

BCBS239 - A renewed ECB priority

Responsibilities of the management body

This is the first of a series of seven one-page summaries that Avantage Reply will issue on the ECB guide on RDARR.

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Introduction

On 3rd May 2024, the ECB released its Guide on Effective Risk Data Aggregation and Risk Reporting (RDARR). Among seven areas considered prerequisites for sound data governance and effective processes for identifying, monitoring, and reporting risks, the ECB placed at the forefront the responsibilities of the Management Body of Significant Institutions (SIs).

Although the ECB's Guide does not introduce any new regulatory requirements, it clarifies 11 key expectations for the Management Body of SIs in their supervisory (e.g., Supervisory Board) and management functions (e.g., Executive Management Board), which can be succinctly categorised into four groups :

1 Management Body Accountability & Making RDARR a Priority:

This entails demonstrating that the Management Body has accepted its accountability and exercises full responsibility for risk data quality and governance. The ECB expects the Management Body to ensure that adequate resources (financial, human, and technology) are made available for effective RDARR implementation in both change and business-as-usual modes. The Guide includes an interesting supervisory recommendation to appoint one or two specific members of the Management Body, such as the CRO or the CFO, to exercise responsibility for implementing the data governance framework.[1]

2 Top-Down Implementation: This starts with establishing the institution's view of what it means to adhere to the BCBS 239 Principles (i.e., the "House View"). It also involves defining roles and responsibilities for within business and control functions, and implementing policies and processes for at the group and subsidiary levels.

3 Ongoing Monitoring and Management of RDARR: This involves regularly ensuring that internal risk reports are both meaningful and well-balanced in qualitative and quantitative terms, supporting sound decision-making. It also includes consistently monitoring data quality KPIs and implementing action plans to address significant deviations, along with maintaining robust data quality processes and controls.

4 Sufficient Understanding, Knowledge, Skills and Experience: This requirement applies to members of the Management Body as well as to heads of internal control functions (including risk management, compliance, and internal audit). They should possess adequate expertise in data management, IT, financial and non-financial risks, along with related data and reporting requirements.

When finalising the Guide, the ECB reviewed the many comments it had received from the industry during the consultation phase suggesting that BCBS 239 responsibilities should mainly be assigned to Senior Management rather than the Management Body. However, it will not be lost on the reader of the final Guide and Feedback Statement that the ECB insists ultimate responsibility remains with the Management Body. If there is one key takeaway from the first section of the Guide, it is this: Within SIs, the ECB has a clear expectation that BCBS 239 be a Management Body matter!

[1] The Guide notes that his appointment should not dilute the collective accountability and responsibility of the Management Body.