

XBRL EUROPE

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DIGITAL WEEK**

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Taxonomy... more than a technical exercise

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Why we talk about taxonomy

- The **Bank and Insurance Working Group** has been created in 2008 to contribute to the regulatory reporting process for the banking and insurance sectors in Europe (institutions under supervision of EBA/ECB and EIOPA), with the following main objectives:
 - ✓ Gather and share experiences and lessons learned from preparers
 - ✓ Liaise and facilitate the dialogue between various stakeholders related to COREP, FINREP and Solvency II
- One of the tasks carried out by BI WG this year is to understand whether there could be room for improvements in the taxonomy definition. One of the aspects that we wanted to highlight is that a taxonomy does not only need to set the accounting meaning, but it also needs to understand and consider regulatory and business aspects, in order for the taxonomy itself to best express the reporting of accounting events coming from business occurrences.
- We have therefore chosen two examples to explain the possible interconnections between taxonomies: Anacredit vs. Finrep; and Finrep vs. ESEF

An example – Anacredit vs. Finrep

In the hypothesis of using the same taxonomy, it would be possible to reach the Finrep report starting from Anacredit. In doing this exercise, several differences could be found, such as:

Perimeter

Anacredit is reported on an individual basis while Finrep is both on individual and consolidated basis: this means that in order to go from one to the other, an «intercompany flag» is needed, which today is not available in the Anacredit Report

Legal Entities in scope

Anacredit has to be prepared only by banks, Finrep has a wider contribution, e.g. in a banking group there can be other financial institutions not required to prepare Anacredit (for example: factoring or leasing companies, etc...)

Financial Assets in scope

Anacredit only includes exposures exceeding € 25.000, and it does not includes households, while Finrep includes all financial assets as reported on the Balance Sheet

Having the same accounting meaning is not enough to go through the information presented, if the whole rule sets that guide the provision of such information is not carefully considered

An example – Finrep vs ESEF

The ESEF taxonomy (European Single Electronic communication Format) approved by ESMA is based on the IFRS taxonomy. Hence, it is obviously not related to a single economic sector, but has a wider scope and cannot be “entity specific”.

Banks, even if they are IFRS adopter, often set their primary financial statement in respect of regulations provided by the National Central Banks and, in any case, they are required to provide Finrep reporting.

Implication for Banks in using ESEF Taxonomy

A preliminary analysis showed a limited traceability of the items/elements proposed by the ESEF taxonomy with respect to the items in the primary financial statements of Italian banks, with a consequent large **use of extensions**, susceptible to discretion and judgmental approaches that could affect the comparability of performances

Greater comparability, less recourse to individual judgment, and lower implementation costs would have been achieved if Finrep taxonomy had also been considered in the ESEF taxonomy

Conclusion

Doing Taxonomy is more than a technical exercise...

...it is not only needed to define the same accounting concept,

BUT

it is necessary to also:

- ✓ evaluate the rules that are guiding the provision of information
- ✓ understand existing rules and business constraints

Know more

Discover more about our Working Group works and efforts in improving the regulatory reporting

Join the technical workshops until 6pm CET

More info: www.xbrleurope.org/25online

Also join the Digital Cocktail tonight 7pm CET