Improving data quality, data aggregation, and data reporting

Heightened regulatory requirements and the need for efficiency drive RDAR investments.

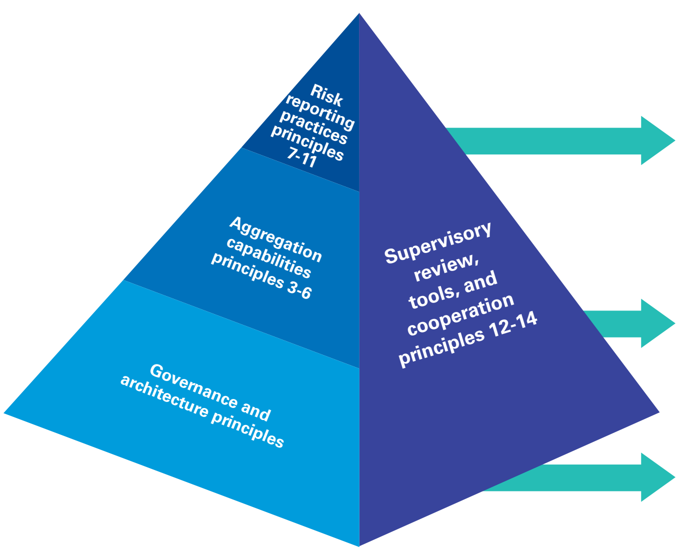
Well-designed enterprise risk data aggregation and reporting (RDAR) solutions are straightforward. Each of the "layers" are critical pieces of a well-designed enterprise risk infrastructure. Nonetheless, over the years, pockets of purpose-built risk reporting systems have been developed within financial services organizations, growing up within both the business and information technology (IT) infrastructures.

As new risk-related regulations arise, organizations typically expand the size and scope of these solutions, including their own data integration, data dumps, and reports. Not only are they developed independently, they are often built on applications outside of the official enterprise architecture.

While some progress has been made in developing more robust, effective, and efficient risk and regulatory reporting, the process of complying with RDAR principles is still unfinished and the application of Basel Committee on Banking Supervision (BCBS) 239 remains very inconsistent among institutions.

At KPMG LLP (KPMG), our approach is to utilize BCBS 239 as a cross-organization catalyst for change. To begin this journey, we started with the 14 BCBS 239 RDAR principles and, as illustrated below, we divided them into 4 related sets of principles: governance and architecture; aggregation capabilities; risk reporting practices; and supervisory review, tools, and cooperation.

We then baselined those principles through our interpretation of the specific regulatory expectations and cross-walked the 14 principles through KPMG's strategic operating model framework. By using this well-tested approach, we can help organizations implement the BCBS principles in a strategic and sustainable way.



Key RDAR components:

- Documented, end-to-end report production processes
- Escalation and remediation processes
- Reporting accuracy, materiality, and completeness thresholds

- Single source of truth (golden source)
- Standard data dictionary
- Data quality controls and processes
- Data quality metrics and monitoring
- Standards for data completeness and timeliness

- Integrated architecture
- Holistic risk data governance

Regulators are focused on RDAR and BCBS 239 compliance.

BCBS 239, and related data governance, quality and aggregation practices, are becoming a focus area of recent Matters Requiring Attention (MRAs)/Matters Requiring Immediate Attention (MRIAs).

The purpose of this regulatory attention is to use the 14 BCBS 239 principles to include several objectives:

- Strengthen banks' infrastructures for risk data aggregation and reporting
- Enhance decision-making processes
- Better align legal entity and group information

Increasingly, regulators are expecting the first and second lines of defense to take ownership of risk data and closely align with underlying IT and/or operations infrastructure.

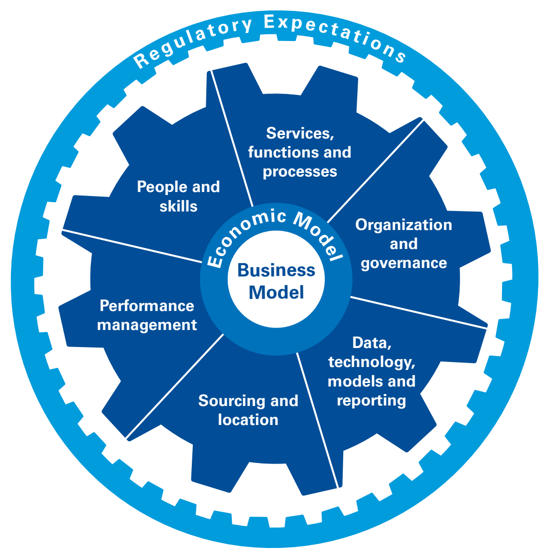
Recent RDAR-related guidance states that bank holding companies should also conduct a self-assessment of status and gaps against BCBS 239 compliance. This includes designing an integrated control and reporting framework for accounting and risk data.

To be BCBS-compliant, Comprehensive Capital Analysis and Review documentation requires clear definition of owners for each schedule and underlying data, as well as a narrative on how data quality is governed and/or assured.

Near-term challenges observed in RDAR implementation:

In our experience, KPMG has observed the following challenges in the effective implementation of RDAR:

- Streamlining manual stress testing into an automated process
- Increased automation of point solutions
- Robust data governance framework
- Appropriate first and second line of defense alignment
- Integrating RDAR standards into in-flight programs
- Identification of "golden" sources of data for critical data elements (CDE's)
- Elimination of redundant data stores and silos of functional data
- Lack of clear data lineage for CDE's
- Reviews of key risk reports
- Producing regional versus line of business views of risk and capital
- Defining success factor from an architectural perspective
- Catalyst for cross-organization positive change
- Measuring and helping maximize return on investment
- Enhancing operating model to include RDAR principles
- Appropriateness to size and scale of the institution
- Opportunity to enhance governance and processes beyond IT into risk, finance, and compliance.



KPMG's quick scan includes assessing the organization based on **200-plus** considerations comprising the **14** operational reporting principles.

KPMG's RDAR quick-start methodology offers a modular approach for a smooth application of RDAR principles, including:

- **RDAR quick scan assessment**: Includes assessing the organization's compliance with BCBS 239 principles
- **RDAR compliance gap analysis**: Helps assess the differences in the organization's "present state" and "target state"
- **RDAR data lineage and report sample testing**: Creates, stores, and distributes data profiles for all relevant data sets
- **RDAR road map**: Helps improve data availability and management, how the organization manages it through their work flow, and then how they use it to help with risk reporting business decisions
- **RDAR fast-track reference architecture**: Enables and shapes IT strategy and develops IT infrastructure
- **RDAR rapid prototyping**: Provides the implementation of the aggregation rules into a set of mapping logic or templates to be implemented in an effective way
- **Compliance dashboard**: Provides the ability to visualize and monitor financial institution key performance indicators and key risk indicators

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