The new EU reporting framework:
EBA framework: COREP, FINREP, XBRL and CRR & CRDIV
EIOPA framework: Solvency II:
> How did we get there< XBRL REP

Sweden, Stockholm, June 12th, 2013

Poul Kjær, CEO Aguilonius Nordic, Chairman XBRL Denmark, Chair
XBRL Europe Marcom
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Denmark and Sweden – important relationships

- XBRL Sweden and XBRL Denmark
- The 2014 World Cup
- Design
- Nature
- Beers
Agenda today

1. Presentation of Aguilonius
2. The EBA Regulatory Framework
3. News from the European Network and XBRL Conferences
4. Aguilonius’ software and engineering
5. Interactive technological and architectural
6. Questions and Answers
WHO IS AGUILONIUS

Derek De Brandt, Marcus Peeraer, Poul Kjær, Philippe Leys, ...

+10 senior experts with up to 25 years **experience** in

Regulatory Reporting to various European national supervisors

focus on: XBRL, IFRS, COREP, FINREP, Solvency II, MFI

Finance processes and systems

Business Intelligence

Software engineering

Track record of **delivery** within time and budget

International **network** of specialized consultants

BE, DK, FI, FR, LU, NL, NO, PL, SE, SP, UK, ...
WHAT DO WE DO

- We assist our customers with the most difficult aspects of accounting, sourcing, aggregating, reporting and collecting regulatory data.

- We add value by combining deep domain expertise with strong interpersonal skills and a profound understanding of our customer.

- We walk the extra mile in each project in an end-to-end approach, by listening, evaluating, advising and supporting as long as needed.

- We manufacture XBRL-compliant software components, for filing and collecting, stand-alone or server-based.
REFERENCES

Aguilonius projects and software installations:

- COREP, FINREP, Pillar II, Solvency II, ...
- Native XBRL reporting applications (eg. Belgian Min. Of Finance)
- European Banking Authority, XBRL rendering project
- EIOPA (insurance) XBRL Taxonomy Task Force member
- Integrated XBRL layer with SAS Institute Risk Mgt application (Solvency II)
- XBRL consultant at National Bank of Belgium
- XBRL technology provider at CSSF Luxembourg
- Regulatory Reporting process improvements
- IFRS for Banks, courses and knowledge programmes
Regulatory reporting – like other things: Not in one day, nor by one person...
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The brief history

- 2004-2005: CEBS XBRL Network
- 2006-2008: COREP taxonomy
- 2009-2011: Updates CRD II, CRD III
- 2012-2013: Mandate

Pioneering learning
Maturing
The International XBRL Community is growing and getting larger and larger

- Some important XBRL Communities:

Besides XBRL Sweden and XBRL Denmark one can mention:

- XBRL International: The big international XBRL organisation which covers all matters regarding organisational issues etc. Members are all XBRL jurisdictions but also several direct members. +100 members June 2013
- XBRL Europe: Focus on European issues. There are 21 members of XBRL Europe June 2013
- EUROFILING: Special XBLR and reporting forum for supervisors and other stakeholders in Europe
The current status for CRR and CRD IV negotiation (I)

Breaking news:

- The Irish Presidency has worked hard to finalize the regulation (CRR and CRD IV) since 1 January 2013 and succeeded in April 2013
- ECOFIN agreed on the final text the 5 March 2013
- The European Parliament voted on April 17th 2013
The current status for CRR and CRD IV negotiation (II)

History:

- A long process leading up to the agreement – the Danish Presidency succeeded in making a general agreement in the Council
- The Cyprus Presidency took over and continued the negotiations with the European Parliament
- These negotiations are based upon the legal Trialogue framework (that means negotiations among the European Commission, the European Parliament and the European Council)
- The Cyprus Presidency had to hand over the file to the Irish Presidency
The current status for CRR and CRD IV negotiations (III)

• Major issues in CRR /CRD IV had to be solved in the Trialogue negotiations:
  ➢ Treatment of SIFI’s
  ➢ Liquidity
  ➢ Crisis Management
  ➢ Corporate Governance
  ➢ Leverage Ratio
  ➢ Sovereign risk weights
  ➢ Structural separation (Liikanen and Vickers)
  ➢ CVA charge and CCP
  ➢ Capital
  ➢ Benchmarking of IRB
  ➢ Remuneration
The current status for CRR and CRD IV negotiation (IV)

- Other major important new regulation related to CRR and CRDIV in the Bruxelles regulatory loop:
  - The negotiations on the Commissions proposal of a Banking Union – first step: Single Supervisory Mechanism has been finalised, but a single EU resolution mechanism is still lacking
  - Merkel and Hollande met in Paris recently – new pressure on the Commission in respect to the resolution mechanism
  - These proposals are of course an important new thing in the loop and have a high priority
  - Not all non-EURO countries have decided whether to join the Banking Union – Sweden has decided not to join; Denmark is still debating whether to join
THE NEW EBA REPORTING FRAMEWORK:
ITS on supervisory reporting – the original CRR mandate

EBA to deliver ITS by 1.1.2013 in the following areas of the Capital Requirement Regulation (CRR):

- Art 95  Own funds requirements, financial reporting
- Art 96  Mortgage exposures reporting
- Art 383 Large exposures reporting
- Art 403 Liquidity
- Art 417 Leverage ratio

Integrated approach to ITS development

- Several ITS packaged as one EU Regulation which is directly applicable to all credit institutions and investment firms
- Use of common structure/conventions/concepts/definitions
- Data Point Model and XBRL-taxonomies
ITS main features

Objective: Increase efficiency in reporting systems

- Adoption by EU Commission via implementing acts in form of regulation or decision
- Direct application – no further implementing regulation on national level
- Replaces reporting on national level (areas covered by ITS)
- Proportionate to nature, scale and complexity of institutions’ activities
- Details: Data templates, definitions, validation rules, data point model, XBRL taxonomies
Supervisory reporting data flow

EBA role

- Develop the reporting framework directly applicable to all institutions
- Establish a Q&A process for interpretation questions
- The EBA will decide on reporting formats from the NSAs to the EBA (but not from institutions to NSAs)

Role of NSAs

- The EBA does not prescribe technical formats for submitting data to the NSAs
- The EBA is not making decisions on which specific reporting templates in national frameworks will be replaced by the ITS
Implementation – ITS Application date and phase-in

Application date depends on CRR application date
  • The new requirements for calculating capital ratio will be applied from this date

Phase-in of reporting requirements was proposed by the industry as a solution to ensure an adequate implementation period
  • Delaying reporting requirements was preferred over phase-in but at the same time there was no support on any temporary solutions for reporting capital requirements

Phase-in will depend on the following factors:
  • Date of receiving the final CRR text
    – The draft ITS can only be finalised when the final text is available
  • CRR application date
  • The shorter the period between final requirements and application date the more phase-in is necessary.
As a consequence of the financial crisis the Commission proposed CRD IV and CRR: Hearing, consultation, meetings etc.

The Commission finalised CRD IV and CRR and the official Bruxelles loop started: Negotiations by Trialogue – thereafter negotiations in ECOFIN and the final vote in Parliament

EBA now drafts ITS – the different NSA’s participates in this work

Other important deliverables: The XBRL Taxonomy which reflects exactly what and how the reporting shall be reported

But what about the timeline before we are there?

Breaking News:

The summer holiday has been cancelled 😞

No no – no – not yet – and hopefully not at all 😊
.. from the last XBRL conferences

Key take-aways from XBRL week in Dublin
XBRL Conference, key take-aways

• News from Dublin (1):

• Ireland Revenue is following closely in the footsteps of the UK’s HMRC and starting down the path of mandating XBRL (via iXBRL) for the collection of tax and supporting computation information. 2013 starts voluntary submissions for Revenue Large Cases Division (LCD) while 2014 starts the mandate.

• In Denmark, the Danish Business Authority enters 2013 with smaller (“class B”) companies having to submit their annual reports in XBRL (via iXBRL) while 2014 starts the mandate for larger (“class C”) companies and 2015 for listed (“class D”)
XBRL Conference, key take-aways

- **News from Dublin (2):**

  - The European Bank Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) are moving forward with XBRL requirements for bank and insurance-related information as it relates to Solvency II and Basel III.

  - The XBRL filing program in Germany moves from voluntary (currently done by 57% of required companies) to mandatory for fiscal year data that start in calendar year 2013.

  - A new/updated Global Reporting Initiative (GRI) taxonomy will be made available shortly for creating and submitting sustainability reporting in XBRL.

  - The UK’s HMRC program currently has 50% of accounts information outside of the required annual report information is being voluntarily submitted, and the goal is to eventually provide all iXBRL data received free to the market (in some fashion).
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Your requirements

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XBRL engineering possibilities

XBRL software integration services, such as:

- Provide ready-to-use software, eg. collection portal, mapping tool, ...
- Interface on SAS to validate and receive XBRL files
- Taxonomy driven BI on SAS with Cuberdon©
- Create validated XBRL submissions from SAS for EBA and EIOPA
Software solutions (XML, XBRL)

FactsConverter©

XBRL Factory©

Cuberdon©

XBRL toolbox portal, validators, mappers, viewers, taxonomy editors, etc...
FactsConverter©

Stand-alone conversion tool for regulatory reporting in XBRL and/or XML

Microsoft Excel plug-in
Ready-to-report modules
  • FINREP (subsets)
  • COREP (subsets)
  • Liquidity reporting
  • Large Exposures
  • Solvency II (subsets)
  • Etc.
XBRL Taxonomy validation
Cell-pointer error tracing
Load XBRL and view tables

Used by the National Bank of Belgium for KRI reporting to EBA
FactsConverter© in short

Stand-alone tool to report to regulators
Secured Microsoft Excel add-in
Simple interface, sophisticated under the hood
Modular and extensible (eg. COREP-FI)
Supports multiple protocols: XBRL, XML, PDF, CSV
Conversion tool for the creation of regulatory filings, with functions such as:

- open Excel template to start
- import XBRL or CSV, XML for bulk update
- translate between various languages
- validate against XBRL taxonomy, cell-pointed error tracing
- export data in flat file
- divide by 1000
- create extract for filing (rata/jakelu)
Demonstrate 4 basic functions of FactsConverter on 3 reports (FI, NO, EU)

- open Excel template
- import source data
- validate against XBRL taxonomy
- create XBRL extract for filing
FactsConverter© at a Bank

FactsConverter tool: plug-in for MS Excel 2007 or above

Modular approach
Integrated regulatory reporting package
eg. COREP CRD IV, European Banking Authority taxonomy
full set of COREP tables in Excel, XBRL taxonomies, English

+ Finansinspektionen protocol     Sweden
+ Finanstilsynet protocol         Norway
+ Finanstilsynet protocol         Denmark
+ Rata/jakelu protocol            Finland

Installation services (included)

Integration services (optional)
How to proceed: FactsConverter installation project

• Initial discussion between bank and Aguilonius
  • Scope and version of the tool,
  • Module(s) required
  • Time schedule
  • Additional requirements (source automation, translation, etc...)

• Aguilonius discusses draft planning and budget with the bank

• Installation and project execution
Server based solution to collect and validate reporting data in XBRL

Same purpose and features as FactsConverter, with in addition:

• Data are safe on the server in MSSQL database
• MS Excel interface to retrieve data from server
• User and access management
• Correction and audit trail
• XBRL validation on server via Excel interface
• Error communication via Excel interface

3 versions: Cloud, simple or extended
Middleware to build taxonomy agnostic datawarehouses from XBRL/XML

CBRDN is a generic component which interprets:
- all types of taxonomies with the associated XBRL instance documents
- XML schema definition files and associated XML files

to set up a taxonomy driven BI system, where taxonomy changes are identified and integrated using an automated transparent process

The relational database is optimized for Business Intelligence reporting and analysis
Cuberdon© for taxonomy driven BI

REPORTING LAYER

OLAP LAYER

DATABASE LAYER

Build star schema
Validate instances
Upload instances in star schema
Generate datamodel, incrementally

COREP CRD I
COREP CRD II
COREP CRD III
COREP CRD IV
Cross-domain data modelling

FINREP rev 2
- Market
- Fair value level

FINREP
- Comprehensive income
- Controlling/Non-controlling
- ...

ECB Statistics
- Amount interval
- Minimum reserve

Portfolio
- Risk type
- Impairment

SOLVENCY II
- Line of business
- Change in basic own funds
- Type of business
- Type of claim
- Diversification
- ...

Main categories
- Amount type
- Currency
- Collateral
- Geographical areas
- Sector
- Entity code
- Time intervals

Approach/Model used
- Exposure type
- Securitisation type
- ...

COREP
XBRL Factory exposes a webservice which is consumed by the SAS Portal
Making use of SOAP(*) protocol for the request and the response.
The transmission makes use of https (http + ssl)

SAS sends encrypted request with data and metadata

XBRLF responds with encrypted data and metadata

SAS consumes SOAP response from XBRLF and stores results for further use.

XBRL Factory can be used as a cloud service or be installed on a local webserver.
Supported webservers: WebSphere, WebLogic, JBoss
Supported RDBMSs: Oracle, SQLServer

(*) Simple Object Access Protocol
SAS sends encrypted request with data and metadata.

1. SAS sends encrypted request with data and metadata.

2. XBRLF matches with the corresponding XBRL Taxonomy and validates.

3. XBRLF responds with the XBRL instance, error messages and the list of facts that are in error (if).

4. SAS consumes SOAP response from XBRLF and stores results for further use.

5. The end user can visualize the table in Excel layout with data from the server. Trace errors, make management adjustments and keep audit trace.

Works with any taxonomy.
Questions, interaction
Thank you for your valuable time

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www.aguilonius.com
See you in London.....
Preparing for CRD IV reporting,
17 June 2013