

White Paper

Enhancing Usability & Transparency of Financial Information

Leveraging XBRL for Standardisation & Accuracy in Regulatory Reporting



WE PUT THE BANKING INTO BUSINESS INTELLIGENCE

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A large number of Financial Institutions in India are waking up to a new era of financial reporting submission to Reserve Bank of India (RBI). As per RBI circular 199 and 1134, dated 14 August 2008 and 20 January 2009, all financial institutions would now have to submit the financial returns in an XBRL format for which taxonomies have been released by RBI.

The online XBRL submission of regulatory reports is actually an extension by RBI of its return automation system, Automated Data Flow (ADF). ADF allows financial institutions to submit returns through a Centralized Data Repository (CDR), which consists of validated and cleansed data that can be published in a straight-through processing mode (STP) without human intervention.

Since its inception in 1998, XBRL (eXtensible Business Reporting Language) has grown in features and acceptance and is widely considered as a reporting format across geographies and industries. A major growth factor can be attributed to regulators across the globe such as SEC in United States and HMRC in United Kingdom etc.

Currently in India, RBI is treading the push route of compliance adherence for financial Institutions to accept XBRL. While RBI will receive accurate information by standardisation of elements, financial institutions will see an ease of information monitoring, reduction in manual entry errors and also possible reduction in actual effort. Also rationalisation and standardisation will allow RBI to reduce the number of reports currently mandated by financial institutions to be submitted resulting in burden reduction on the financial Institutions.

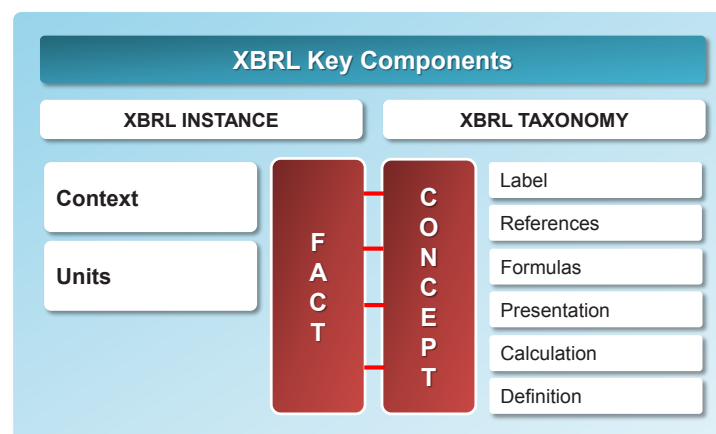
XBRL - An Introduction

XBRL stands for eXtensible Business Reporting Language, the financial profession's version of XML for financial reporting. XBRL was created by an industry-wide consortium seeking to develop a consistent method of reporting business event information.

The standard for the use of XBRL is freely available from the XBRL international consortium. At the heart of every XBRL implementation are one or more taxonomies providing the method to report business facts with their corresponding definitions. By defining the meaning of terms and identifying the standards in taxonomy, every member in information chain has a common understanding of the meaning of terms allowing for easier application and acceptance.

XBRL does not define taxonomies and owners of information supply chains such as financial institutions, regulators and other organisations are allowed to define them. Information providers are allowed to transfer to users a wide variety of types of data, including fragmented text, numeric facts, transaction flow, performance reports and data tables through XBRL.

Key Components of XBRL



XBRL Instance

A new type of XML business report format that contains business information. XBRL instances contain facts being reported and other information that provides context for those facts. XBRL instances refer to XBRL taxonomies that describe the facts used within that XBRL instance.

Context

Provides context for facts, including information about the entity, the period, or other dimensions of the reported information.

Units

Provides additional context needed for numeric facts, such as the currency of the fact or some other unit of measure.

Fact

Contains information being reported or exchanged. A fact has a value, associated with a concept from an XBRL taxonomy, and has contextual information associated with it.

XBRL Taxonomy

Is similar to a dictionary that describes information contained within an XBRL instance. XBRL taxonomies can also express other information, such as hierarchies of relations between dictionary entries.

Concept

Concepts describe facts and have specific and unique meanings, names, data types, and other attributes. A concept specifies the XML tag and other constraints on a fact in an XBRL instance.

Label

Allows the taxonomy creator to create labels for each concept in the taxonomy allowing end users to work with a more user-friendly label rather than having to work with XML element names.

References

Allows the taxonomy creator to express references to external sources

Formulas

Allows the taxonomy creator to express various types of business rules to be enforced. XBRL instances that use an XBRL taxonomy containing these rules must comply with these rules.

Presentation

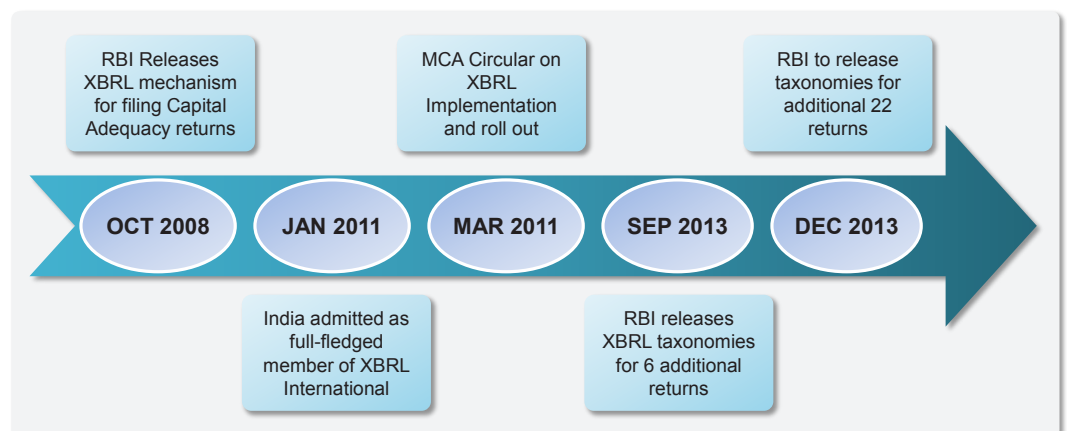
Allows for hierarchy to be expressed. Presentation relations are primarily intended to help organize the XBRL taxonomy.

Calculation

Allows for types of computations to be expressed between concepts within XBRL taxonomy.

Definition

Definition allows expressing any type of relation and also defining roles that explain what types of relation have been created.

Timeline - XBRL Adoption in India

While RBI started initiating XBRL submissions in the year 2008, it was not until 2011 that XBRL was adopted in a large scale. This can be attributed to the Ministry of Corporate affairs (MCA) that mandated certain companies to file their financial statements in XBRL. September 2013 saw RBI releasing the taxonomies for following returns;

- GPB
- FORM IX
- FORM VIII (comprises of FORM VIII, SFR II and Daily SLR)
- FORM X
- FORM A
- RCA 2

By December 2013 RBI is expected to roll out the taxonomies for another 22 returns such as DSB, RBS, CPR and BSA.

Complying with the RBI Mandate

Based on RBI mandate, financial institutions will have to immediately start filing their returns in XBRL form for returns whose taxonomies have been published by RBI and will have to generate XBRL instance documents which will then be uploaded to RBI via Online Returns Filing System (OFRS) window.

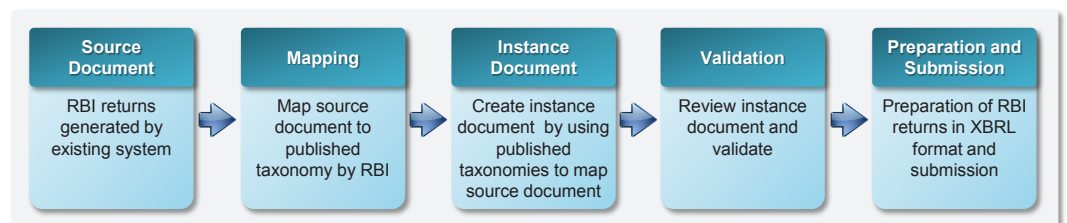
There are 2 options currently available for financial institutions for generating and submitting the returns in the required format:

Procurement of software using

- Build Option or
- Bolt On

Parameters	Build Option	Bolt On Option
Solution Deployment Time	High	Low
Adherence to industry best practices	Not necessarily	Yes
Customization according to individual needs	High	Low
Incorporation of changes in template when RBI updates taxonomies	Slower	Quicker
Cost of Acquisition	High	Low

Mechanism for return generation and submission in XBRL format



- Source documents are returns that are currently being generated by the financial institutions as mandated by RBI in a variety of forms.
- These returns are mapped/tagged to the taxonomies that have been released by the RBI for each respective return.
- XBRL Instance documents are generated mapping source documents and taxonomies for respective document. Usually the deployed software has a built in Rule engine to achieve the desired format.
- The users then review and validate the tagging generated via above processes.
- Finally the users generate the return in desired XBRL format and submit the return to RBI via Online Returns Filing System (OFRS) window.

Key Benefits for RBI

XBRL is the most appropriate solution currently available wherever there is exchange processing and consumption of information. XBRL makes the data readable, standardises while ensuring interoperability. Apart from this, key reasons for RBI to adopt XBRL are as follows:

- Allows easier access to aggregated information across various financial institutions
- Cross departmental view of data made easy
- Improves quality of disclosures due to source validation and analysis
- Improves transparency and reusability of disclosures
- Possibility for usage of business intelligence tool for advanced analytics and drill-down/roll up facility
- Ensures maximum possible automation of processes

Key Benefits for Financial Institutions

Financial Institutions can leverage XBRL across various business units. It allows for integrating disparate source systems and accounting systems with XBRL adapters to create XBRL output. This ensures accuracy, standardisation and consistency in information that can be further utilised for building applications for analytics and monitoring around it. Apart from this other key advantages for financial institutions to adopt XBRL are as follows:

- Completely automated process hence reduces burden on existing employees
- Improves internal transparency of business information
- Ensures availability of quality information for management to aid in decision making
- Being a completely automated process, results in cost savings during the long run

Conclusion

The XBRL journey by RBI for its returns submission is picking up velocity by RBI publishing taxonomies for returns on a regular basis. This will clearly push financial institutions to accept the mechanism in a short span of time. Having said this, the mechanism is still in its nascent stage and will definitely undergo repetitive changes in the coming months. Hence financial institutions should gear up and focus on implementing solutions that provides them an edge to incorporate frequent changes at short notice at-least till the standards are stabilised.

XBRL return submission will definitely enable RBI to have a unified view of the information being submitted by various financial institutions across India, enabling RBI to look into the aggregated data in a whole new perspective to drive economic and fiscal reforms ■

About the Author:



Kailashyar Uday Kumar is a Consultant at iCreate and comes with rich experience in automation of Central bank regulatory reporting. Kailashyar is currently working with iCreate's Pre-Sales and solutions team in providing next generation decision enablement products and solutions for financial institutions.