Tangible benefits of data standards for business and regulators

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U.S. regulators tasked with implementing the Financial Data Transparency Act (FDTA) would be well-served to consider how governments in other regions have adopted a standardized data approach to reducing administrative burden and improving efficiencies.

Standard Business Reporting (SBR) is a business-to-regulator reporting program that the Dutch government calls the "*national standard for the digital exchange of business reports." SBR programs rely on data standards, including the XBRL (eXtensible Business Reporting Language) standard for financial reporting, for the exchange of information between local regulatory authorities, banks, and businesses. The goal of SBR is to reduce administrative burden across businesses and government agencies through automation in data processing.*

SBR provides a common, standards-based backbone for data definition and data collection, and has focused on the creation of a collaborative ecosystem across the reporting supply chain. Central to the initiative's success is the collaborative work done to agree and publish common technical definitions ("tags" or "electronic barcodes") across different agencies that seek similar information from the same parts of the private and public sectors.

> *Dutch administrative burden estimated at 3.6% of GDP (€16.3 billion) in 2002. Goal to reduce burden 25% by 2007. XBRL implementation estimated to account for €750 million of burden reduction amount.*

The program began on a voluntary basis in 2004, and worked in a voluntary mode for some time, establishing its first regulatory mandate in 2014. It is estimated to have met its goals of reducing administrative burden by 25% in 2007 off the baseline burden of €16.3 billion which was reported in 2002; with an additional 25% reduction in administrative burden by the end of 2011.

Businesses gain from "whole of government reporting" which gives them a single point of regulatory contact and the ability to submit one report to meet a number of regulatory needs. Using XBRL for financial reporting is estimated to account for €750 million of the first 25% saved. Regulators gain from machine-readable data that is interoperable, au-

tomatable, and consistent with other datasets.

Use of SBR has expanded significantly, with over 44 million XBRL reports submitted through the program in 2020, and 82% market adoption of the reference chart of accounts that was established to support SBR.

Background

In 2008, the OECD published a paper reporting that administrative burden in the Netherlands was high relative to other countries. Administrative burden is defined as the cost of 1) resources spent understanding the reporting obligation, 2) gathering, assessing, checking and presenting data, 3) internal and external meeting, and 4) submitting reports to regulatory authorities. These costs in the Netherlands were reported at 3.6% of GDP (€16.3 billion) in 2002. Concerns over the cost prompted the Dutch government to pass legislation setting a goal of reducing administrative burden by 25% from the 2002 baseline costs by 2007; and in 2008, a new target was set to reach an additional 25% reduction by 2011.

Volunteer members of the Dutch XBRL community began developing a taxonomy (digital dictionary of terms) to represent regulatory reporting requirements. Organizations involved included accounting firms, software developers, and others with a stake in financial reporting. They focused on a strategy to develop a data standards program that could improve efficiencies in data reporting, collection, and analysis across businesses and government agencies.

Regulators from the Central Bureau of Statistics, Tax and Customs Administration, the Housing Corporation, and the Business Registrar were observers to the development, but initially were not formally involved, and there was no requirement that businesses report using the data standards. The taxonomy development work focused on building modular taxonomies and collaborating with stakeholders such that a single concept could be shared across multiple reports, by multiple reporting entities. The expectation was that companies that used the taxonomies could map the concepts to their internal systems so that the data could be generated automatically in machine-readable, consistently structured format.

Although there was no regulatory mandate at this stage, a progress report released in 2006 indicated that implementation of certain measures of the program had reduced administrative burden by €1.9 billion. It was also noted in the OECD report, *"...realisation of the full 25% burden reduction target by end-2007 is heavily contingent on just three "big ticket" items: 1) the introduction of whole of government reporting/use of XBRL for financial reporting (some €750 million in aggregate); 2) social contribution integration-related measures (€295 million); and 3) mandatory e-filing and e-invoicing-related measures (€211 million)."*

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In 2014, the Dutch Tax and Customs Administration announced the first mandate which substantially boosted usage of the taxonomy, paving the way for further savings.

Today

> *Three pillars of Dutch SBR focus on harmonization of:*
> 1. *Data definitions*
> 2. *Process (how reports are submitted)*
> 3. *Technical specification (how data is standardized and conveyed).*

The goals of the Dutch SBR program were very similar to the goals of the FDTA today. While there are obvious differences between the Netherlands regulatory environment, and the scope of the FDTA, certain features of Dutch SBR could be informative to those tasked with implementing the FDTA.

Multiple regulatory agencies required to collaborate.

The SBR program now involves five government regulators: the Tax and Customs Administration, the Business Registrar, the Central Bureau of Statistics, the Housing Corporation, and the Ministry of Education. Four of these agencies have mandated information to be reported in structured (XBRL) format; only the Central Bureau of Statistics opted for voluntary XBRL reporting. Some of the data collected, for example tax reports, is not made publicly available, but other data sets, such as education and business registrar information are provided to the public.

Governance of the Dutch SBR is based on three pillars across all agencies: harmonization of data definitions, harmonization of process (how the reports are submitted), and harmonization of technical specification (how the data is standardized and conveyed). This approach allows software companies to use the same technology to submit reports from any reporting entity to any regulatory agency. This enables economies of scale which lowers the cost of reporting.

The Dutch Government does not have a mandatory chart of accounts. When SBR was established, a referential chart of accounts was developed so that software vendors could map businesses' internal accounting systems to the SBR Reference Chart of Accounts (called RGS). As of 2020, RGS had 82% market coverage.

Many, and varying, reporting entities. Different reported data.

The Ministry of Education collects data from approximately 2000 schools and universities. The Housing Corporation collects data in structured format from 400 semi-government institutions that build and rent out apartments and houses. The Business Registrar collects data from approximately 1.5 million businesses, the majority of which are sole proprietors that submit their information through a government-supplied portal provided by the Registrar. Several thousand small to medium sized entities use their own software or ERP system, or may engage an outside accounting firm to prepare the reports on their behalf.

The Dutch tax authority has 12-15 different tax-related streams, from income tax, to VAT, to inheritance tax, and almost all reports are required to be reported in XBRL format. For some tax-related streams, the authority provides a portal for submission; in other cases, accounting software is used to prepare and submit the tax report.

Reliance on commercial and open-source software providers for optimal efficiency.

When the Government began implementation, they started with smaller reporting entities first because collecting data from vast numbers of reporting entities presented the biggest opportunity to reduce administrative burden. The Government provided portals for the smallest entities to make the transition less burdensome.

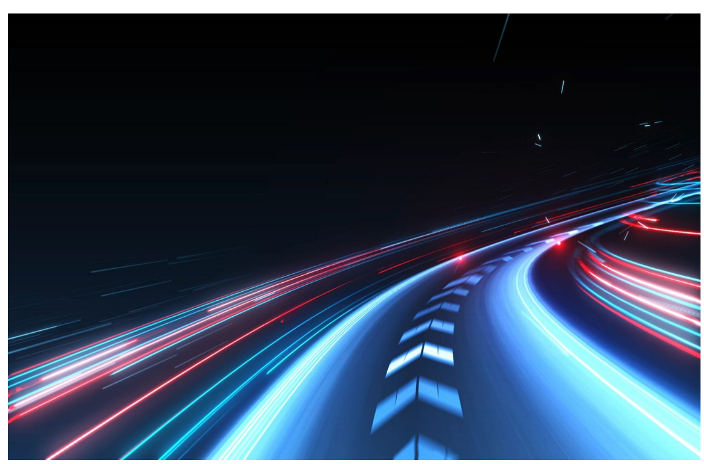
That said, the Dutch Government is reluctant to provide reporting services as they prefer to rely on the competitive software market for the greatest efficiency and economies of scale. Commercial software providers play a critical role and the Dutch Government has encouraged their involvement in the SBR program. For VAT collections for example, there are approximately 100 vendors that assist reporting entities to prepare their VAT reports. While there are many accounting software applications that provide reporting tools that generate machine-readable XBRL data, about 80% of the market falls to around a dozen vendors. Entry level accounting software for small businesses ranges from 20-30 euros per month ($21-$32); reporting of data in machine-readable (XBRL) format for submission to regulators is bundled into the software. Similarly, for larger organizations that outsource their financial reporting to accounting firms, the cost of XBRL preparation is typically included in the price.

Shared taxonomies. Modularized with regulators responsible for their own data collection.

Each regulator is responsible for their own taxonomy but the agencies together share the same data dictionary so that their data can be commingled and is interoperable. All entry points to the taxonomies are consolidated. The Tax authority built and manages their own taxonomy and database, relying on validation rules to check for accuracy and data quality. The Business Registrar, Housing Corporation, and Ministry of Education outsource the development and management of their individual taxonomies. Although they maintain separate taxonomies, there is a consolidated entry point, data dictionaries are reused, and the same technical specification is followed. Businesses are able to submit all their data, for example, financial statements, credit information, tax-related reports, to a single repository. Regulatory agencies and banks then extract the data they need.

B2B expansion

With XBRL-based data preparation and collection very much ingrained into the normal business activities of companies of all sizes, SBR has expanded into the private sector. Dutch banks work together via “SBR Nexus” to leverage the official SBR taxonomies used for financial reporting from business to government to collect their own digital reports on the operations of their customers. This data is used both to help make credit decisions and to ensure that they have better, more up to date and finer grained performance information about the companies in their lending portfolios. This, in turn, helps banks in the Netherlands to fine tune their own credit models, improving capital allocation and overall risk management.



Going forward

In future years, Dutch regulators plan to expand SBR to cover additional sectors and organizations. The SBR Roadmap 2020-2025 names three strategic goals:

- Aim for high quality and future proof electronic data exchange
- Innovate ways of working and strengthen knowledge, skills and communication
- Maintain and strengthen relationships with stakeholders

The Dutch experience illustrates the power of data standards programs that can be used to improve efficiencies, reduce burden and generate economies of scale in any market. We encourage FDTA agencies to consider this approach as they establish their own roadmap for FDTA implementation.

Read more about SBR in the Netherlands:

SBR web page: https://www.sbr-nl.nl/english/what-is-sbr

Standard Business Reporting, Unequivocal and simple reporting: https://www.sbr-nl.nl/sites/default/files/public/Afbeeldingen/Engelse_factsheet_Eenduidig_en_eenvoudig_rapporteren.pdf

Government Programs to Reduce Administrative Burdens, Source: OECD, January 22, 2008: https://www.oecd.org/tax/administration/39947998.pdf

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