Comments

ECB Consultation on Guide on effective risk data aggregation and risk reporting

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Comments on Guide on effective risk data aggregation and risk reporting

ID	Chapter/ section	Sub-point/ bullet/ paragraph	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
1	3.1 Responsibilities of the management body	all	5	Clarification	What is the management body? The board of directors? Also the supervisory board? Which of the following paragraphs refer to the board of directors (Vorstand) and which to the supervisory board (Aufsichtsrat)?	It is unclear which bodies should assume which of the above-mentioned responsibilities.	Drefahl, Christian	Publish
2	3.1 Responsibilities of the management body	all	5	Clarification	Does the management body refer to the complete management body or does it also allow individual members or commitees to fulfil the described tasks/roles?	Delegated bodies already exist for some of the tasks and responsibilities mentioned. It is unclear whether such a practice is considered compliant. In addition, it is unclear whether individual members of the governing bodies can perform the aforementioned tasks or whether the entire governing body needs to.	Drefahl, Christian	Publish
3	3.1 Responsibilities of the management body	No. 2	5	Deletion	Is the phrase "...establish the institution's own view of what it means to be adherent to the BCBS 239 principles" redundant with 3.1.3?	The exact same sentence is also in the following paragraph.	Drefahl, Christian	Publish
4	3.1 Responsibilities of the management body	No. 2	5	Clarification	Data quality is listed here "in terms of accuracy, completeness, timeliness and adaptability". While accuracy, completeness and timeliness are characteristics of the data and can be monitored as part of a data quality management process, adaptability is an overall characteristic of the institution's risk data aggregation capabilities and cannot be monitored as data quality.	Text sections such as 3.3.1, bullet 2 are more precise in this respect. We would suggest to keep data quality dimensions restricted to characteristics that can be monitored on the data.	Drefahl, Christian	Publish
5	3.1 Responsibilities of the management body	No. 6	6	Amendment	Supervisory reporting is not necessarily used for decision making. Respective reports are not used to steer banks business or risk appetite.	Supervisory reports are clearly defined by regulatory standards, so no further "confirmation" by the management body is needed. The same applies to Pillar 3 disclosure.	Drefahl, Christian	Publish

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6	3.2 Sufficient scope of application	2nd Paragraph of introduction	6	Clarification	"The data governance framework of an institution should clearly define and document the scope of application and specify the reports, models, risk data and indicators that are included. The data and critical data elements should also be explicitly identified." What is the difference between "risk data" in the first sentence in comparison to "the data" and "critical data elements" in the 2nd sentence? Does the second sentence include additional requirements?"	Is the second sentence needed?	Drefahl, Christian	Publish
7	3.2 Sufficient scope of application	No. 1	6	Clarification	What is the reason, that the Guide is called "Effective risk data aggregation and risk reporting" while scope of application is extended to financial and supervisory reports?	The title of the guide is misleading	Drefahl, Christian	Publish
8	3.2 Sufficient scope of application	No. 1 (a)	7	Clarification	What does "report" in the context of "management information system" mean? Does it really include all reports, templates etc. that are provided to the management? And only reports with risk data or also without any risk data, e.g. validation reports or progress reports on findings/measures, internal reports on strategies, performance and efficancy indicators?	As the guideline and the standard refer to risk data it is unclear why reports without any risk data should be in scope. The implications would be monumental and not manageable.	Drefahl, Christian	Publish
9	3.2 Sufficient scope of application	No. 1 (a)	7	Clarification	Please specify what "Management Information System" means in this context.	It is unclear what is meant here. The term in this context should refer exclusively to risk management information.	Drefahl, Christian	Publish

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| 10 | 3.2 Sufficient scope of application | No. 1 (b) | 7 | Deletion | a) External financial reports such as the annual financial statements are subject to strict legal requirements; compliance is verified by external auditors. Why should further regulations be applied now?

b) The scope of application is defined by the risk measures of the risk data to be included. Consequently, the reporting elements to be included are also derived from these risk measures. Therefore, the naming of individual reports and especially the inclusion of accounting reports in chapter 3.2 is contradictory and should therefore be adjusted. | a)
- The annual IFRS financial statements are audited by the external auditor.
- The voluntary, shortened IFRS interim financial statements as of March 31th as well as September 30th are reviewed by the external auditor. This is carried out "in compliance with the German principles for the audit review of financial statements as established by the Institute of Public Auditors (IDW PS 900)". For this, institutions receive a certification from the external auditor after review which is not published.
- The IFRS interim financial statements to be prepared in accordance with the German "Wertpapierhandelsgesetz" (WpHG) as of June 30th is also reviewed by the external auditor. This is carried out "in compliance with the German principles for the audit review of financial statements established by the Institute of Public Auditors (IDW)" (IDW PS 900). For this purpose, institutions receive a certification from the external auditor after review, which is published in the half year report.
- The audit of the consolidated financial statements to be prepared in accordance with the German Commercial Code as of December 31th is carried out in accordance with § 317 HGB. For this purpose, institutions receive a confirmation statement from the external auditor, which is published in the annual report.
- Furthermore, the German BaFin also conducts regular audits of the existing processes relating to the preparation of the consolidated financial statements.

b)
The principles for effective risk data aggregation and risk reporting (BCBS 239) require in paragraphs 36 a) and c) and 56 that risk data should meet the quality standards of accounting data. In line with this, according to Chapter 3.5, paragraph 1 of the ECB's Guide on Risk Data Aggregation and Risk Reporting (RDARR), periodic reconciliations should be performed with other sources such as accounting. Thus, both the BCBS 239 principles and the RDARR guide explicitly distinguish accounting data from risk data. The BCBS 239 Principles clearly focus on risk measures transported in reports. This is also | Drefahl, Christian | Publish |

						stated in the RDARR guidelines in chapter 3.2, paragraph 3: Regarding risk data and indicators, the scope should at least include the indicators on the risk appetite of the institution and the most important risk measures referred to in the internal risk reports (described above). Therefore, in our opinion, the formulations in the RDARR Guideline in chapter 3.2, paragraph 1 (... the framework on RDARR is to be applied to all processes of financial and supervisory reports ...) and especially the explicit enumeration of different financial reports and supervisory reporting templates in chapter 3.2, text paragraph 1 a) to c) are misleading.		

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11	3.2 Sufficient scope of application	No. 1 (c)	7	Clarification	Irrespective of our fundamental comment on the scope of application, the question arises as to how the requirements of Principles 8-11 should be applied to reports whose structures and contents are largely externally prescribed. This includes, for example, reports on supervisory stress tests, "supervisory and financial reports" and FINREP/COREP reporting templates, which are all mentioned as BCBS 239 relevant.	It is unclear how a mapping of the mentioned principles to these external requirements should be done. In particular, an addressee fairness test with the supervisory authorities or the markets (in the case of external financial reports) as addressees does not seem feasible. Nor can an institution assess whether the external requirement has been met. It should be made clear what the expectations of the supervisory authority are in these cases.	,	Publish
12	3.2 Sufficient scope of application	No. 2	7	Clarification	The guide clarifies that application of data governance and data quality management to data used for development of internal models (also in sections 3.5.1 and 3.7). While we acknowledge the benefits of the application to this area, we would like to point out that the nature of data usage in model development is different to the nature of data usage in the productive application of the models. In result, the implementation of data lineage documentation as well as the implementation of the monitoring and reporting of data quality will be different.	Clarification is needed as the nature of data usage in model development is different to the nature of data usage in the productive application of the models.	Drefahl, Christian	Publish
13	3.3 Effective data governance framework	No. 1	7	Clarification	We welcome the clarifications in the guide on the roles and responsibilities of data owners or data stewards which is close to our observation of industry best practices. Our understanding is that, especially in large organisations, the front to end data aggregation will touch responsibilities of different data owners or data stewards within the organisation (such as within business and control functions) and that there is not a single owner for the complete front to end chain.	Clarification is needed as there is not a single owner for the complete front to end chain.	Drefahl, Christian	Publish

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14	3.3 Effective data governance framework	No. 2	8	Clarification	We welcome the clarification on the responsibilities of the central data governance function which is close to our observation of industry best practices. However, different effective solutions exist regarding the split of responsibilities between the central function and the decentral data owners or data stewards as described in section 1. In particular, regarding point (iv), it should be left at the discretion of the institution whether the central function directly participates in the relevant change management processes, or whether the central function ensures that a member of the data governance organisation, such as a data steward responsible for the affected area and with more direct knowledge of the circumstances, participates in the process.	Clarification is needed as different effective solutions exist regarding the split of responsibilities between the central function and the decentral data owners or data stewards.	Drefahl, Christian	Publish
15	3.3 Effective data governance framework	No. 3	8	Clarification	We understand that the phrase "the separation of the validation function into two different units" is not meant to imply two units within the validation function, but rather the separation of the central data governance function in section 2 from the independent validation function in section 3. We suggest to review the wording used here.	Clarification is needed as the phrase "the separation of the validation function into two different units" leaves room for interpretation.	Drefahl, Christian	Publish
16	3.4 Integrated data architecture	Sentence 2	9	Clarification	Please specify "main business concepts" in this context, how does it differ from the metadata repository?	It is unclear what is meant here.	Drefahl, Christian	Publish
17	3.4 Integrated data architecture	No. 1 to 3	9	Clarification	Is our understanding correct that the definition of data taxonomies given in 3.4 is sufficient for an integrated data architecture?	The definition of integrated data architecture is not clear.	Drefahl, Christian	Publish
18	3.4 Integrated data architecture	No. 3	9	Clarification	In general, we welcome that the role of data lineage is now explicitly mentioned in the guide, with a clear link to its focus in the last sentence of the section, removing ambiguities from the original BCBS 239 paper. However, data lineage requirements should be met at a meaningful level of granularity. Please confirm that institutions can continue to document the data flow on a non-data field-level (system level).	Clarification is needed to remove ambiguities.	Drefahl, Christian	Publish

19	3.5 Group-wide data quality management and standards	No. 1	9	Amendment	We appreciate that appropriate controls should be in place, but the respective requirement is too broad and far-reaching. Here, institutions should be allowed to apply a risk-based approach to enable a reasonable cost-benefit-ratio.	In particular, it is simply unrealistic to expect all risk indicators and model development data to be in scope.	Drefahl, Christian	Publish
20	3.5 Group-wide data quality management and standards	No. 4	10	Clarification	Please confirm that a Group can exclude those EUCs from consideration that have no significant impact on data collection, data processing and data transformation within the BCBS 239-related reporting processes.	EUCs are not per se data quality related, but often used to ease or shorten processes by automation.	Drefahl, Christian	Publish
21	3.5 Group-wide data quality management and standards	No. 5	10	Clarification	Why are controls necessary for "any manual workaround"? A restriction to "manual workarounds with material impact on data quality" would better fit the purpose and match the wording in the paragraph.	Inconsistency within the paragraph (last sentence refers to workarounds with material impact on data quality; first sentence to any manual workarounds).	Drefahl, Christian	Publish
22	3.5 Group-wide data quality management and standards	all	9, 10	Clarification	The comment on model development data to 3.2, section 2 applies here as well. Refer to ID 12.	Refer to ID 12.	Drefahl, Christian	Publish
23	3.6 Timeliness of internal risk reporting	all	10, 11	Clarification	Decision making is not purely driven on standard reporting. There are regular reports to steer the risk appetite supplemented with more frequent updates. The production time of monthly or quarterly risk reports, as discussed in the 5th paragraph, strikes a balance between timeliness of report distribution and comprehensiveness of the included information. This can be mitigated by providing the information needed to react to changes in flash reports or other more timely reports. We therefore consider a strict limit of 20 working days for all such reports inappropriate.	Clarification is needed as a strict limit of 20 working days for all such reports is considered inappropriate.	Drefahl, Christian	Publish