

A pragmatic guide to BCBS 239 compliance: *Inventorise, Connect and Control*

Collaborative Approaches
To Risk Data Aggregation And Reporting



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Overview of the Basel Committee Principles – Context & Timeline

Background

*“One of the most significant lessons learned from the global financial crisis that began in 2007 was that banks’ information technology (IT) and data architectures were inadequate to support the broad management of financial risks. Many banks lacked the ability to aggregate risk exposures and identify concentrations quickly and accurately at the bank group level, across business lines and between legal entities.” **

Objectives

- Enhance infrastructure
- Improve decision-making process & MI timeliness
- Enhance MI at legal entity and consolidated level
- Reduce probability and severity of losses
- Improve strategic planning & new product risk mgmt

Scope

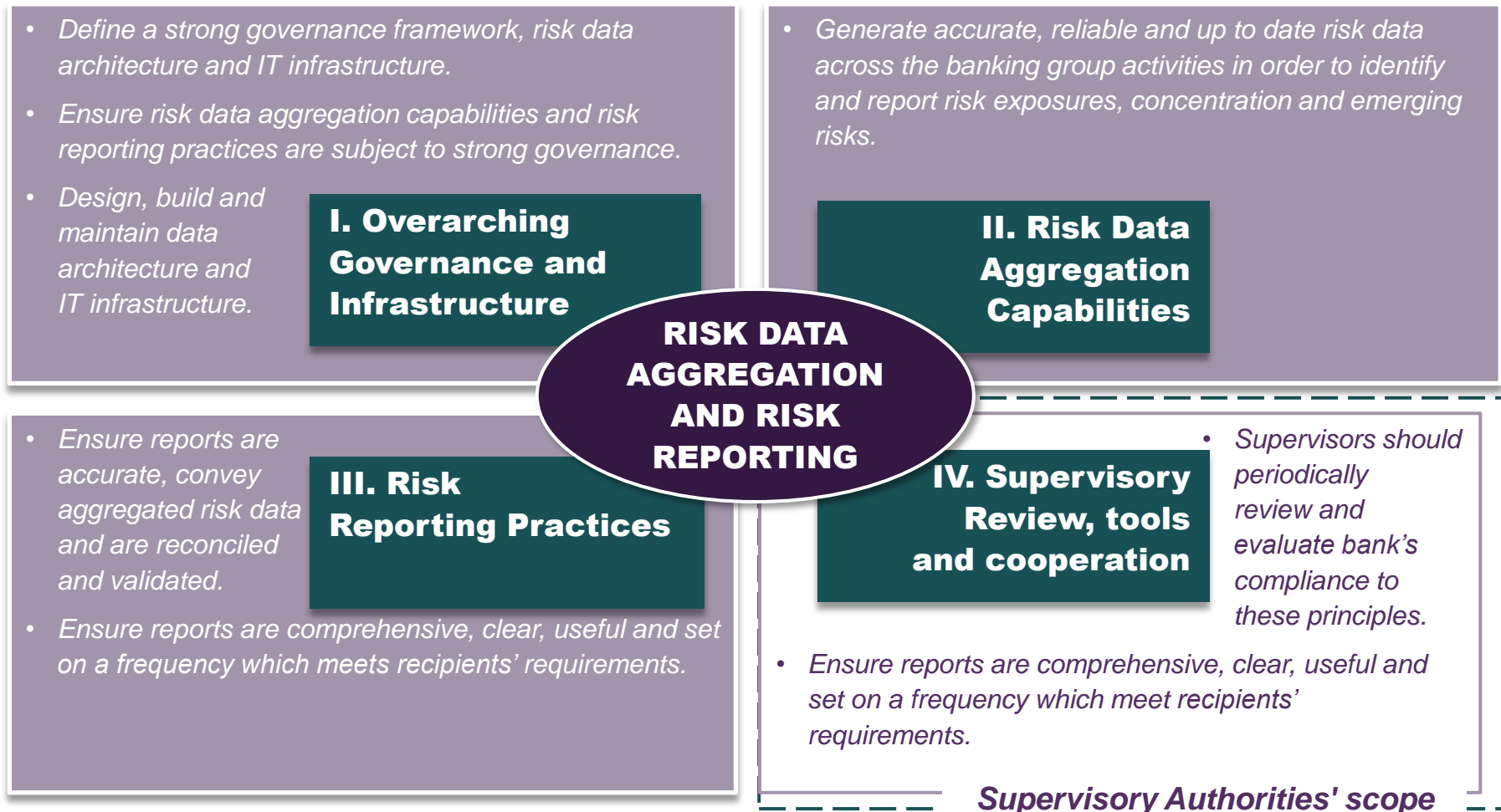
- G-SIBs
- National supervisors may apply principles to a wider range of banks, including D-SIBs
- Banking group and solo basis
- All risk management processes & reporting



* BCBS Principles for effective risk data aggregation and risk reporting

Overview of the Basel Committee Principles – Four Topics

The *Principles* cover four closely related topics.



Key challenges

- **Governance.** Robust governance arrangements must be in place. Data quality risk must be a Board-level issue.
- **Documentation of the data architecture.** Processes, controls, roles & responsibilities, data items, identifiers and reporting must be fully defined and documented. The lineage of risk data throughout the data lifecycle must be fully understood.
- **Validation.** Risk data and reports must be reconciled and subject to independent validation.
- **Adaptability – flexible aggregation.** Group structure should not hinder aggregation capabilities within the organisation. It must be possible to aggregate data at geographical/regional, legal entity, industry, asset class and business line levels.
- **Adaptability – ad hoc reporting.** Banks must implement flexible infrastructure and processes to produce timely *ad hoc* reports – under both stressed and normal conditions.
- **Effectiveness of risk data aggregation processes.** The Board and senior management must be aware of and address any limitations – technical or legal – that compromise risk data aggregation. Where a bank relies on manual processes and desktop apps it must have effective mitigants and controls in place.
- **Resilience to change.** Firms must be able to assess the impact of change on risk data aggregation and reporting capability – including regulatory changes, new products, process changes and IT initiatives.
- **Sustainability.** Enterprise-wide understanding of the data architecture and resilience to change mean that the approach to compliance must be sustainable.

The struggle to comply

G-SIBs have only five quarters left to comply. Yet out of thirty participating in the BCBS self-assessment, a third of them expected to fail. And that may be optimistic...

Why are firms struggling? What are the symptoms?

- Over-reliance on existing purpose-built infrastructure and reporting capabilities
 - Firms rate their own compliance with the risk reporting principles *higher* than their compliance with the governance, infrastructure and data aggregation principles.
 - Firms appear compliant at Group level or at the level of a specific legal entity – but lack the same capability at different aggregation levels. They don't meet the adaptability requirement.
- Large-scale in-flight projects – spanning 2016 and beyond
 - Resources are not available – and the data landscape is changing at the same time.
 - Dependence on project resources, and not on embedded data governance and data management capabilities, means that compliance – once achieved – could not be sustained.
- The fundamental reason?
 - Lack of a sustainable embedded enterprise-wide understanding of the data landscape – and the business context in which it operates.

The solution: inventorise, connect and control

Inventorise the key objects making up the firm's data aggregation capability – incrementally

- *Risk data elements, identifiers and data definitions* – both in standardised form and in their representations in specific systems.
- *Governance* – roles and responsibilities for risk data at each stage in the data aggregation and reporting lifecycle.
- *Infrastructure* – systems where data is originated, transformed and stored.
- *Data transformation and aggregation processes*, including manual interventions.
- *Reporting* – coverage and content, distribution and purpose.

Connect the objects and make them visible in an integrated way across the organisation

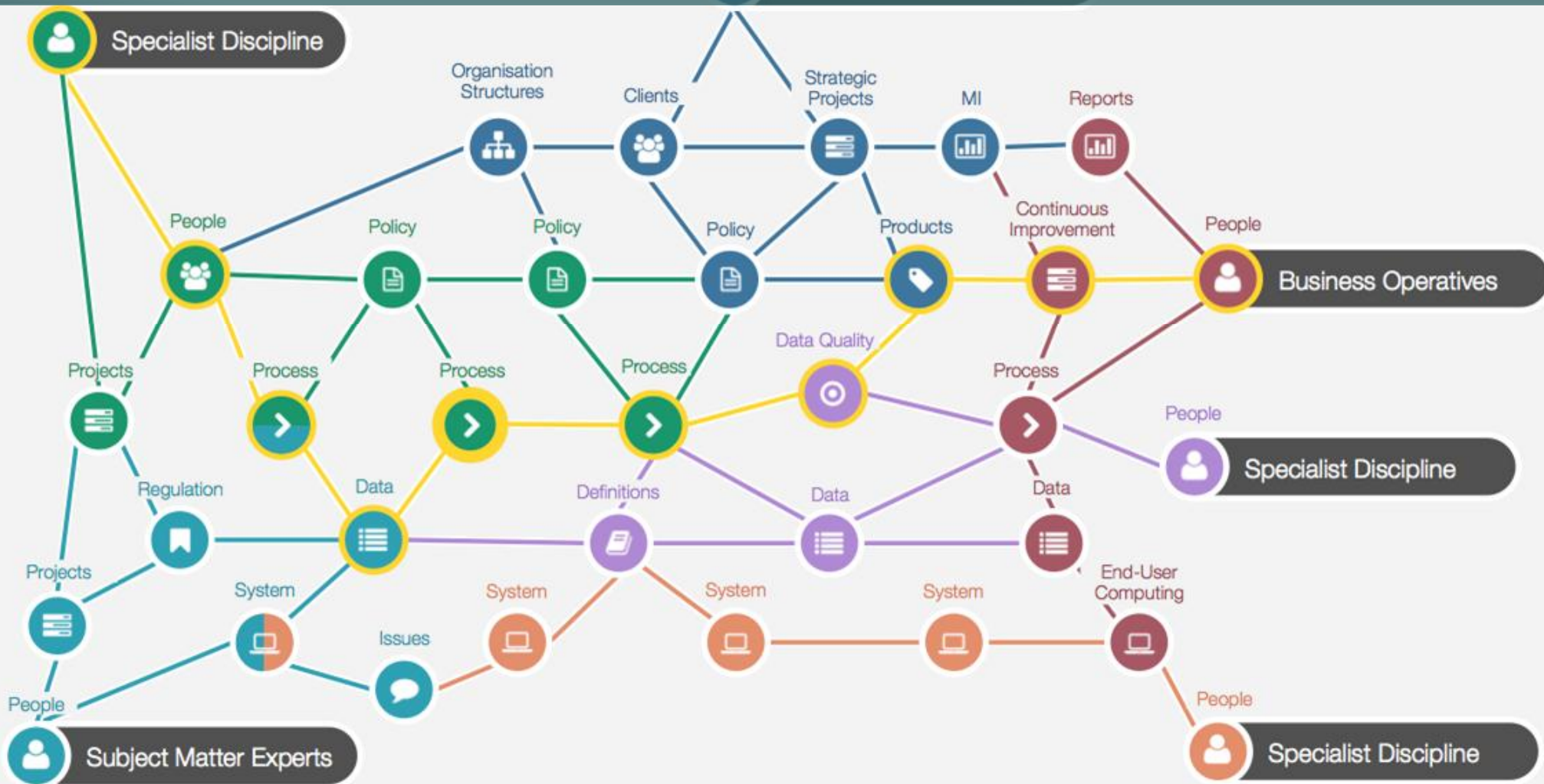
- *Information* about the data landscape must become corporate *understanding* that is embedded and actionable – sustainable through collaboration by business and IT owners.
- *Data elements* must be set in business context – related to people, policies and processes.
- *Data lineage and data aggregation* must be visible and understandable to all stakeholders throughout the lifecycle from data capture to reporting.

Control the resulting corporate understanding so that it remains current and correct

- Business owners of data and process remain responsible for content.
- Key stakeholders – e.g. decision-makers and independent validators – can access information.

...to build a data architecture rooted in the business community

Data architecture captured in project-generated and system-level documents or spreadsheets is neither usable nor maintainable. To create a compliant solution, build data understanding incrementally, using a web-delivered toolset that supports collaboration among the community of business owners, decision makers and change managers

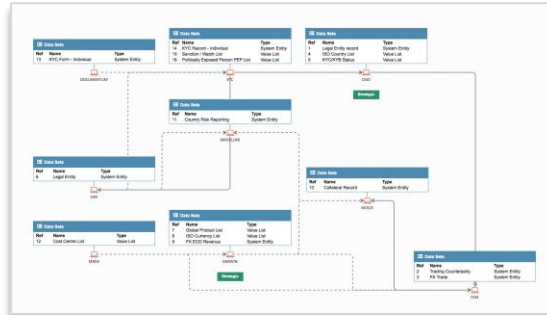


Collaborative platform to chart data & business landscape

INVENTORISE

Data Sets 16 of 16	Attributes 58 of 58	System 10 of 10	Glossary 76 of 76
Data Quality 73 of 73	Process 12 of 12	Regulation 131 of 131	Library 99 of 99
Approach 33 of 33	Business 19 of 19	Project 97 of 97	Product 9 of 9
Policy 10 of 10	People 7 of 7	Change 6 of 6	Regulator 5 of 5
Jurisdiction 3 of 3	Role 325 of 325	Client 3 of 3	

CONNECT



CONTROL



Collate inventories describing the building blocks of your business

Connect items together to provide context, relevance and provenance

Filter and analyse the business from your perspective

COLLABORATE

A knowledgeable community at your fingertips



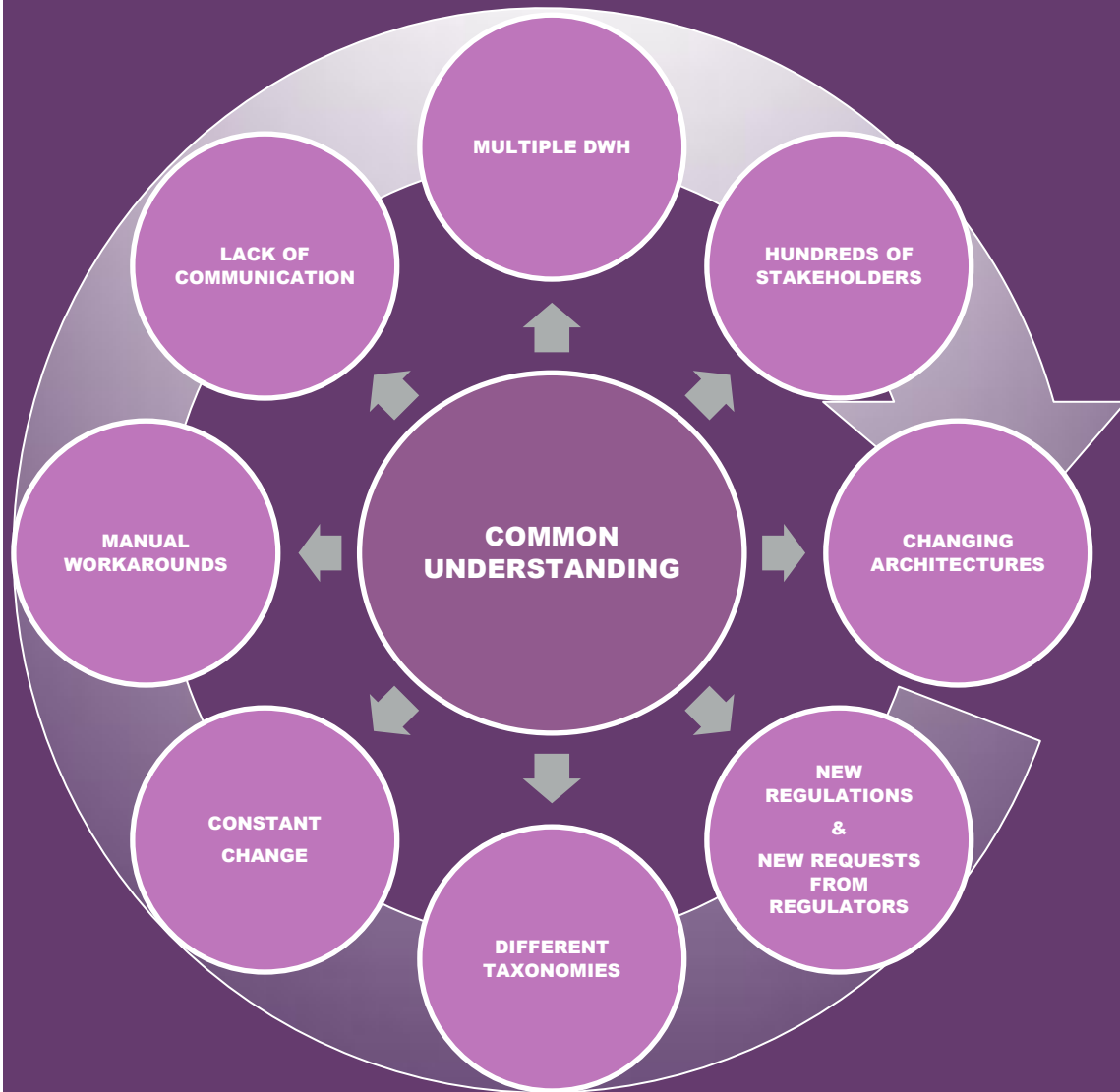
Business Community

axon

LEVERAGE

Combine understanding & community to improve your business

Solving everyday challenges



MULTIPLE DWH AND PLATFORMS
DATA LINEAGE AND DATA DISCONNECTS
ARE NOW IN PLAIN VIEW

LACK OF COMMUNICATION
CROSS-FUNCTIONAL IMPACTS CAN NOW
BE TRACED AND VISUALISED

MANUAL WORKAROUNDS
GET VISIBILITY OF MANUAL
WORKAROUNDS AND THEIR IMPACT ON
THE ARCHITECTURE

DIFFERING TAXONOMIES
LOCAL TERMS ARE MAPPED INTO A
CENTRAL GLOSSARY TO ALLOW A TWO
WAY TRANSLATION

CHANGING ARCHITECTURES
CLICKABLE VIEW OF HOW PROJECTS
ARE IMPACTING INDIVIDUAL DATA,
PROCESS, SYSTEM, POLICY ETC. ITEMS



DATA IS CORE TO THE FIRM
REACTIVE APPROACHES HAVE FAILED



**INCREASING EFFORT TO MAINTAIN
COMPLIANCE AND UNDERSTANDING
NO LONGER SUSTAINABLE**

**STOP BURYING VALUABLE KNOWLEDGE IN WORD,
POWERPOINT, EXCEL AND SHAREPOINT...**

**EMPOWER COMMUNITIES TO CAPTURE, CONNECT,
LEVERAGE AND SHARE KNOWLEDGE**

Demonstration (1)



Axon - Unison

Quick search John Admin

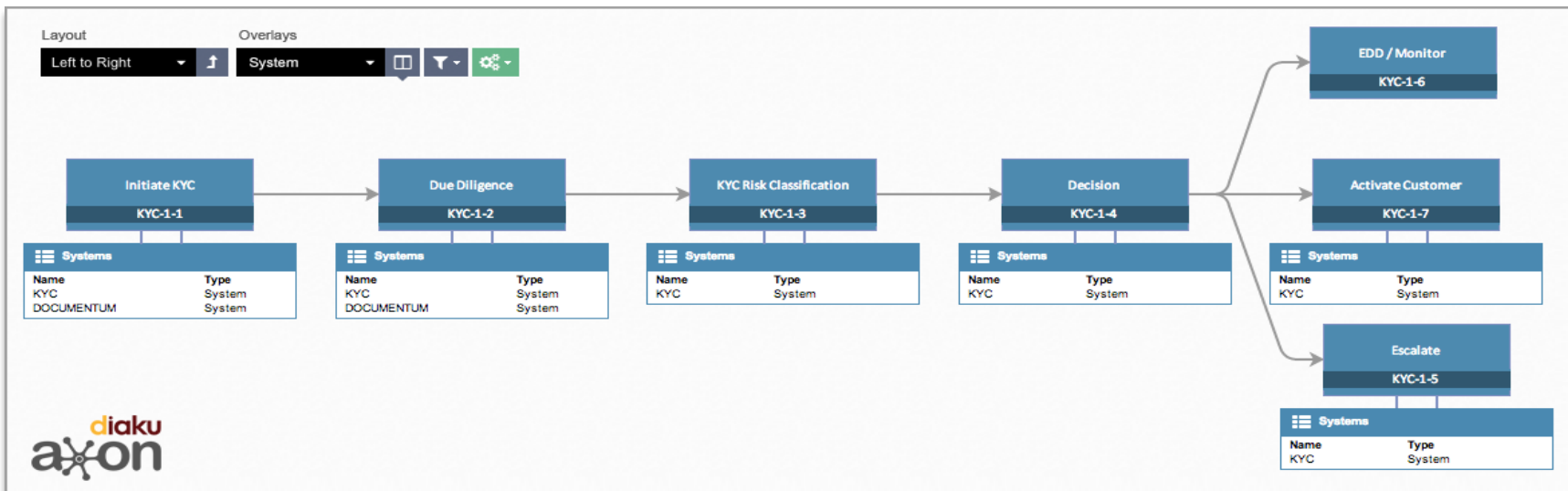
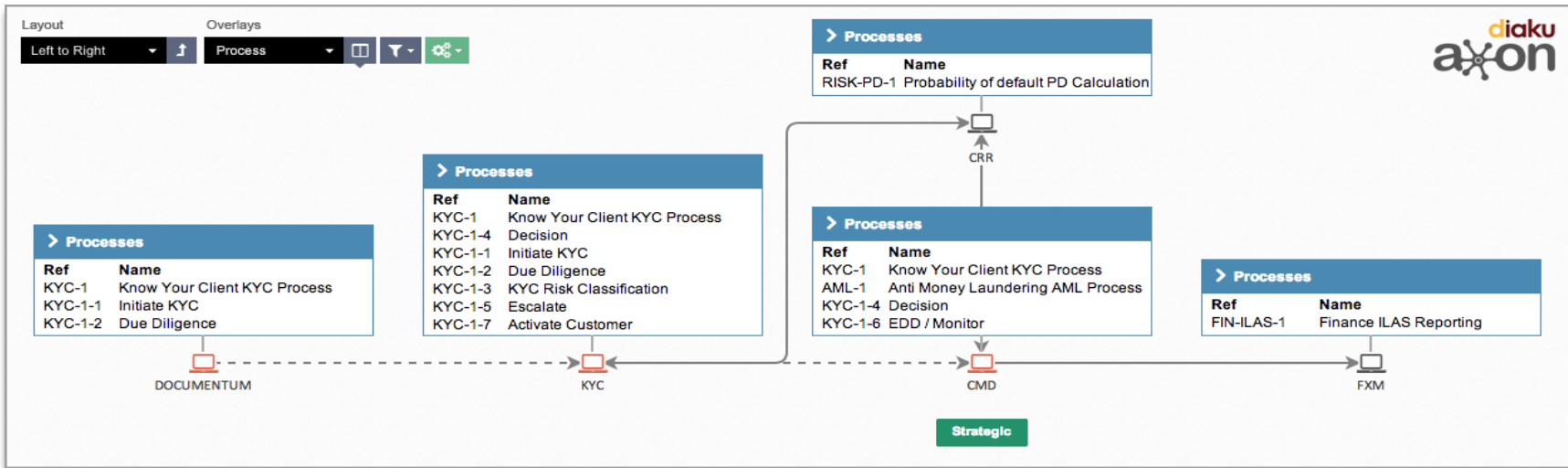
Data Sets 16 of 16 | Attributes 58 of 58 | System 10 of 10 | Glossary 76 of 76 | Data Quality 73 of 73 | Process 12 of 12 | Regulation 105 of 105

Project 97 of 97 | Product 9 of 9 | Policy 10 of 10 | Change 6 of 6 | Role 324 of 324 | Org Unit 2 of 2 | System Interface 14 of 14

Keyword: Search in: Status: Type:

Ref.	Name	Version	Definition	Type	Status	System	
1	Legal Entity record	1.0	The legal entity record construct captures the key attributes that describe customers at a legal entity level. The construct includes a mix of value lists reference data and other data items where only a definition and semantics are recorded. This... ▶	System Entity	Active	CMD	<input type="button" value="Eye"/>
2	Trading Counterparty	1.0	The trading counterparty captures all required details to identify the client execute and post-process the trade.	System Entity	Active	FXM	<input type="button" value="Eye"/>
3	FX Trade	1.0	Description of core data elements on the FXM trading record.	System Entity	Active	FXM	<input type="button" value="Eye"/>
4	ISO Country List	1.0	ISO country list as sourced from ISO with some modifications.	Value List	Active	CMD	<input type="button" value="Eye"/>
5	KYC/KYB Status	1.0	Value list of KYC/KYB statuses	Value List	Active	CMD	<input type="button" value="Eye"/>
6	Legal Entity	1.0	Legal entity construct with associated core risk attributes. Some entities are synthetic to ensure mapping into guarantor and netting pool constructs.	System Entity	Active	CRR	<input type="button" value="Eye"/>

Demonstration (2)



Demonstration (3)

Unison Quick search Login

CMD-ID Glossary Settings

Summary **Relationships** Data Quality Stakeholders Impact Data History Change

Glossary Hierarchy

Settings

Glossary	Description	
Party Data	Parties are entities that have a economic relationship of some sort with the company with exception of employment.	
Party Classifications	Party Classifications of all sorts. Good classifications are exhaustive sets of mutually exclusive values.	
Party Risk Data	Party related data that is used to describe, assess or measure the risk profile of a party.	
Party Identifiers	Identifiers for parties.	
CMD-ID	Unique identifier of legal entities in the CMD system	
BIT-ID	Unique identifier of legal entities in the Branch IT system	

Other Relationships

This glossary is not connected to any other glossary item.

Demonstration (4)



John Admin | People

About Me | Team | Responsibilities (0) | Following (9) | Activity Stream | Changes

I have a background in running large change and outsourcing programmes for one the big 4 consultancies.

Axon details

Email Address:	root@diaku.com	Profile:	SuperAdmin
Status:	Active	Last Logon:	21-02-2014

Personal details

Name:	John Admin	Org Unit:	Test Org Unit
Function:	Head of Client Operations	Function Description:	Part of the Wholesale Bank COO Office responsible for all operations related to client onboarding, KYC and set up in local trading systems.
Location:	Cheapside 1, London	Internal Mail Code:	CS-123
Mobile:	079-12345-678	Telephone:	020-12345-678
Employee Type:	External	Employed Since:	01-01-2013
Company:	Diaku Ltd		

Team Summary

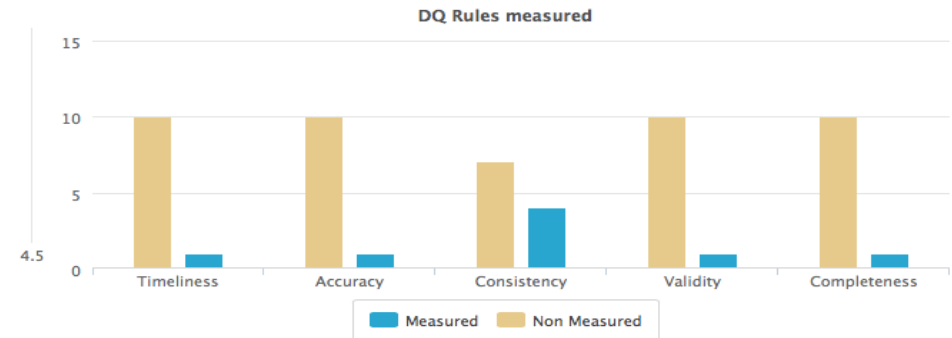
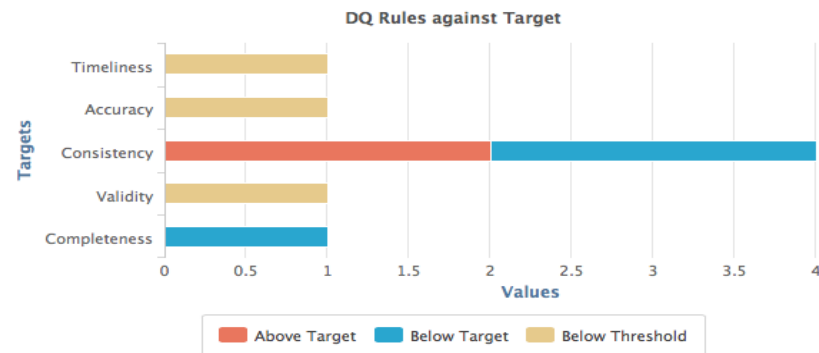
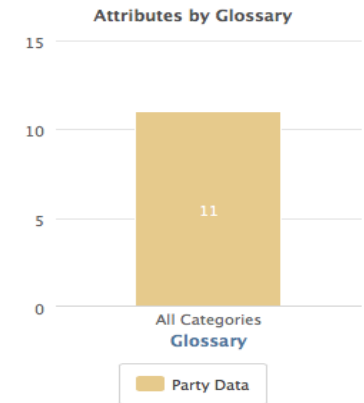
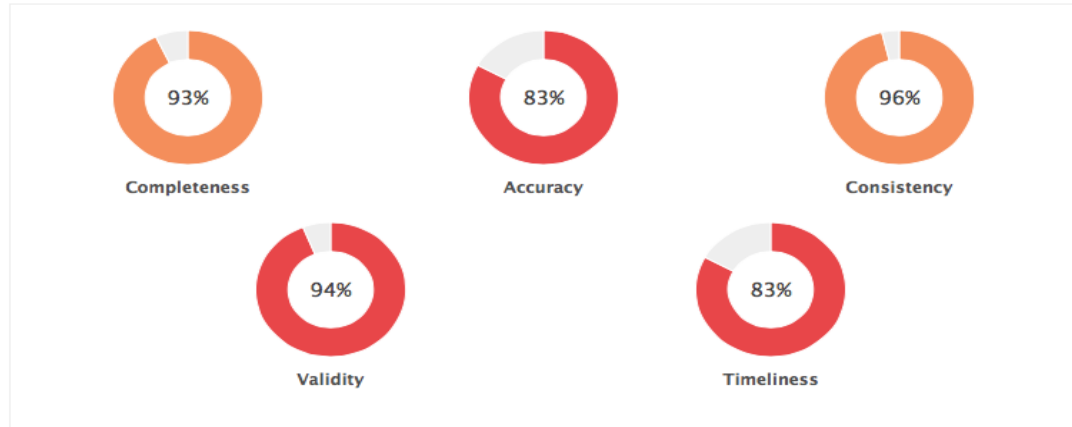
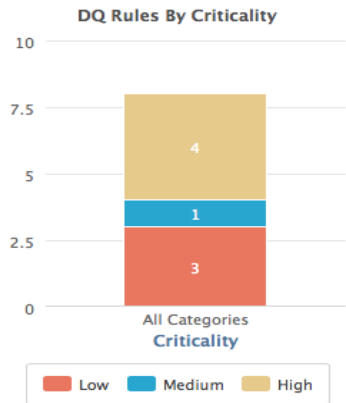
Assistant:	No assistant	Line Managers:	Robert Wilson
Direct Reports:	2	Total Reports:	2

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Enable high contrast mode

Demonstration (5)

Data Quality Dashboard



Any questions?

We have the resources to ensure you succeed: A dedicated team for risk data aggregation and reporting



Frédéric Blard - Senior Consultant

Experience: 10 years in Banking industry
Specialises in: Credit Risk Framework, Data Aggregation
Typically assists clients with: Credit risk projects, Risk systems transformation programs
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Barry Smith - Director

Experience: Over 20 years in Banking
Specialises in: Credit Risk, Market Risk, Data Aggregation
Typically assists clients with: Counterparty credit risk and market risk projects, Risk systems transformation programs
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Patrick Dewald - Director

Experience: 15 years in Data & Banking
Specialises in: Data Strategy & Governance
Typically assists clients with: data understanding & governance projects

Call Patrick to discuss: BCBS239, Collaborative Working & Driving Cultural Change around data

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Introduction to Avantage Reply and Diaku



A Pan-European Risk, Regulatory and Treasury Consultancy

2004 Established in 2004, Avantage Reply is a pan-European specialised management consultancy delivering change initiatives in Operations, Risk, Finance (Capital Management and Regulatory Reporting) and Treasury.



Rapidly Growing Pan-European Firm

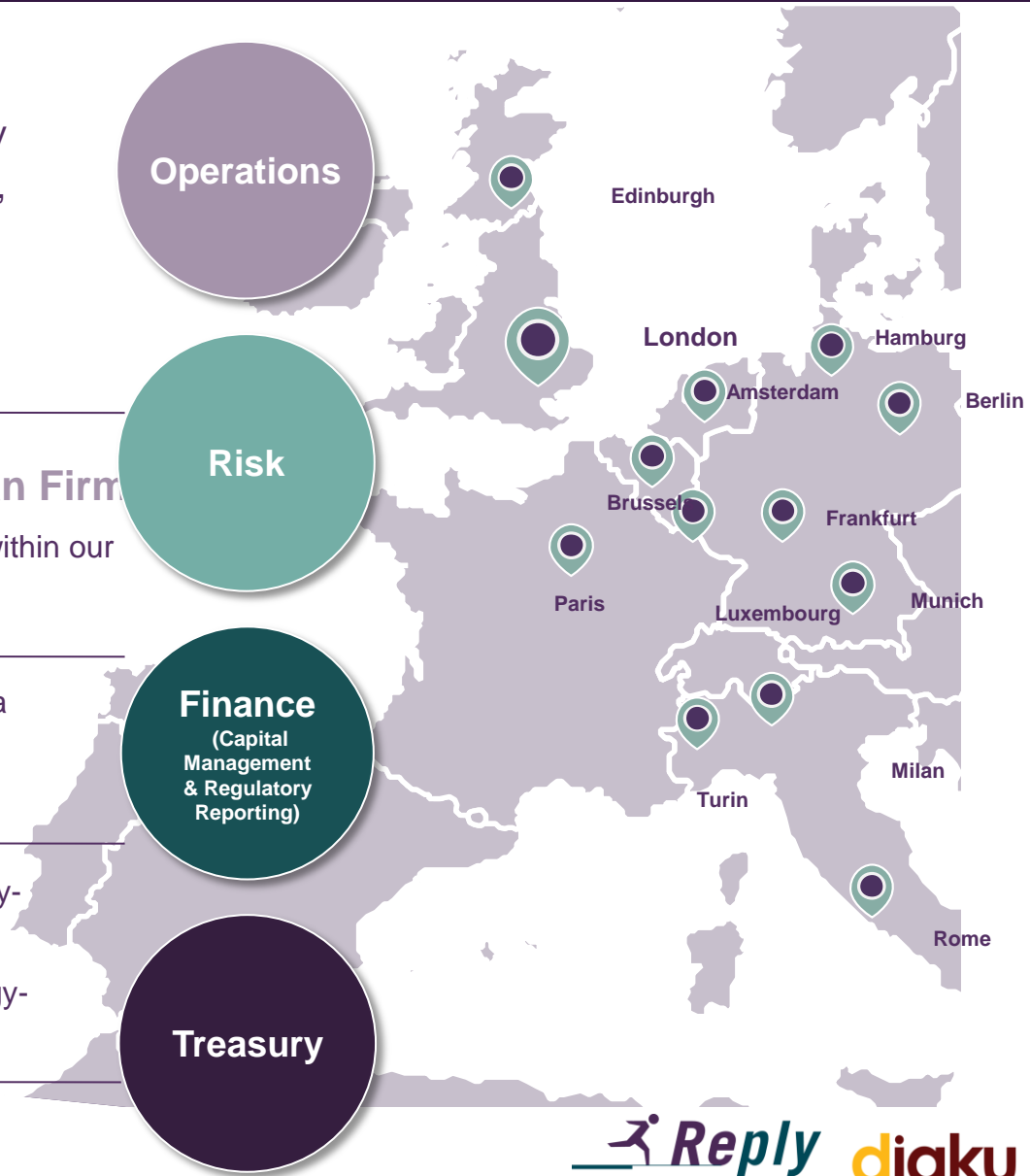
Avantage Reply employs 200 consultants within our **13** offices across Europe and the UK.



200 consultants who typically have a minimum of **6 years** of experience in Financial Services.



Member of the **Reply Group**, a publicly-listed group, with US\$ 750 million in sales, employing 4,400 consultants and technology-delivery service professionals.



Outstanding Credentials in Financial Services

Proven Credentials



Our clients are large international financial institutions as well as specialised financial services Business Units within international groups.



Delivery capabilities covering Advisory Services, Project Management, Business and Functional Analysis, Data Analysis.



Delivery capabilities spanning across consulting (Avantage Reply) and technology (Reply Group).

Specialised Management Consultancy

Operations, Risk,
Finance, Treasury

Retail & Corporate Banking
Investment Banking &
Capital Markets

ABN Amro, Belfius, BNP Paribas, Delta
Lloyd, Deutsche Bank, ING, IntesaSanPaolo,
KBC, RBS, Société Générale, Unicredit

Regulatory Expertise

Investment Management
&
Investment Services

BPSS, BNY Mellon, CACEIS, RBC, State
Street, etc.
Alliance Bernstein, MAN Group,
Rothschild, etc.

Risk Change & Technology

Post-trading
Service Providers

Clearstream, Euroclear, etc.



Proven track record in delivering pragmatic solutions to our clients.



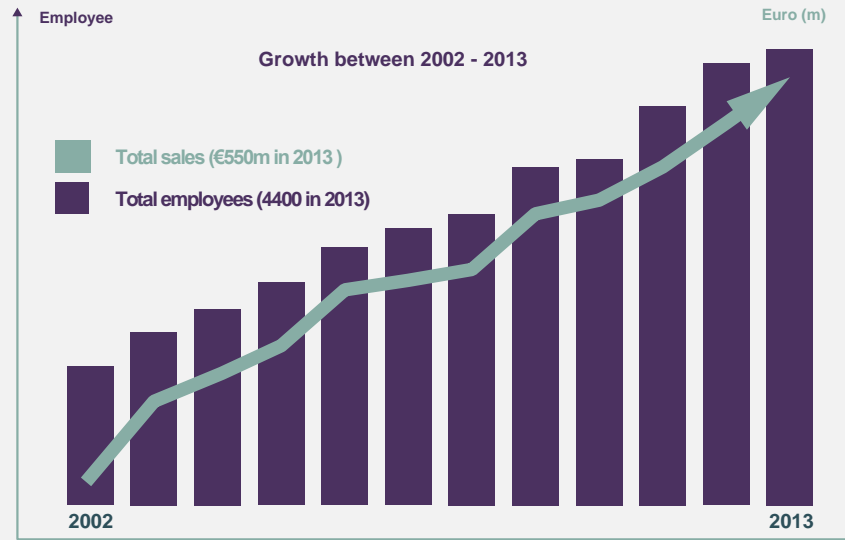
Operate in small delivery-focused teams in collaboration with the client to ensure transfer of knowledge.

End-to-end Delivery Capabilities within a Half-a-Billion Euro Group

Since early 2011, Avantage Reply has been a member firm of the Reply Group, a pan-European group specialised in consulting, systems integration, service management and business process outsourcing. As such, Avantage Reply can provide clients with support from the initial phase of the project to its completion, including technology and operational implementation, if required.

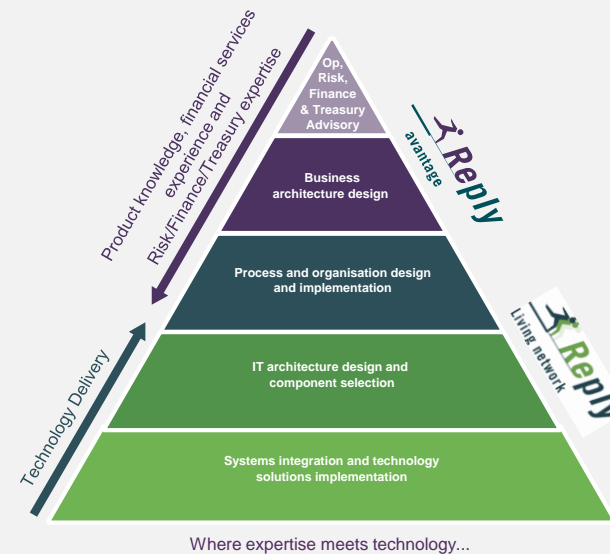
Overview of the Reply Group

- Pan-European publicly-listed Group, established in 1996, with offices in 19 European cities, Brazil and the US.



End-to-end Delivery Capabilities

- Avantage Reply and the Reply Group bring clients product knowledge and financial services experience coupled with technology delivery capabilities.



Overview of Diaku

About Diaku

- Diaku is a governance consulting and software company.
- Diaku has a unique take on Data Governance with a focus on collaboratively building a shared understanding of data within its business context.
- Diaku has the methodology, expertise and software for its clients to unlock value fast and work towards lifting the data burden once and for all.

What makes us unique

- Our framework and software puts understanding first. It empowers everyone to see across boundaries and be more connected with minimal additional effort.
- Governance of core business facets like Data, Process, Quality and Regulation starts by embracing the state of the business today and recognizing the only way to make lasting change is to work through it together.

Focus

We have over 15 years experience in designing, implementing and running governance related initiatives and only governance related initiatives.



Non-Disruptive

The last thing you need is another programme disrupting your business. Diaku solutions leverage existing assets and initiatives.



Collaborative

We enable people to work together more easily. Being connected becomes the norm, not the exception.



Value Driven

No governance for the sake of governance. Our approach and software is value driven, ensuring the appropriate level of governance to unlock value in a sustainable manner.



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