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## Credit Risk Rating Service by Accountants A new challenge for the profession

### Experience from a Dutch project by

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[www.fee.be](http://www.fee.be)



## Background Royal NIVRA

- Founded 100+ ago
- Professional body Certified Accountants
- Approx 14.000+ members
  - ↳ 4.400 in Public Practise
  - ↳ 2.000 internal
  - ↳ 5.500 in business
  - ↳ 2.200 not active
  - ↳ 900 audit firms
- Member of XBRL Int. since y 2000



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## Overview Netherlands landscape

### ➤ **Businesses**

- ↳ 1.000.000+, most SMEs
- ↳ 600.000+ need to file financial statements, no audit opinions
- ↳ 10.000 with an audit opinion (statutory audit)

### ➤ **95 – 99%** of the business use financial intermediaries like

- ↳ Accountants / Auditors / Tax advisors

### ➤ **Professional bodies**

- ↳ 2 for accountants / auditors: Royal NIVRA / NOvAA (6.500)
- ↳ 3 for tax advisors (around 12.000 professionals in total)

### ➤ **All corporate tax filings** are mandatory electronically

- ↳ since 2005



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## Landscape is changing rapidly

### ➤ **Netherlands Taxonomy Project (NT P)**

- ↳ Project lead by Dutch Government
  - **Standard Business Reporting (SBR)**
  - Objective: Reduce costs for businesses
  - Standardising and digitising information exchange between Government and Businesses focussing on
    - Financial, Tax and Statistical information
    - Based on XBRL

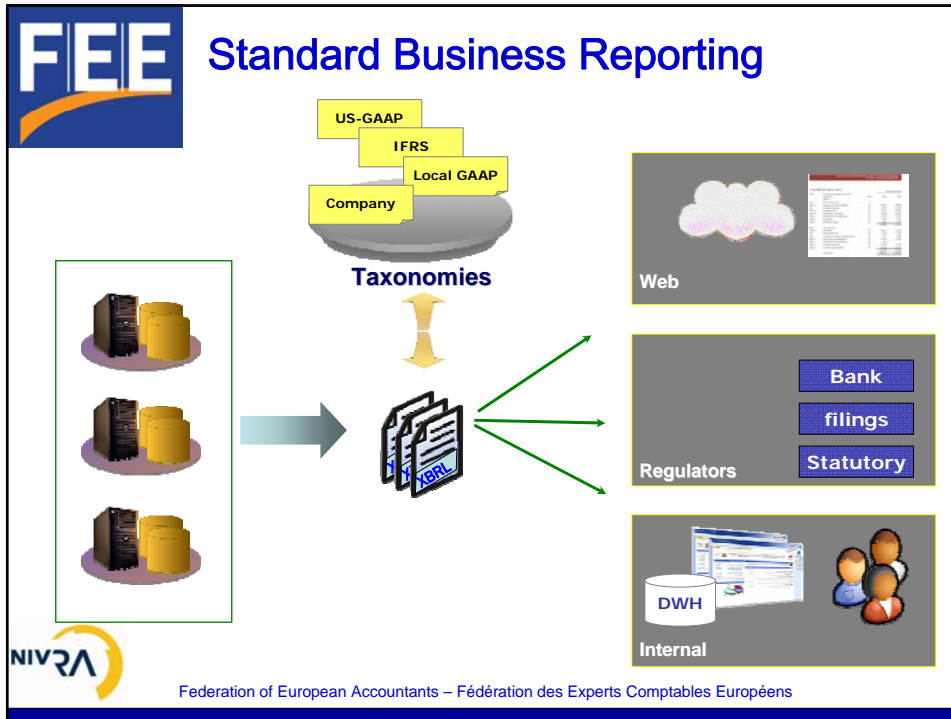
### ➤ **Implementation of Basel 2**

- ↳ More focus on risks related to individual businesses
- ↳ Means different interest rates for businesses



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- FEE** Consequences for the profession
- XBRL/SBR will have an impact on**
- The Information Reporting Supply Chain
  - The current processes / business model of accounting / audit firms
  - The role and added value of accountants (SMPs)
    - ↳ The preparing of financial statements, tax filings, statistical reports will become a commodity
    - ↳ Demand / opportunities for new services like
      - **Credit Risk Rating Services**, Basel 2 (SMEs)
      - **Tax assurance** (SMEs)
      - **Supporting corporate finance**, Basel 2 (SMEs)
      - Internet bookkeeping
      - Handling / processing (E-)invoices, E-payments
      - Outsourcing / off shoring of processes of SME's or SMPs
      - Providing 'assurance' on Data (sets) in XBRL format
- NIVRA**  
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## Why NIVRA is supporting SBR?

- Because of globalization reporting need to be
  - ↳ Standardized (IFRS – US GAAP / IFRS for SMEs / Local GAAP)
  - ↳ Harmonized
  - ↳ Minimized (what is needed, based on law)
  - ↳ Tailored information
  - ↳ Electronic available all over the world and easy to access
  - ↳ Cost efficient / effective
  - ↳ XBRL is only the enabling technology
- Less labour-intensive (aging problem, shortish of people)
- Innovates the Information Reporting Supply Chain
- Provides opportunities for new services



**Challenge: Accountants / Businesses do not like change!!**

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## Credit Risk Rating

- Position Banks (Rabobank / ABN AMRO)**
- Will collect financial information electronically based on standard information (NT with extension) and XBRL
- Reason why: High quality comparable data
- Deal with it automatically, online real-time without manual interference
- Will:
  - ↳ Increase speed and lower costs
  - ↳ Increase competition and shopping
  - ↳ Have an impact on interest rates
  - ↳ Have an impact on the role of the accountant



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## Role of accountants

- Preparing financial information will be come a standard process
- Can add value to the process and information
- Support clients in dealing with banks



## Means

- Accountants need to have
  - ↻ Knowledge of corporate finance SMEs and Credit Risk Rating Basel 2
  - ↻ Understanding of risk profile client based on independent Credit Risk Rating



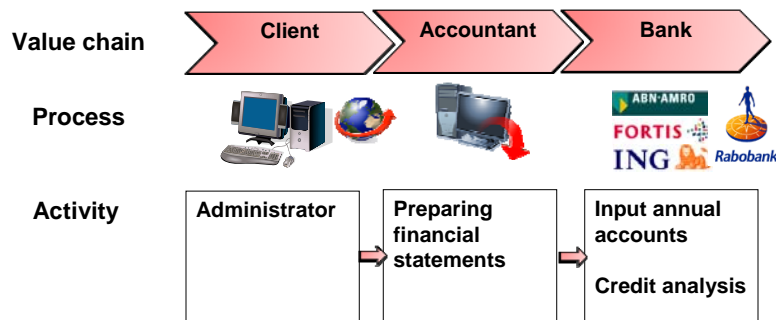


## Credit Risk Rating Services by accountants

- Based on standard information (with extension if needed) of a business
- Provided by accountants
- Credit Risk Rating provided by an independent CRS Services
- Basis for advising and supporting clients

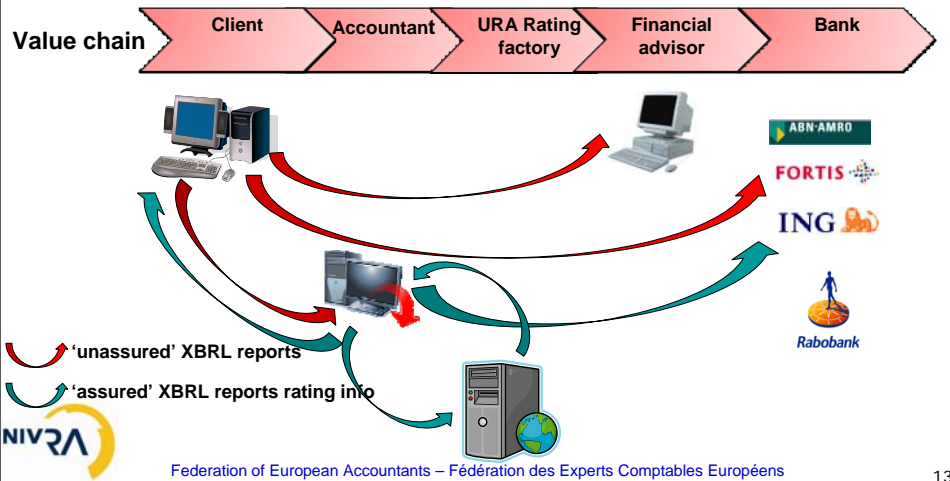


## Current situation





## Future situation



## What is happening know

- Much interest accounting firms
- Project started with URA Rating Agency B.V.
- NIVRA is developing trust model to set standards for / and guarantee
  - ↳ Expertise of the accountant
  - ↳ (Quality) of information to provide for rating
  - ↳ Process of exchange of information
  - ↳ Quality of the rating services





## More information

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