Understanding the COREP taxonomy issues and challenges

ADVISORY / FINANCIAL SERVICES

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AUDIT ▪ TAX ▪ ADVISORY

Agenda

Reporting playing field banks and authorities

- A typical bank reporting Basel II

COREP reporting: challenges to authorities and banks

- Issues and research
- Conclusions

Case Study Cyprus

KPMG XBRL COREP team

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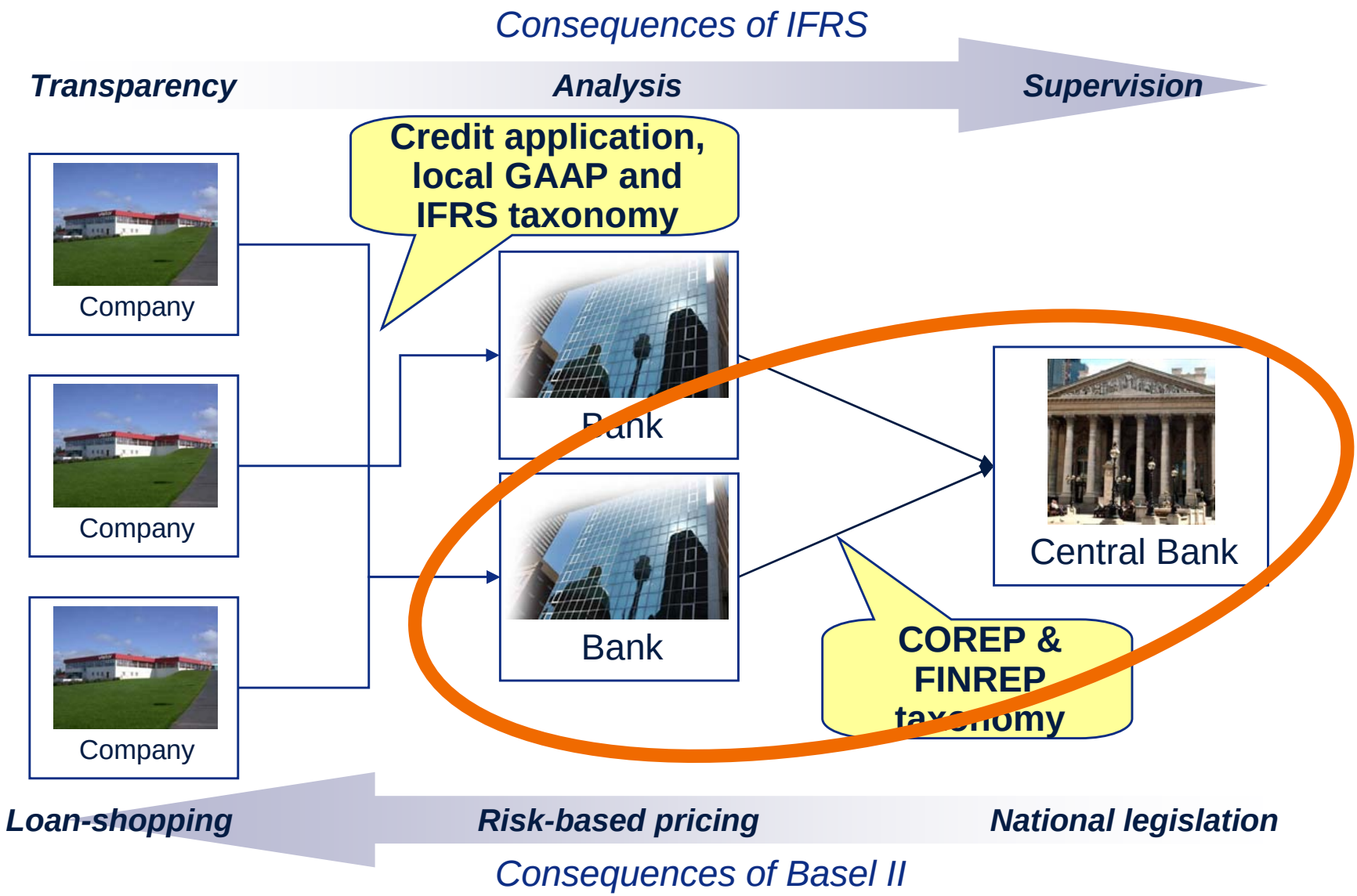
Reporting playing field within banks and authorities



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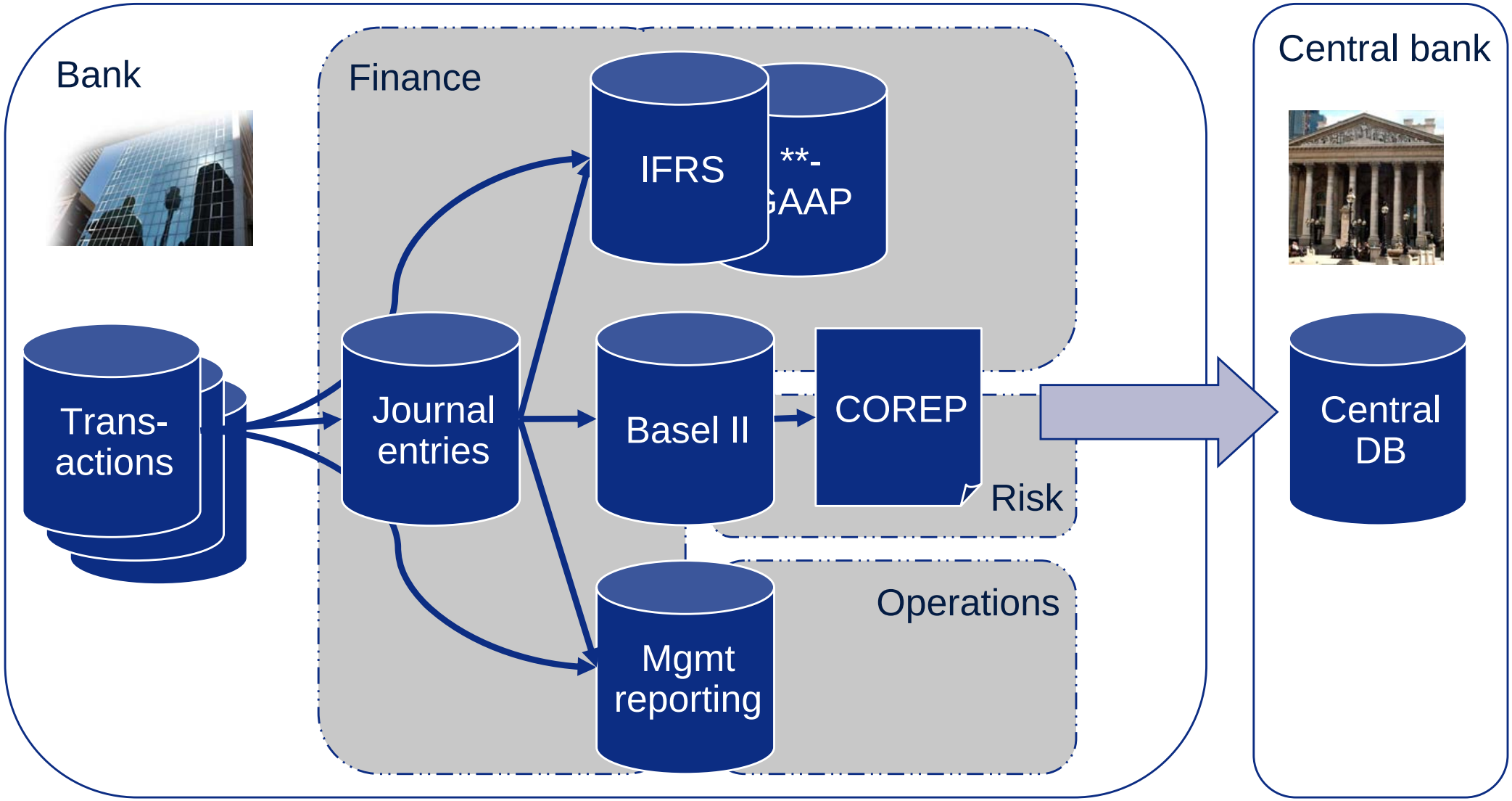
A typical bank reporting Basel II to a central bank



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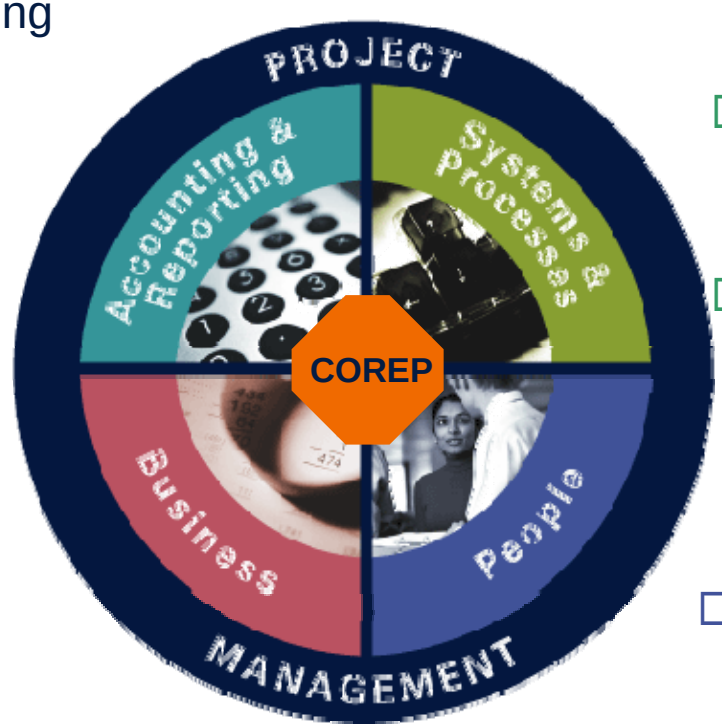
Which COREP key issues do we encounter most often at our financial services clients?

- Deviation COREP / FINREP / IFRS
- Deviation between old reporting methods and new COREP templates



- Organisational and governance model for managing COREP information flow
- Complex architecture for gathering and delivering required information
- New data definitions in transaction systems and missing data

- Alignment COREP and management reporting
- Integrating COREP project in 'business-as-usual'
- Meeting all COREP requirements in time!!

- More COREP reporting experts required than available
- Great amount of time required by involved departments for implementation

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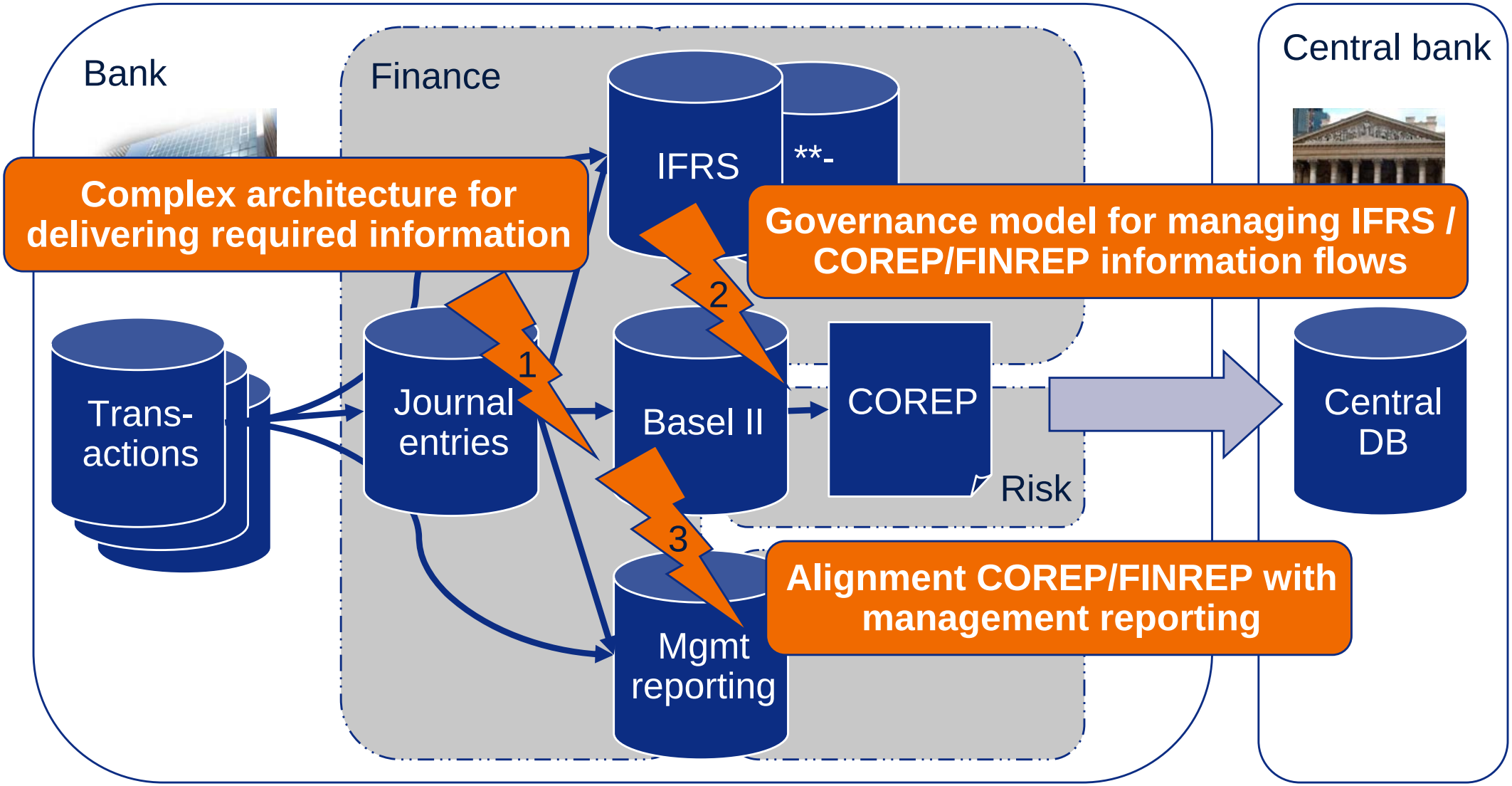
Issues encountered with Basel II reporting



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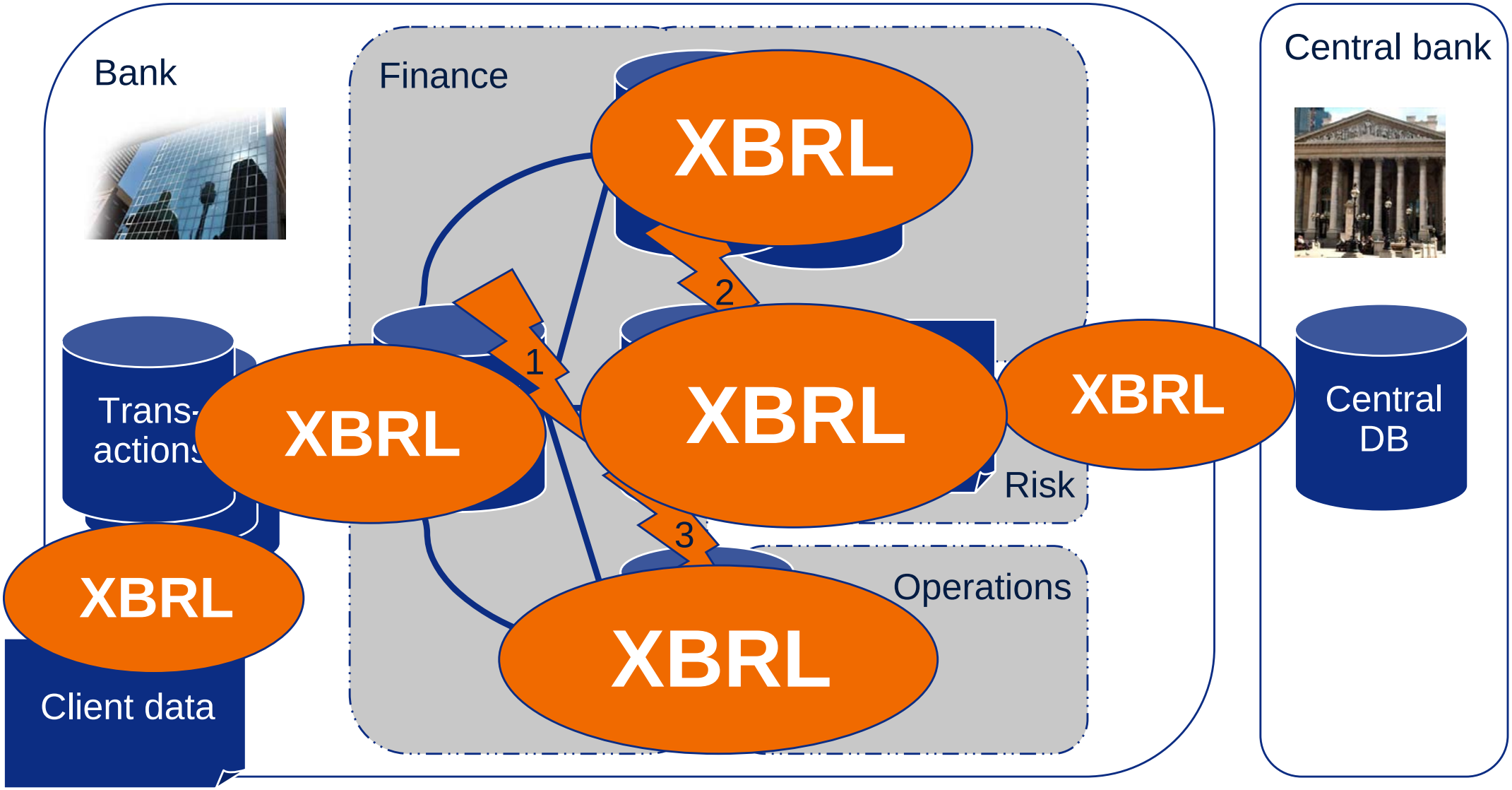
Using XBRL for COREP



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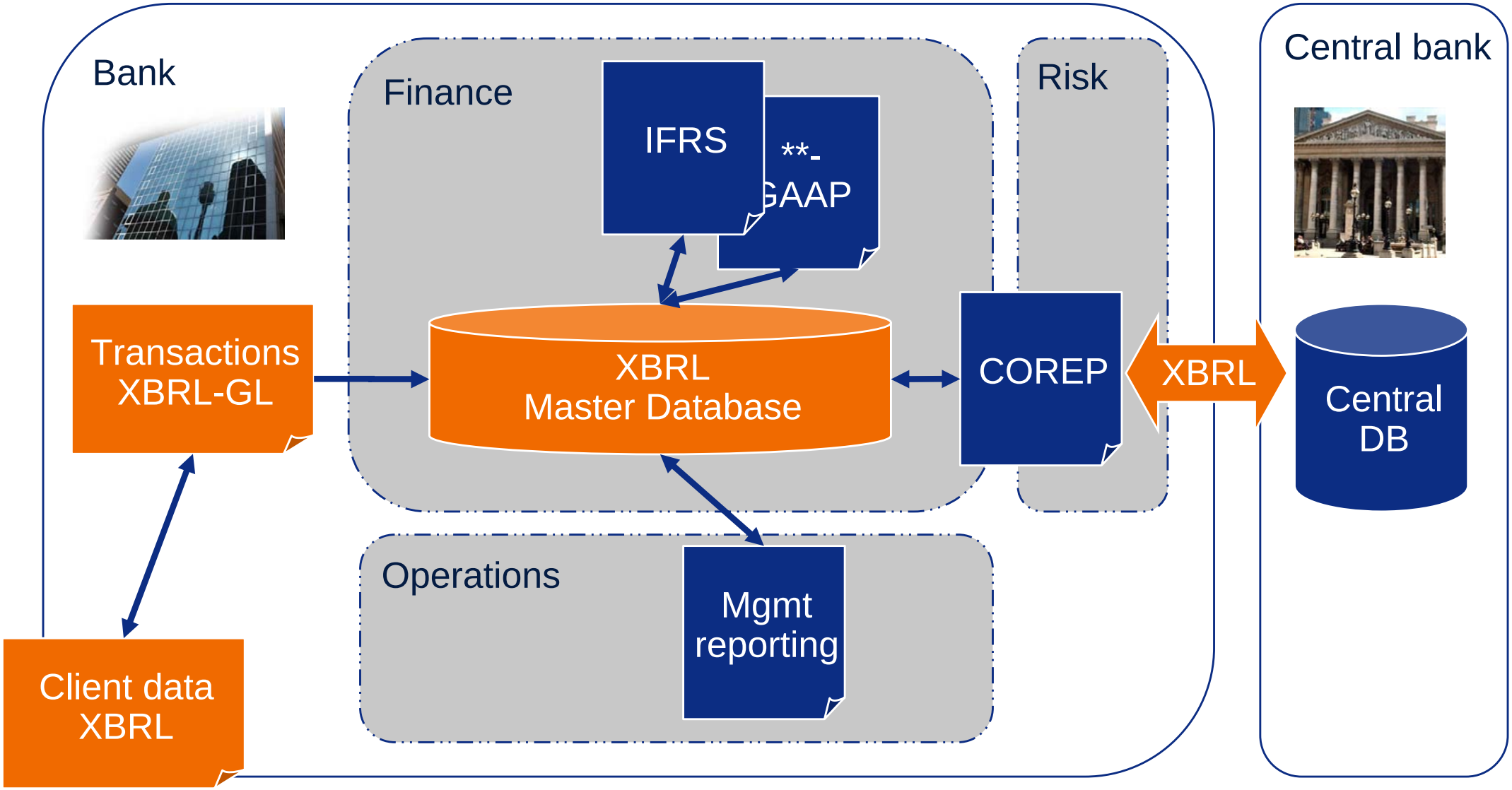
A future bank reporting Basel II to a central bank



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Conclusions of our research amongst Dutch banks

- **If XBRL is not compulsory for reporting COREP to the central bank, banks most likely will not use it**

- **COREP/FINREP is another obligation on top of management reporting and financial reporting (IFRS)**

- **Implementing XBRL for COREP reporting enables a bank to transform its internal processes in order to achieve faster and better reporting**

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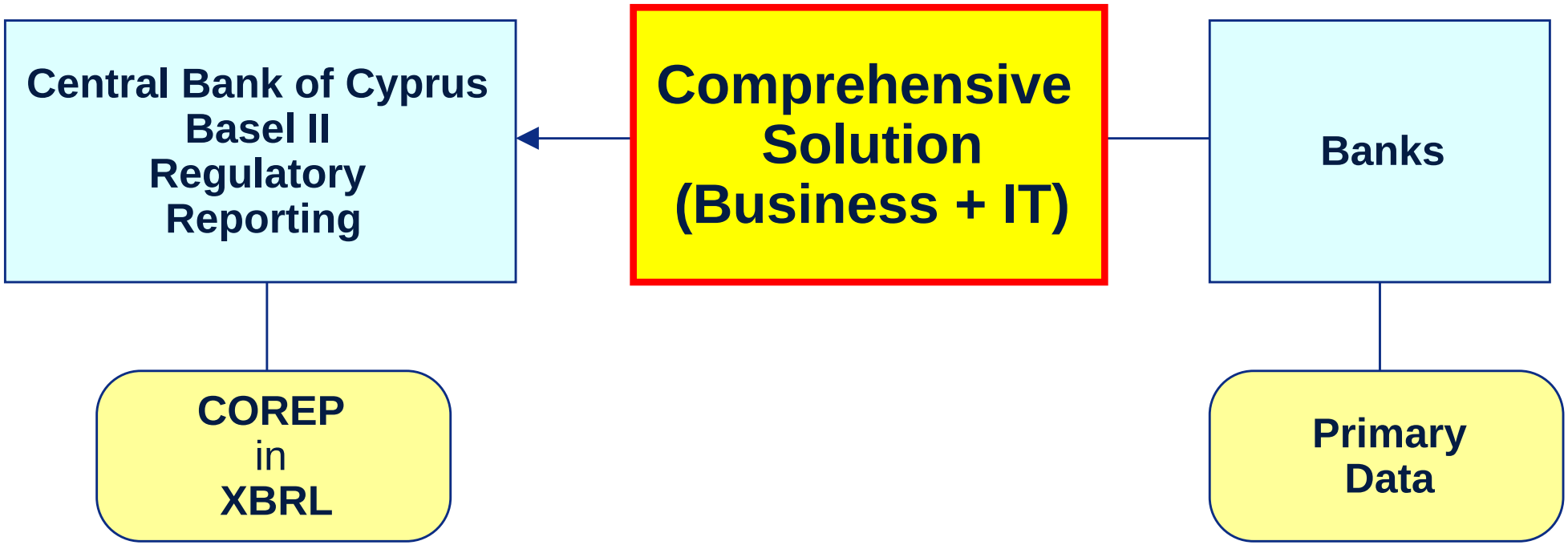
Case Study: Cyprus



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Case Study: Cyprus

Comprehensive Solution (Business + IT)

Developed specifically for the needs of Cyprus market
- National Discretions of the CRD
- Specific implementation rules

Two modes of operation.

1. **Manual Run** – user chooses template and works on single template.
2. **Automatic** – User fills a profile with all selections and simply clicks a button.

Taxonomies can be stored locally (on Hard Drive or be referenced through URL).

- **Calculation Engine** - Takes care of all required calculations;
- **XBRL Transformation** – users need not worry at all about what XBRL is and how it works;
- **Simplicity** – works with minimum and simple user intervention;
- **Visualization** – presents results (XBRL data) in consistent and user friendly COREP templates that users are familiar with and they can understand.

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Case Study: Cyprus – Principles of the Solution

A comprehensive solution based on the following principles:

- **Accurate Reporting to the Central Bank of Cyprus**
  - **Data**
  - **COREP Taxonomy**
  - **XBRL format**
- **Flexibility**
- **Expandability**
- **Timely Reporting**
- **Repetitive each month**
- **Non prejudicial to existing bank systems**

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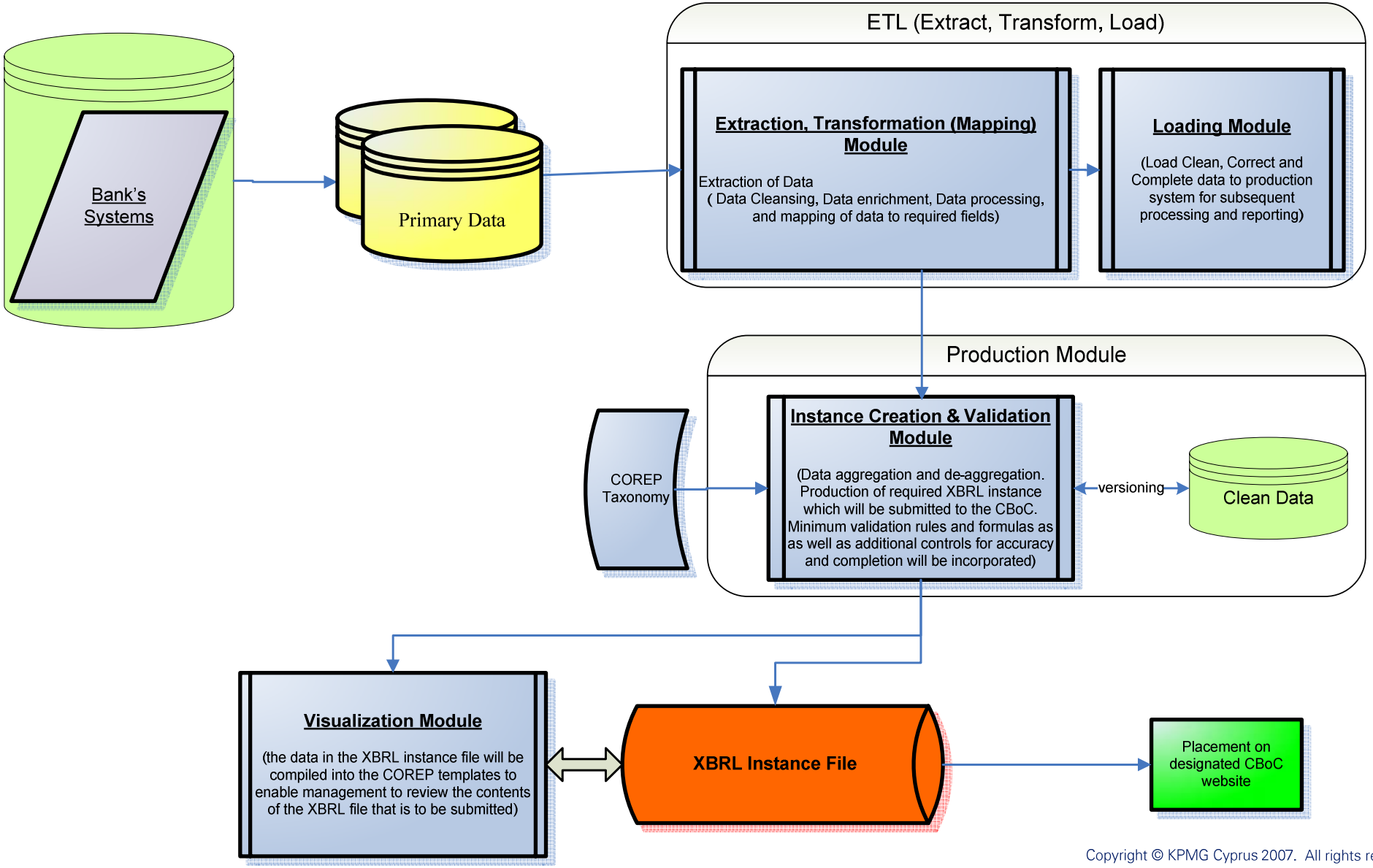
prognosys solutions

SOLUTION OVERVIEW FOR THE DEFINITION AND PRODUCTION OF COREP REPORTING FOR COMPLIANCE WITH THE CYPRUS CAPITAL REQUIREMENTS DIRECTIVE



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Case Study: Cyprus – Import Data (Manual)

FinRep XBRL

File Actions Setup Help

FinRep Xbrl

Import Data | Creation | Validation

Import data either by using DTS or by using Excel Templates.

Select
- DTS
- Excel Tempates

Import Data Using Excel Templates
- CR SA
- CR SEC SA
- MKR SA EQU
- MKR SA COM
- MKR SA TDI
- MKR SA FX
- CA
- OPR
- OPR DETAILS
- OPR LOSS DETAILS
- CR TB SETT
- CR SEC DETAILS
- G SOLVENCY DETAILS
- MKR IM
- MKR IM DETAILS
- Select All
- Clear All

Clear All Tables | Use Excel Templates

Back

QuickRun

ManualRun

Exit

Profile selected for Quick Run: profile2

Start | Inb... | Sol... | Mic... | De... | Fin... | ins... | unt... | EN | 8:23 πμ

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Case Study: Cyprus – Create XBRL Instance (Manual)

FinRep XBRL

File Actions Setup Help

FinRep Xbrl

Import Data | Creation | Validation

Select template name: CA Currency: EUR Decimals: 0 As Of Date (YYYY-MM-DD): 2006-01-01

C:\xbrl\COREPTaxonomy1.2\instances\CA.xml Save File


```
<?xml version="1.0" encoding="UTF-8"?>
<!-- Generated By Prognosys Solutions -->
<xbrli:xbrl xmlns:xbrli="http://www.xbrl.org/2003/instance" xmlns:link="http://www.xbrl.org/2003/linkbase"
xmlns:xlink="http://www.w3.org/1999/xlink" xmlns:ref="http://www.xbrl.org/2004/ref" xmlns:xbrldt="http://xbrl.org/2005/xbrldt"
xmlns:ref-corep="http://www.c-ebs.org/eu/fr/esrs/corep/2005-09-30/ref-corep-2005-09-30" xmlns:xbrldi="http://xbrl.org/2006/xbrldi"
xmlns:dt="http://xbrl.c-ebs.org/dt" xmlns:iso4217="http://www.xbrl.org/2003/iso4217" xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
xmlns:d-ba="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/d-ba-2006-07-01"
xmlns:d-ec="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/d-ec-2006-07-01"
xmlns:d-cr="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/d-cr-2006-07-01"
xmlns:d-mr="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/d-mr-2006-07-01"
xmlns:d-ut="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/d-ut-2006-07-01"
xmlns:d-oe="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/d-oe-2006-07-01"
xmlns:d-hh="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/d-hh-2006-07-01"
xmlns:p-ca="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/p-ca-2006-07-01"
xmlns:t-ca="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/t-ca-2006-07-01"
xmlns:p-cm-ca="http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/p-cm-ca-2006-07-01" >
<link:schemaRef xlink:type="simple" xlink:href="t-ca-2006-07-01.xsd"/>
<xbrli:unit id="EUR">
<xbrli:measure>iso4217:EUR</xbrli:measure>
</xbrli:unit>
<xbrli:unit id="PURE">
<xbrli:measure>xbrli:pure</xbrli:measure>
</xbrli:unit>
</xbrli:xbrl>
```


Make calculations? | Create Excel | Clear | Proceed

Back

QuickRun

ManualRun

Exit

Profile selected for Quick Run: profile2

Start | Inbox - ... | Solutions | Microso... | untitled... | FinRep ... | EN | 8:19 πμ

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Case Study: Cyprus – Validate XBRL Instance (Manual)

FinRep XBRL

File Actions Setup Help

FinRep Xbrl

Import Data | Creation | Validation

C:\xbrl\COREPTaxonomy1.2\instances\MKRSAEQU.xml

Error1:The
'http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/p-cm-mr-2006-07-01:ReductionEffectUnderwritingPositions'
element is invalid - The value '49' is invalid according to its datatype
'http://xbrl.c-ebs.org/dt:nonPositiveMonetaryItemType' - The MaxInclusive constraint failed.
Error2:The
'http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/p-cm-mr-2006-07-01:ReductionEffectUnderwritingPositions'
element is invalid - The value '56' is invalid according to its datatype
'http://xbrl.c-ebs.org/dt:nonPositiveMonetaryItemType' - The MaxInclusive constraint failed.
Error3:The
'http://www.c-ebs.org/eu/fr/esrs/corep/2006-07-01/p-cm-mr-2006-07-01:ReductionEffectUnderwritingPositions'
element is invalid - The value '3' is invalid according to its datatype
'http://xbrl.c-ebs.org/dt:nonPositiveMonetaryItemType' - The MaxInclusive constraint failed.

TEMPLATE NAME	# of Errors
CA	
GROUP SOLVENCY DET	
CR TB SETT	
CR SEC DETAILS	
CR SA	
CR SEC SA	
OPR	
OPR DETAILS	
OPR LOSS DETAILS	
MKR SA TDI	
MKR SA EQU	39
MKR SA COM	
MKR SA FX	
MKR IM	
MKR IM DETAILS	

Save to path: C:\xbrl\COREPTaxonomy1.2\Errors\Errors.txt Save

- [ ] MKR SA TDI
- [x] MKR SA EQU
- [ ] MKR SA COM
- [ ] MKR SA FX
- [ ] MKR IM
- [ ] MKR IM DETAILS
- [ ] Select All
- [ ] GROUP SOLVENCY DETAILS
- [ ] CA
- [ ] CR TB SETT
- [ ] CR SEC DETAILS
- [ ] CR SA
- [ ] CR SEC SA
- [ ] OPR
- [ ] OPR DETAILS
- [ ] OPR LOSS DETAILS

Clear Validate

Back

QuickRun

ManualRun

Exit

Profile selected for Quick Run: profile2

Start | Inbo... | Solut... | Micr... | Debug | FinR... | insta... | EN | 8:21 πμ

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Case Study: Cyprus – Create Profile

EditProfiles

Template Name	Currency	Decimals	Import	Create Xbrl	Make Calculations	Create Excel
CA	EUR	2	☑	☑	☐	☑
GROUP SOLVENCY DET.	EUR	1	☑	☑	☐	☑
CR TB SETT	EUR	3	☑	☑	☑	☑
CR SEC DETAILS	EUR	1	☑	☑	☐	☑
CR SA	EUR	1	☑	☑	☑	☑
CR SEC SA	EUR	1	☑	☑	☑	☑
OPR	EUR	1	☑	☑	☐	☑
OPR DETAILS	EUR	1	☑	☑	☐	☑
OPR LOSS DETAILS	EUR	1	☑	☑	☐	☑
MKR SA EQU	EUR	1	☑	☑	☑	☑
MKR SA FX	EUR	1	☑	☑	☑	☑
MKR SA COM	EUR	1	☑	☑	☑	☑
MKR SA TDI	EUR	1	☑	☑	☑	☑
MKR IM	EUR	1	☑	☑	☑	☑
MKR IM DETAILS	EUR	1	☑	☑	☐	☑

Select Profile: profile1

As Of Date (YYYY-MM-DD): 2007-02-21

NOTE: Start & End dates are ONLY for OPR DETAILS & OPR LOSS DETAILS

Start Date (YYYY-MM-DD): 2007-02-22

End Date (YYYY-MM-DD): 2007-02-23

☐ Make this Profile active

Update Profile | Back

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Case Study: Cyprus – Visualization

Microsoft Excel - MKRSAEQU.xls

MKR SA EQU

MARKET RISK: STANDARDISED APPROACH FOR POSITION RISK IN E

National market: MyMarket

	POSITIONS						RISK CAPITAL CHARGE (%)	CAPITAL REQUIREMENTS
	ALL POSITIONS		REDUCTION EFFECT FOR UNDERWRITING	NET POSITIONS		NET POSITIONS SUBJECT TO		
	LONG	SHORT		LONG	SHORT			
	(1)	(2)	(3)	(4)	(5)	(6)		(7)
EQUITIES IN TRADING BOOK	50,00	50,00	-14,00	14,00	14,00	14,00		16,00
1 General risk	20,00	4,00	-4,00	4,00	4,00		8,00	
1.1 Exchange traded stock-index futures broadly diversified subject to particula	10,00	2,00	-2,00	2,00	2,00			
1.2 Other equities than exchange traded stock-index futures broadly diversifie	10,00	2,00	-2,00	2,00	2,00			
2 Specific risk	5,00	20,00	-2,00	2,00	2,00	2,00		2,00
2.1 High quality, liquid and diversified portfolios subject to lower capital requirements							2,00	
2.2 Other equities than high quality, liquid and diversified portfolios	5,00	20,00	-2,00	2,00	2,00	2,00	4,00	2,00
3 Particular approach for position risk in CIUs	6,00	2,00	-2,00	2,00	2,00	2,00		2,00
4 Margin-based approach for exchange-traded futures and options	7,00	2,00	-2,00	2,00	2,00	2,00		2,00
5 Margin-based approach for OTC futures and options	8,00	2,00	-2,00	2,00	2,00	2,00		2,00
6 Other non-delta risks for options								2,00

Market0 / Market1 / Market2 / Market3

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KPMG XBRL COREP team

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