



THE XBRL NETWORK OF THE
COMMITTEE OF EUROPEAN BANKING SUPERVISORS

CX-075
2006-11-21

COREP and FINREP taxonomies

Preproduction Risk Assessment

What may fail and how to prevent that

*An option without documented risks is not a risk free option; it
is simply an option with hidden risks*

INTERNAT DRAFT FOR CEBS (XBRL NETWORK) USE ONLY

Executive summary:

The best practices in project management stated that a Preproduction Risk Assessment should be submitted to the stakeholders, in order to clarify what are the potential risks, and the mitigation methods to deal with.

The XBRL Network of the CEBS has been mandated with development of COREP and FINREP taxonomies. The COREP and FINREP taxonomies will be used in a number of European Countries for Banking Supervision. The reception of supervisory reports based in these taxonomies will start along 2007. The risks to be faced using such taxonomies depends of a number of European, National and Entity factors. The aim of this document is the description of the generic risks and the potential mitigation methods. The CEBS stakeholders should have all in information available in the decision making processes.

Summary of Risks

#	Risk	Probability	Impact
1	Relevant test cases	High	Medium
2	Using Dimensions in XBRL	Low	Medium
3	National Extensions Interoperability	High	Low
4	Core Project Team stability	Low	High
5	Zero budget approach	Medium	Low
6	Versions, Formulas and Rendering	High	Low
7	End User Tools for XBRL	High	Low

Risk Probability

The risk probability reflects the result of combining "likelihood", "certainty" and "extension" of actual arising of the related problem in 2007, in the CEBS context. National or Entity problems probability may vary from the estimated levels.

Risk Impact

The risk impact reflects the result of combining "severity", "visibility" "workarounds" and "time of fixing" of resultant problems. The impact is also related with short term impact. How a long term strategy can help in risk mitigation and how the problems can impact in long term strategy is not the main focus of this exercise.

Levels:

The levels are: "low", "medium" and "high". This is by no means an accurate figure, as the real impact depends on the actual implementation, additional mitigation methods which might be present or an add up through combination with other circumstances.

1. Relevant test cases

Probability: High

Impact: Medium

Description

The core project team has developed the taxonomies and built the collaborative network. The IT skills of the core project team do not include the business skills needed to develop relevant test cases. Calls to the supervised institutions for voluntary participation (which should be anonymous, to avoid any risk to the institution) have not borne any fruit. Up to now, only IT testing has been carried out, which is not enough to reflect the complexity of real use cases.

Impact

Lack of relevant test cases implies lack of proper testing and this is not a best practice. The relevant test cases will (at best) be available only at the national level, and those will only indirectly (and very late) serve to test the underlying European taxonomies. The first comprehensive testing will be done using real supervisory reports, which will result in high costs arising from late error detection and correction.

Mitigation

CEBS should provide realistic examples and test cases, and encourage commercial banks to disclose realistic (but anonymous) examples. National Supervisors should plan and implement early submissions with examples and test cases.

2. Using Dimensions in XBRL

Probability: Low

Impact: Medium

Description

The XBRL Dimensions Recommendation has been driven by the CEBS needs. The very first real use of Dimensions will be in the reports received by the National Supervisors in 2007. Being a new application in XBRL, teething problems might arise with the use of dimensions.

Impact

Software may fail in real reporting chains. This kind of problem is usually difficult to detect, identify and work around. Fixing the problem may require a software patch to be developed by the software vendor.

Mitigation

Testing, testing and more testing. Core project team has developed and published their own proof-of-concept dimensional software since the very beginning, in order to properly test the dimension specification. An XBRL Dimensions conformance test suite has been implemented/tested by four software vendors. The different use cases for dimensions in COREP and FINREP can be enumerated, and a specific conformance test suite could be developed (depending on core project team availability and workload). XBRL software vendors are usually quick to fix bugs that might arise.

3. National extensions interoperability

Probability: High

Impact: Low

Description

Each National Supervisor may (and very probably will) extend the CEBS taxonomies, according to local specifications.

Impact

A national customisation is not necessarily understandable by other countries because of the language or other barriers. Multinational users may encounter another reporting burden due to the need to comply with local amendments. Additionally, National Supervisors may lack the expertise to extend taxonomies properly.

Mitigation

A commitment to include simple additional explanations (i.e., label and documentation translations in English) as well as technical best practices will help to maintain a set of harmonised national extensions across Europe. The CEBS XBRL Network should make an effort to provide guidance and best practices for national extensions. A repository of (hyperlinked) national extensions should be available on the CEBS website. The core project team is offering help to national supervisions, but resources are limited.

4. Core project team stability

Probability: Low

Impact: High

Description

The XBRL development of COREP and FINREP has been made possible thanks to the efforts of Germany, Spain, Greece, Belgium, Italy and France. Each core project team member is highly trained and specialised in specific functions. The allocation of resources is a de facto situation, and it is on a part-time basis. The project has used, since the beginning, 100% of the work time made available. But the team members are also committed to work in national tasks, not unexpectedly with even higher priority.

Impact

Due to local priorities, part of the resources of the core project team may be suddenly unavailable without prior notice. The re-scheduling of tasks may be difficult due to the lack of available resources. As there are no funds available, outsourcing is not an option. Therefore, there is no warranty to have resources available to work timely in critical maintenance or on important tasks such as knowledge dissemination, e-learning tools, European project office, local training/help, user-oriented demonstration tools, XBRL standards development, and so on.

Mitigation

CEBS commitment to stabilize and prioritize resource allocation for the XBRL Network.

5. Zero-budget approach

Probability: Medium

Impact: Low

Description

There have been no financial resources allocated to the XBRL development of the COREP and FINREP taxonomies.

Impact

There are no funds available to pay for tools or services. Open source resources are not oriented to business needs such as Banking Supervision. All the work must be carried out by staff made available on an informal and part-time basis by a number of National Supervisors, without the possibility of outsourcing (e.g. testing). In spite of that, bureaucracy is avoided when there are no expenditure procedures in place.

Mitigation

Use the high reputation and impact of the project to obtain tools and services for free. Software providers are usually happy to provide their solutions to the project given its high visibility, and they benefit from being implicit sponsors.

6. Versions, Formulas and Rendering

Probability: High

Impact: Low

Description

The current XBRL standards for changes in XBRL taxonomies (Versions), validation of relations in XBRL instances (Formulas), and presentation or displaying of XBRL instances (Rendering) are not powerful enough yet for COREP and FINREP purposes.

Impact

No European-wide solution can be provided. Each country has to develop a local solution. This implies a multiplicity of redundant local costs, with local solutions being probably very specific and therefore not useful to other countries. This is a less-than-optimal approach at the European level.

Mitigation

Identify and use the same solution at the European level (albeit a non-XBRL standard solution). Allocate Supervisor resources to deal the XBRL standards. Define and implement a (potentially) new XBRL standard, to be later adopted by the XBRL community (same approach as Dimensions). Do not take advantage of XBRL potential for validation and presentation of Supervisory XBRL instances.

Comentario [CU1]: I dont understand this

7. End User Tools for XBRL

Probability: High

Impact: Low

Description

There are no end-user tools available for using XBRL. Demonstration tools and training are not widespread and those that are available are not easily accessible. XBRL is a somewhat mysterious or esoteric technology for many people.

Impact

Lack of XBRL knowledge is equivalent to working with "black boxes". Limited advantages will be found by standard users. National Supervisors and big banks may be the only effective users of XBRL. Potential advantages of XBRL will be not used across the wider business community.

Mitigation

Provide a portal with demonstrations, e-learning facilities and working examples for potential XBRL users, including the 25 supervisors and 8.000 banks in Europe. Facilitate the learning curve by disseminating knowledge and making the technology more accessible.