Commission ⇔ minimal impact
  - A more integrated solution : using XBRL more deeply within the IT system
  - There is now an increasing number of solutions in a market which evolves rapidly
- We will present the choice for financial institutions before explaining the Banking Commission projects.

## 2 • Large and open consequences on IT systems



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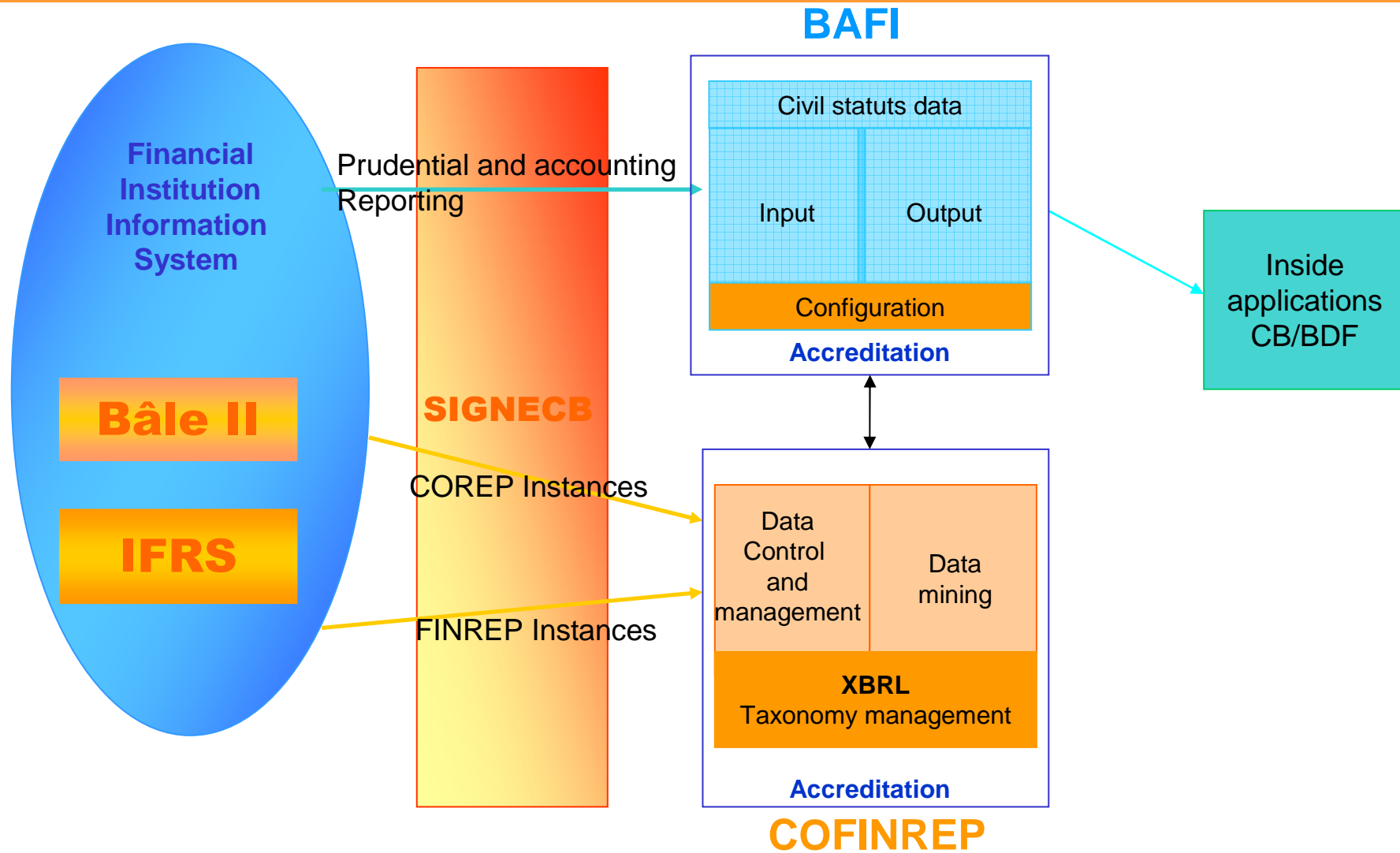
## 2 • Large and open consequences on IT systems

- Why did the Banking Commission choose to go further in the adoption of XBRL/XML ?
  - First, our data system, BAFL, is a proprietary standard, only used for the exchange of data between the French financial institutions and the Banking Commission
  - BAFL is now a mature system (1993) which was due to evolve in the coming years (very complex legacy in mainframe technology : >1000 programs)
  - Communication with many applications inside and outside (« single window » between financial institution and Bank of France and Banking Commission), and a much parameterised system
  - XML has become a standard in data transmission which imposes itself in the banking industry

## 2 • Large and open consequences on IT systems

- Therefore we intend to run, in a first stage, two parallel information systems : COFINREP and BAFI
- Possible since :
  - Relatively few common data between the new reportings and the present data base
  - COREP and FINREP are new and would have, in any case, needed important and complex developments in the old system
  - This situation will not hinder the supervisors' work
- However, we will need to run data exchanges between both systems

## 2 • Large and open consequences on IT systems



## 2 • Large and open consequences on IT systems

- In a second stage, after the 'COFINREP' project, if the IT implemented solution matches well the needs of the supervisors, we intend to come back to a single information system and a single data exchange system with the financial institutions. In order to achieve this, we will have to :
  - Create a taxonomy regrouping all necessary data for supervisors
  - Have a new French Banking Commission regulation to make it a requirement to use XBRL for all the reportings to the Banking Commission
  - Add the necessary fonctionnalités to the new system
  - Do the same thing with the other data managed by BAFI (statistics data, monetary data....).

### 3. The Banking Commission COFINREP project

Some figures :

- COREP:
- between 600 and 650 liable entities :
- 19 tables that is to say about 14000 data in total with :
  - 1100 data with a possible postponement
  - 8300 data asked in standard approach and 6000 in IRBA approach.
  
- FINREP:
- About 80 liable entities
- 42 tables (in 27 "documents") that is to say 1895 data.
- 
- About 280 supervisors and inspectors.
  
- 4 taxonomy managers
  
- IT team :
  - supplier : between 5 and 10 persons depending on phases of the projet
  - internal IT team : between 4 et 6 persons depending on phases of the project.

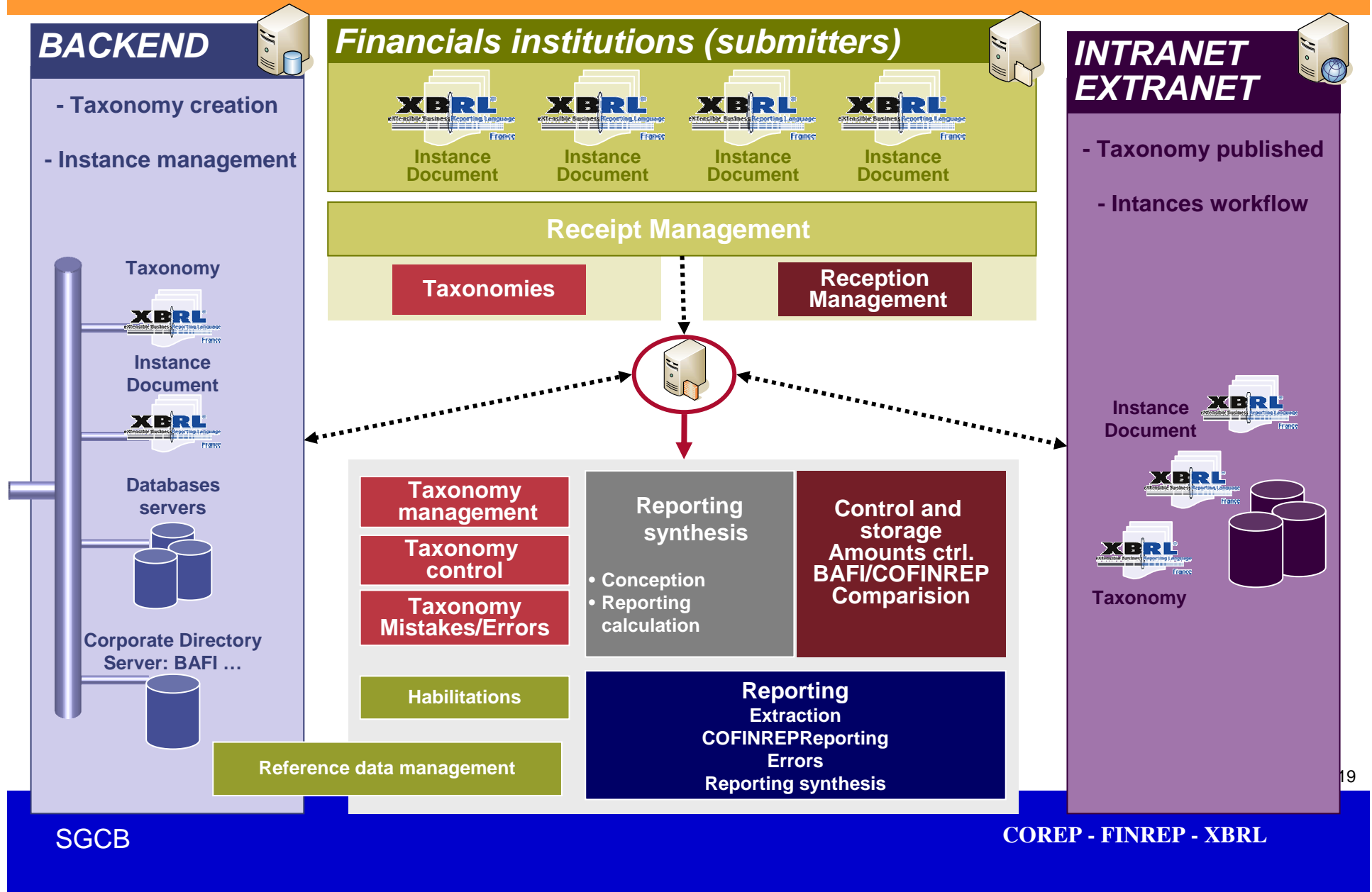
### 3. The Banking Commission COFINREP project

- Choice of a generic software :
  - Very short deadlines,
  - Use XBRL as far as possible
- Legal process for open tender :
  - Research of software solutions : september 05,
  - Open tender : the 7th of december 05,
  - Emission of specifications by the BC : the 3rd of february 06,
  - Choice of solution : may 06
- The chosen software meets 60% of users requirements in the basic version
- The 40% of specific developments are taken in charge by the supplier
- The solution (software and materials) is easy to integrate into the existing production lines at BDF.

### 3. The Banking Commission COFINREP project

- Scope of the project :
  - French taxonomies management (creation, extension, restriction, update, publication)
  - Data reception management (COREP and FINREP reportings with xbrl format)
  - Electronic signature of the instance documents
  - Authorisations and reference data management
  - Controls of received instances
  - Reminders in case of anomalies or late data transmission
  - Synthesis and reporting according to the needs of the supervisors
  - Interface with the others systems of BDF
  - Automatisation of the processes

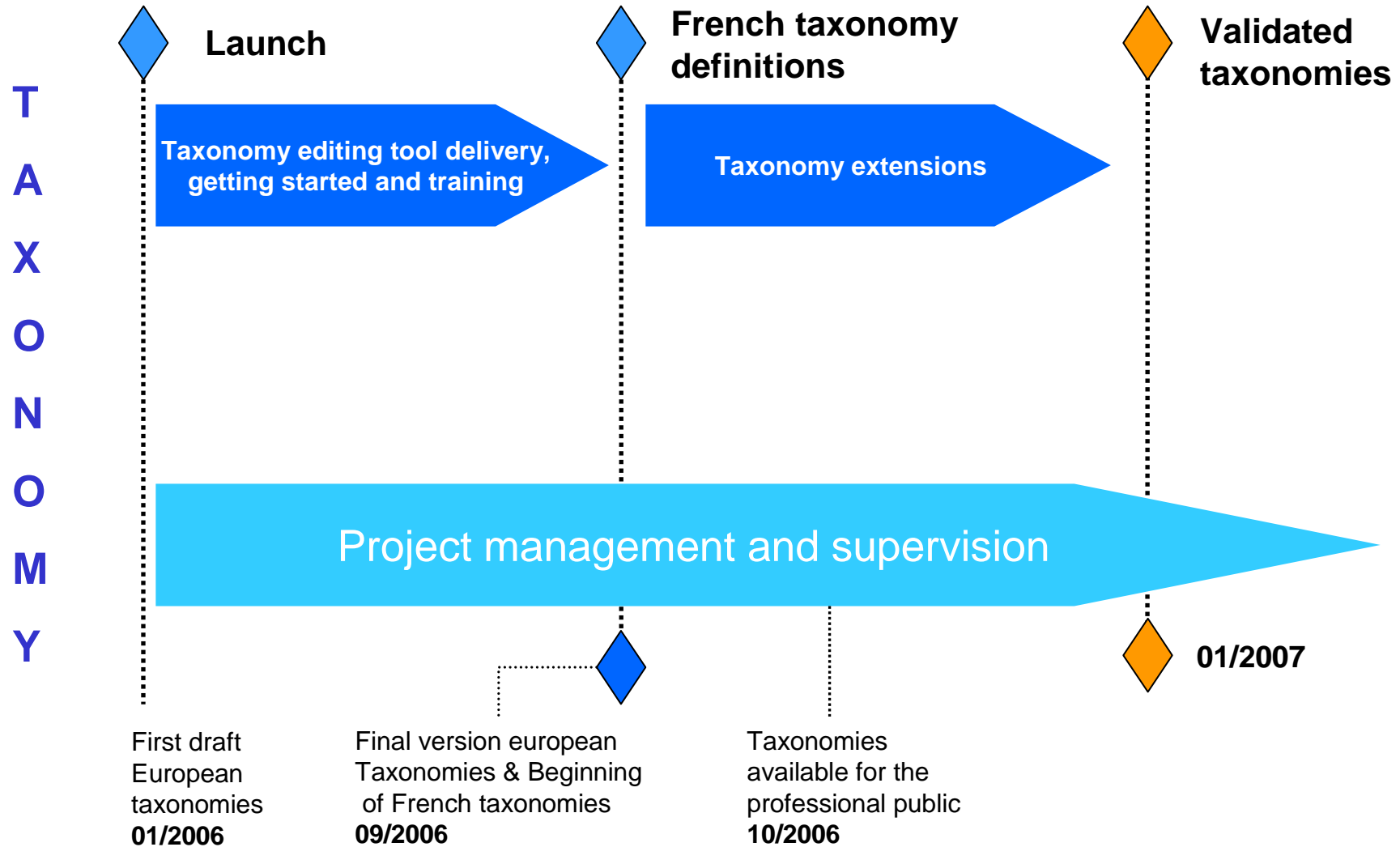
# 3. The Banking Commission COFINREP project



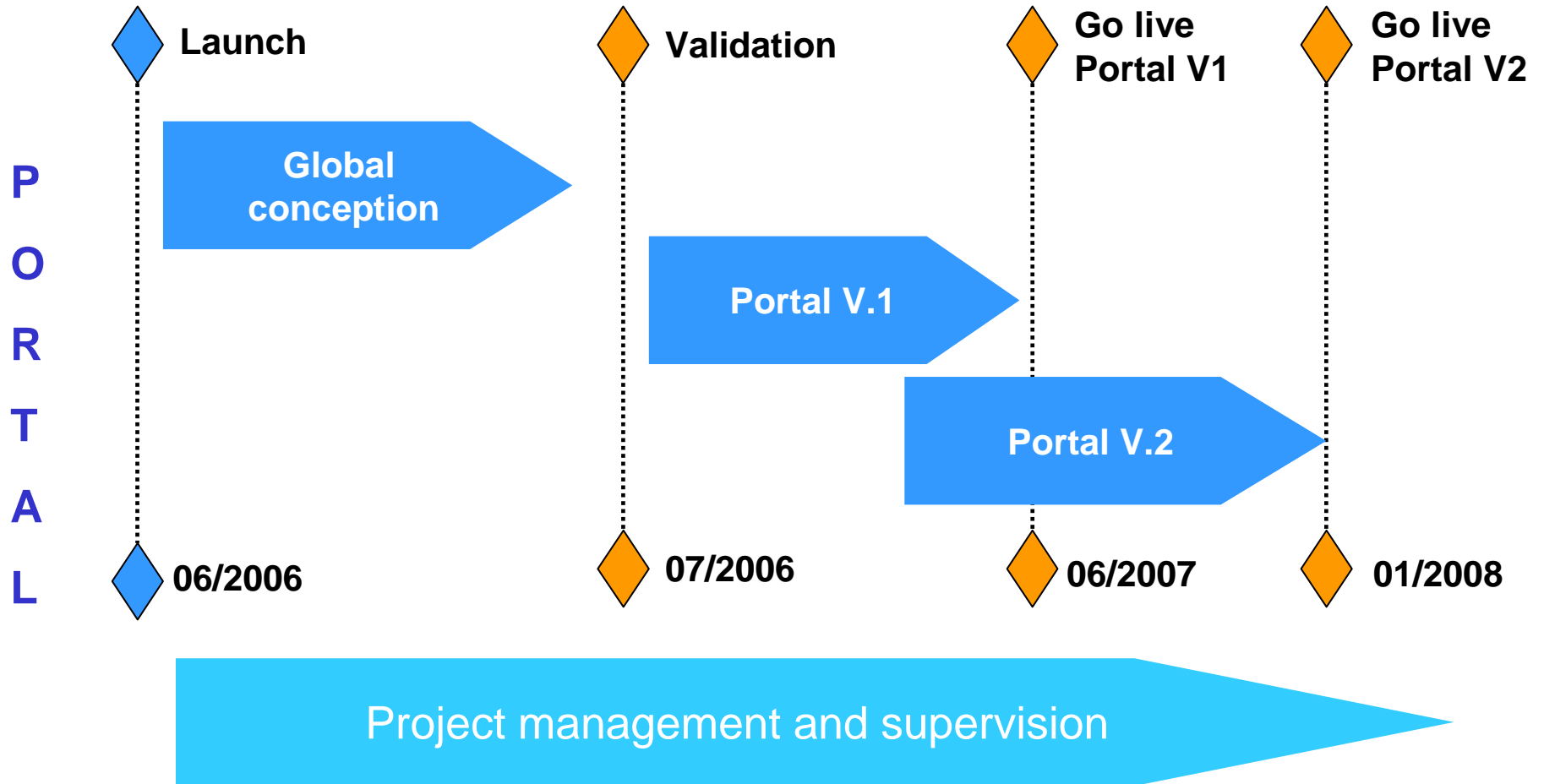
### 3. The Banking Commission COFINREP project

- The solution integrates the XBRL format into the whole production line :
- The XBRL instance documents (sent by the financial institutions) are received, controlled and stored in XBRL format
- The synthesis and calculated reportings are directly built from the XBRL instance documents (via XSLT)
- The outputs (extraction for sending data to IEDOM for example) are possible in XBRL
- This approach allows the IT information system COFINREP to fully use this format benefits ; which are the interoperability and extensibility.

# 3. The Banking Commission COFINREP project



# 3. The Banking Commission COFINREP project



- All the technical components of COFINREP portal are known and used into the existing production lines of BDF :
  - Server : Windows/Unix
  - SGBDR : Oracle in environment Unix
  - Middleware SQL\*Net for the standard accès to Oracle bases
  - Server WAS (Websphere Application Server)
  - The system management is centralized.

QUESTIONS ?