Remarks
of
Martin J. Gruenberg, FDIC Vice Chairman;
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XBRL AT THE FDIC

Thank you, Walter, for that kind introduction. I would like to extend my gratitude to Grant Boyd and Diane Mueller, Co-Chairmen of the Philadelphia Conference Committee of XBRL US, Inc., for inviting me to talk to you today about how XBRL is helping the Federal Deposit Insurance Corporation (FDIC) to carry out its mission to preserve the safety and soundness of the United States banking system. I would also like to thank XBRL International, Inc. for hosting this conference and bringing together such a large, diverse group from around the world with a common interest in this issue.

The FDIC supports XBRL and this event. Among the many dedicated FDIC professionals here, I'd like to acknowledge Mike Bartell, the FDIC's Chief Information Officer and a member of the XBRL - International Steering Committee. Soon after I arrived at the FDIC last year, Mike brought to my attention the important management benefits that the FDIC had derived from XBRL, and how the standard enables the FDIC and other U.S. banking regulators to improve dramatically the reporting of data from the financial institutions we supervise.

Today I would like to address three issues: first, the critical role that financial reporting plays in the supervision of banks in the U.S.; second, how the FDIC has utilized the XBRL standard to improve dramatically the speed and accuracy of reporting of data by federally-insured financial institutions; and finally, what the FDIC is doing to encourage the expanded use of the XBRL standard.

The Critical Role of Financial Reporting

Allow me to begin by telling you a bit about the FDIC and the central importance that the reporting of financial information by banks plays in carrying out our mission to preserve the safety and soundness of the U.S. banking system.

The FDIC is an independent agency of the federal government. Our mission is to preserve and promote public confidence in the U.S. banking system by insuring deposits in banks and thrift institutions; identifying, monitoring and addressing risks to the deposit insurance fund; and limiting the effect on the economy and the financial system when a bank or thrift institution fails. We directly examine and supervise over 5,000 FDIC-insured banks, more than half of the institutions in the U.S. banking system. We also insure deposits in more than 8,700 U.S. banks and thrifts. We were created in

1933 in response to the thousands of bank failures that occurred during the Great Depression of the 1920s and early 1930s.

To accomplish our mission, we need reliable, consistent, and accurate financial information from the banks we supervise. For example, all FDIC-insured banks are required to file quarterly reports with their primary regulator. These reports, the foundation of our regulatory reporting system, are called Call Reports. Banks must submit their data between 30 and 45 days after the end of each quarter. We collect these reports from all FDIC-insured banks. Each institution provides data on approximately 1,200 different financial concepts.

Call Reports are a critical source of information for every aspect of our nation's bank supervision programs. Regulators use Call Report data to analyze the risks to banks' balance sheets and income streams. The data are used to ensure that banks maintain adequate capital and control their ratios of nonperforming loans. Regulators also use the data in aggregate form to monitor the health of the banking industry across segments of the industry and geographical regions. As the industry's insurer, the FDIC relies on the data to provide a snapshot of individual bank performance and to monitor the health of the banking system, as a whole, in order to manage the Deposit Insurance Fund. In short, high- quality, timely financial data are critical for the FDIC to carry out its mission.

Call Report data — most of which is publicly released — also provide great value to a wide variety of other consumers of financial information. Call Reports have become the gold standard of banking data for the industry, financial publishers, data aggregators, investors, and individual consumers. Investment analysts review the data to monitor and assess the state of the industry as well as individual banks and thrifts. Individual consumers routinely tap into the FDIC website to access data on the institutions with which they interact.

The integrity, accuracy and timeliness of Call Report data are vital. All Call Report users — bankers, regulators, financial industry reporters and analysts, and other interested parties and individuals - have a vested interest in making sure that the data are correct and are accessible in a timely and efficient manner. Incorrect data can have significant safety and soundness implications. Incorrect data can provide a false view of the reporting institution and reflect poorly on management and internal controls, making the bank appear risky. Mistakes can distort aggregate statistics. Call Report data must accurately and completely reflect the true and current condition of a bank or thrift.

Call Report data transparency, quality and validation are top priorities for the FDIC. Data are checked against approximately 2,000 validation criteria. And there are approximately 429 pages of instructions describing in narrative our reporting requirements. Not surprisingly, we've encountered challenges with data transparency, quality and timeliness. Before the FDIC adopted XBRL, the data collection and validation process was cumbersome and time-consuming. Multiple file formats and inefficient legacy systems required substantial manual effort and resulted in significant

delays. For example, up to 30 percent of reporting institutions submitted data that were not mathematically consistent. FDIC analysts had to spend up to three weeks manually checking data quality following submission. The process for finding anomalies involved phoning, e-mailing and faxing bankers to ask them to clarify or resubmit their data. This process resulted in significant delays in our ability to release the data to the public.

The FDIC's Application of XBRL — the CDR Project

In 2003, the three U.S. federal banking regulatory agencies — the FDIC, the Federal Reserve System, and the Office of the Comptroller of the Currency, through the Federal Financial institutions Examination Council (FFIEC) — undertook the Central Data Repository (CDR) project to modernize the Call Report data collection process, utilizing the XBRL standard. That effort was completed in October 2005.

This is how the quarterly reporting system works now: The agencies begin by entering all of their instructions, business rules and data quality standards into the CDR system. Once the agencies have verified that the information is accurate, we publish publicly what are called XBRL taxonomy files. As I understand it, these are simply text files that don't require a particular brand of software to view. But they can be used to structure all of the quarterly report information in a very uniform, standard way - so uniform and standard that, in fact, at least five independent software companies use the data in these taxonomy files to create software that bankers use to provide Call Report data to the agencies.

One benefit of using XBRL is that even though five different software packages are competing to make it as easy as possible to provide the data to the regulators, we can be assured that each banker is being provided the same instructions, business rules and quality standards. This enabled the agencies to change our data acceptance policy to require that banks validate their data prior to submission, using functions built right into their software. This new reporting process increases efficiency and reduces the need for regulators to search for anomalies after submission. We receive high-quality data sooner, and at a lower cost.

Benefits of the CDR Project

Let me turn to the specific benefits of our CDR project. The CDR system has helped our agencies achieve the following:

Ninety-five percent of banks' original filings are clean, compared to only 66 percent under the old system;
One hundred percent of data received are meeting mathematical requirements compared to 70 percent under the old system;
Data receipt begins less than one day after the calendar quarter-end, compared to weeks of delay under the old system;
Publication of the Quarterly Banking Profile, our flagship Call Report summary publication, occurs as much as three weeks earlier than before;

Agency analyst productivity has improved 10 to 33 percent;

We gain access to data sooner — improving publishing speed and the ability to analyze data for supervisory purposes; and

Regulator and bank use of consistent XBRL taxonomies allows real-time correction capability.

Key to these successes was the minimal disruption to banks. Bankers did not know they were using XBRL in the new system — it was transparent to them. This was due to our work with the software vendors that provided the bank filing software.

In short, XBRL has helped us achieve significant efficiencies and reduce operating costs. The standard has enabled us to improve the immediate quality of the data we receive. Our data quality standards are conveyed efficiently, requiring significantly less intervention from agency staff to reconcile and validate. The data are more timely and accurate, allowing us to make better-informed decisions every day.

Interactive data and a common XBRL language have enabled us to dramatically improve the quality of communication between the regulatory agencies and reporting banks. Receiving data faster and more accurately strengthens our supervisory function and also improves the public transparency of the condition of the banking system. We've made an important investment in building this new system and it appears that the benefits have been well worth the cost.

Next Steps

The Central Data Repository was designed and built to allow it to be extended to other databases. Call Report processing was the first use, but we always envisioned the CDR processing additional data sets and providing many of the same benefits as the Call Report data processing.

We are applying XBRL to other data collection and reporting efforts. We are currently converting the Uniform Bank Performance Report, one of the key financial performance reporting tools used by bank examiners, to XBRL. We are also analyzing the use of CDR and XBRL for the FDIC's annual Summary of Deposits Survey, a data series containing deposit data on roughly 90,000 bank branches. We are working with other bank regulators to explore how XBRL can bring efficiencies to other interagency collaborative reporting efforts, such as the international capital requirements under the new Basel II data series.

We are also working to help the public gain full access to the benefits of XBRL. We are continuing to enhance transparency - using the mechanisms through which we distribute Call Report data to the public - by adding a website within the CDR to efficiently make Call Report data available externally.

Other Uses of XBRL

The FDIC has undertaken several initiatives to promote XBRL in the U.S. and elsewhere. We helped organize a Community of Practice for U.S. government agencies, including the Securities Exchange Commission, the Internal Revenue Service, and the U.S. Treasury Department to share experiences and lessons learned with XBRL. We've also held several discussions with the U.S. Office of Management and Budget to discuss XBRL and its potential management value as a U.S. government financial data exchange standard. And we've met with numerous other entities (both public and private) here in the U.S. and around the world.

In conclusion, the FDIC's implementation of XBRL has improved the safety and soundness of the U.S. banking system and its transparency to the public. We believe that the XBRL standard has widespread applications across both the public and private sectors with dramatic potential benefits to many forms of financial reporting.

Thank you.

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