



cutting through complexity

Basel Committee on Banking Supervision
“Risk Data Aggregation” (BCBS 239)

Introducing BCBS239 – Translating the principles into requirements

October 13th, 2015



Time Horizon

- In January 2013, the Basel Committee on Banking Supervision (BCBS) has published **”Principles for effective risk data aggregation and risk reporting (BCBS 239)”**.
- The principles will apply to *globally systemically important banks* (G-SIBs) by **01/01/2016** and will have to be implemented by that date.
- A **national consultation** is **not** expected.
- BCBS recommends to apply these principles to *nationally systemically important banks* (N-SIBs) at the **discretion of national regulators**.



- **Completeness of data:** e.g. for how many loans do you have the original effective interest rate? Or for how many corporate borrowers do you have its “Revenue” in the systems?
- **Comparability of data:** Do finance and risk functions produce different results over the same data?
- **Aggregation of data:** how many times do you have to run the datasets in order to get a reasonable quality of data for COREP or comprehensive assessments?
- **Form of data** e.g. with how many different ways you can write the word “Limassol”?
- **Common understanding of definitions:** e.g. what do you mean by “connected persons”
- **Production of data and reporting:** Do you sometimes use MIS and sometimes other bases to produce reports over the same topics?

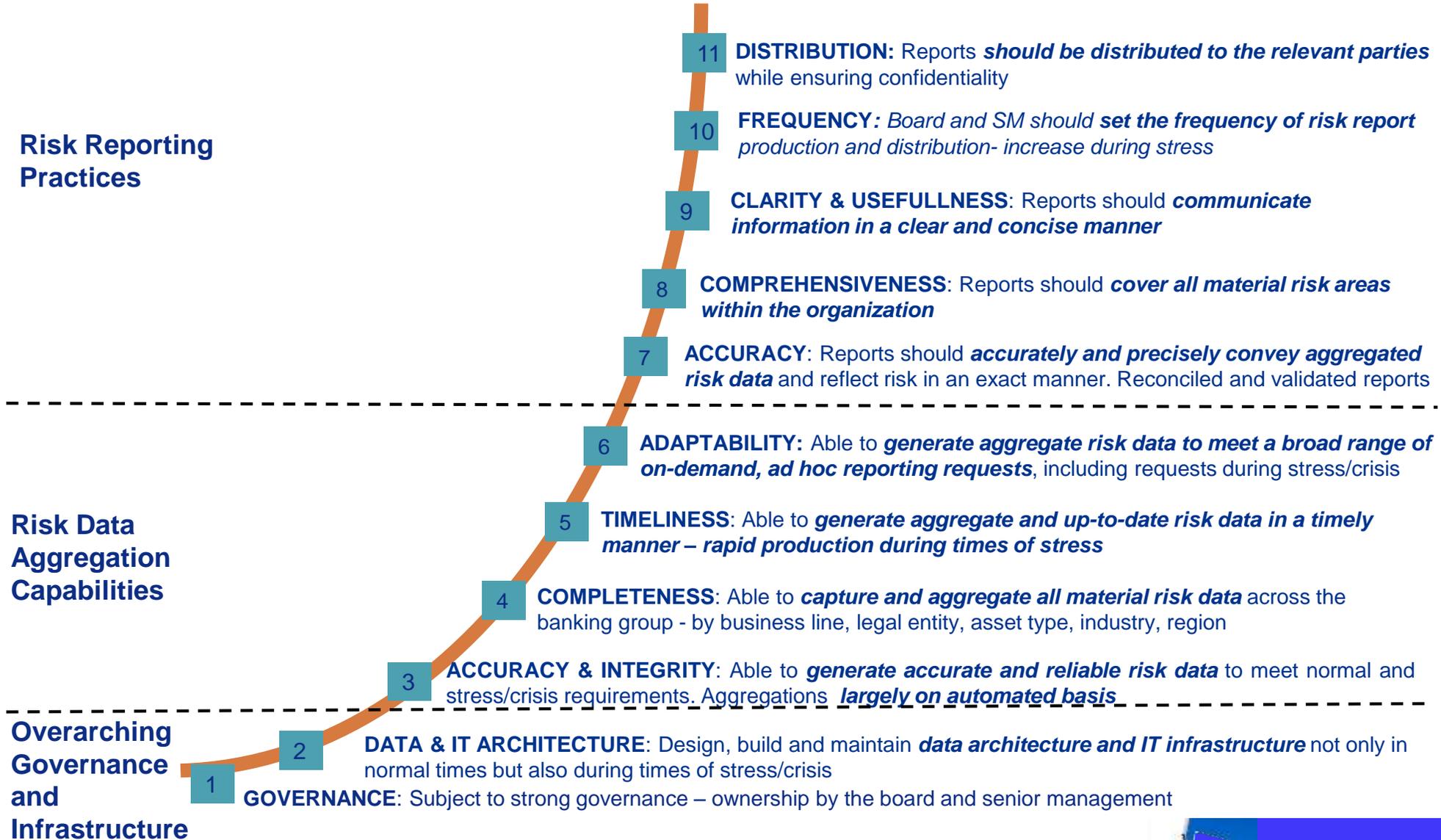


The new regulation requires **substantial investments** in:

- Infrastructure,***
- Operational structure as well as***
- Organizational structure.***

However, a comprehensive implementation provides a **basis for improvements in bank steering** and **medium to long-term potential for the realization of synergy effects**

BCBS 239 – Principles for effective risk aggregation and risk reporting - Banks



One topic addressing the national supervisor

- **Review and monitoring** of compliance with principles by the national supervisory bodies.
- Recommendations on the **implementation of suitable tools** for reviews and **on sanctions** by the supervisory body
- **Cross-border cooperation** of supervisors



Three topics addressing Banks

- The **responsibility for data quality** lies with the **management board and senior management**, who must be fully cognizant of the limits of risk reporting.
- The goal is the **correctness** of risk data regardless of organizational limits (such as business units, jurisdictions, etc.).
- **Effective IT support** of risk data aggregations and its reporting must **also** be available **in times of crisis and stress**.

Three topics addressing Banks

- **Timely preparation and distribution of validated risk reports.**
- Integration of all material risk areas
- Risk Reporting must be **comprehended by those to whom it is addressed**
- **Weaknesses** and limits of risk reporting **are transparent** and can be considered in decisions

Three topics addressing Banks

- Capacity for the generation of **correct and complete risk data**.
- **Automation** of the generation of risk data to the extent possible in order to reduce errors.
- Assurance of **timely** risk data aggregation.
- **Flexibility and scalability** of risk data aggregation with regard to ad hoc reporting and regulatory requirements (in particular, also in crisis scenarios).



14 principles of data aggregation and risk reporting in BCBS 239

1. Governance
2. Data architecture & IT infrastructure
3. Accuracy and Integrity
4. Completeness
5. Timeliness
6. Adaptability
7. Accuracy



8. Comprehensiveness
9. Clarity and usefulness
10. Frequency
11. Distribution
12. Review
13. Remedial actions and supervisory measures
14. Home/host cooperation

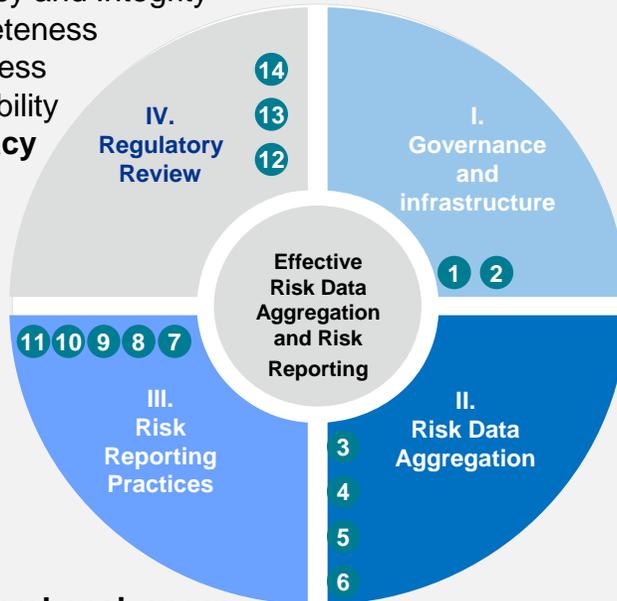
A. Topic area "IT Architecture"

- A1** Risk **data models unified** or automatically reconcilable across banking group with **unified naming conventions**
- A2** **Unified level of detail of data across** the group to enable fully flexible reporting
- A3** Risk and accounting **data to be reconciled**
- A4** **High degree of automation** for risk data aggregation, manual steps as an exception only
- A5** Strive for **single source** of risk data per risk type



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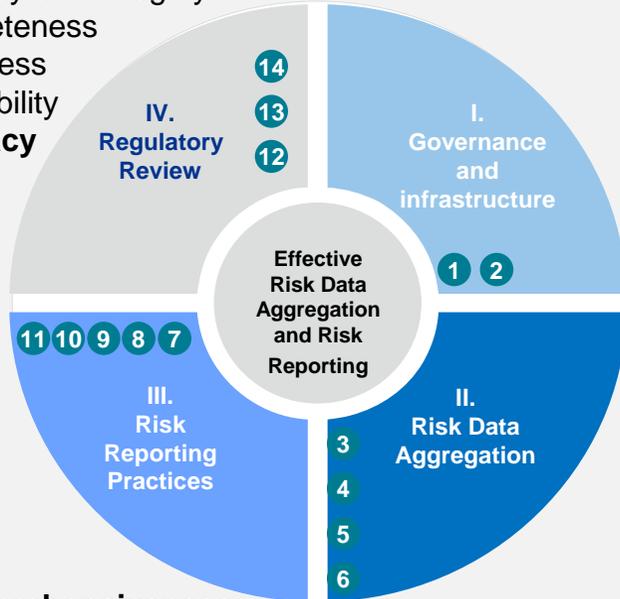
B. Topic area "Data Quality Framework"

- B1** Effective **data quality management** including **automated measurement methods** and escalation procedures
- B2** Comprehensive **data governance** for risk data including **data owners from business and IT**
- B3** Documentation of **reporting and reconciliation processes**
- B4** Automatic and manual **quality checks** in the reporting process



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C. Topic area "Risk Reporting Process"

- C1** **Adaptable** and **ad-hoc** reporting capability with **drill-down** into various risk dimensions, **stress testing**
- C2** **Comprehensive, timely, dependable and adaptable** risk reporting capability across **all units** and **all material risks**



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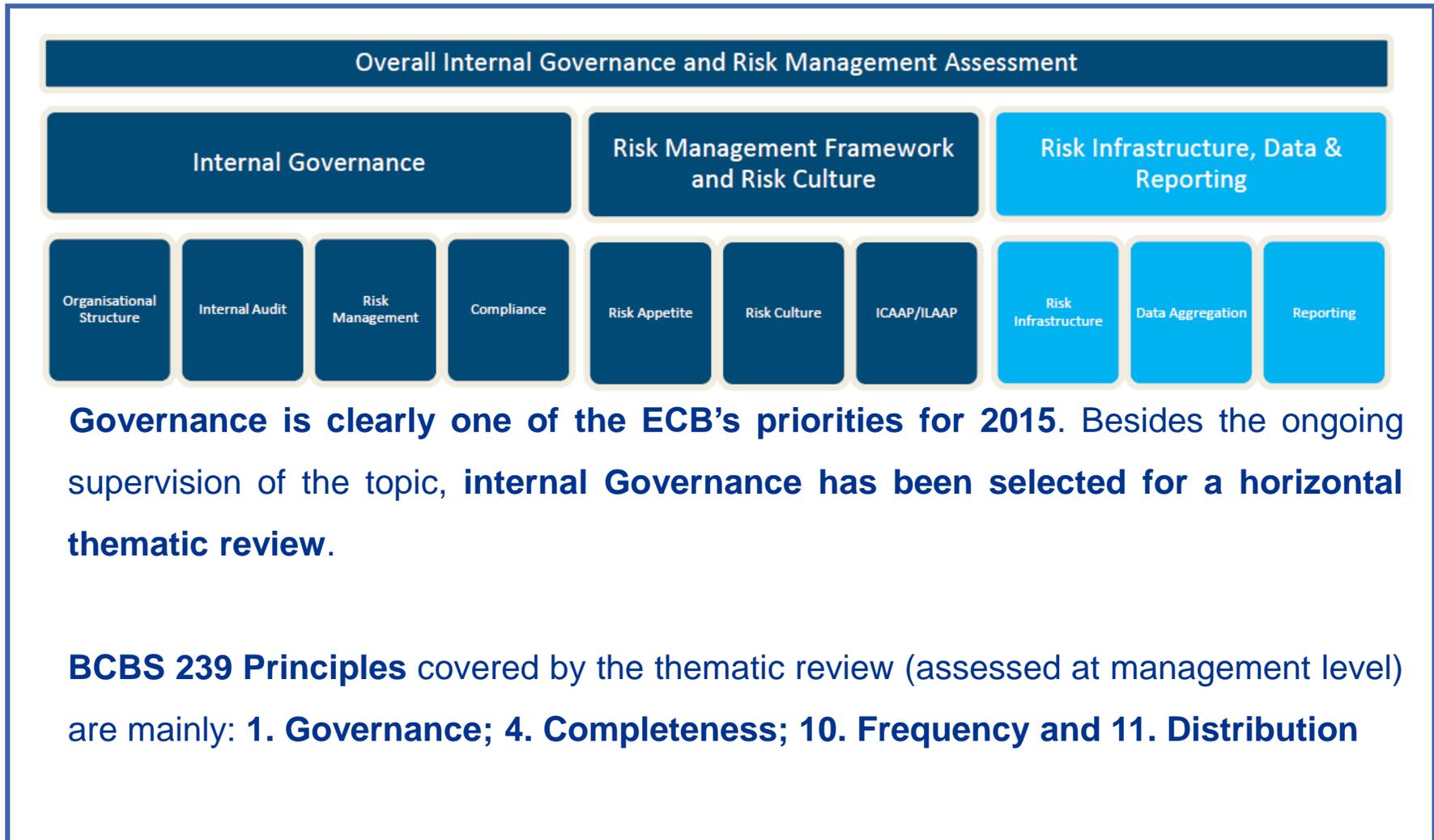


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D. Topic area "Organizational and IT Management"

- D1** Risk reporting and aggregation to be **mapped into IT strategy / implementation roadmap**
- D2** **Independent validation** of standard compliance
- D3** Full **business continuity** capability for risk reporting





Compliance with the standard can lead to substantial economic and managerial benefits

Benefits

Reduction in capital costs and liquidity buffer as a result of granular, error-free data as a calculation basis as well as higher calculation intervals

Realizing synergy potential between the areas of risk reporting, accounting and controlling

Reduced operating costs through streamlining of the data management process and reductions in manual (coordination) processes

Reduction in IT maintenance costs stemming from standardized data definitions (less transformation / standardization necessary)

Improved speed and quality of analyses and reports drafted by risk management, which in turn expedites the decision making process

Higher quality responses despite reduced response time and costs for ad-hoc requests by the national regulators





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Thank You *Questions?*

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