

BCBS239 - A renewed ECB priority

# Data quality management and standards

This is the fifth 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), relating to the Principles adopted by the Basel Committee on Banking Supervision (BCSB 239).<sup>1</sup>

The ECB outlined its supervisory expectations across seven key areas; this one-pager focuses on the ECB's expectations regarding Data Quality Management and Standards in Significant Institutions (SIs).

Despite the concerns raised by institutions during the ECB's consultation on the RDARR Guide, particularly around the increased rigor of data quality controls, the ECB has maintained a firm stance. By upholding strict data governance standards, the ECB aims to reinforce high-quality risk management and reporting practices. This one-pager focuses on the ECB's specific expectations regarding data quality management and standards for SIs.

*For example, the ECB stresses that data quality checks must be strategically placed throughout the data chain to ensure accuracy at each stage, warning that errors caught only at the end can be difficult to correct. As the ECB put it, "an error which is detected further down the chain may be much more difficult to correct," also underscoring that aggregated checks alone may miss critical discrepancies.*

(Source: Feedback statement, page 40)

To ensure robust data quality controls, the ECB expects SIs to implement **group-wide policies and processes** as part of their overarching data governance frameworks, covering:

- **Comprehensive Data Quality Controls:** Implement data quality checks on accuracy, integrity, completeness, and timeliness from front office systems through to reporting for the key risk indicators (KRIs) and critical data elements (CDEs) identified as being in the scope of application, automated where appropriate.
- **Data Quality Indicators:** Define and measure indicators for accuracy, completeness, and timeliness, with established tolerance levels and correction processes. Regularly report these indicators to management, along with impact analyses on risk measurement and the institution's risk profile.
- **Data Quality Issues Register:** Maintain a complete and updated register of data quality issues, detailing severity, root causes, quantitative impacts, responsibilities, and deadlines for remediation, with evidence of resolution.
- **End-User Application Integration:** Ensure all end-user computing applications are fully incorporated into data quality management policies and procedures.
- **Manual Workaround Controls:** Document and control any manual workarounds, applying oversight measures such as the "four-eyes principle," detailed documentation, audit trails, and sign-offs until these processes are integrated into a controlled IT environment.
- **Inclusion in ICAAP and ILAAP:** Factor data quality risks into ICAAP and ILAAP, addressing potential underestimations of risk with an additional margin of conservatism.

[1] Refer to Guide on effective risk data aggregation and risk reporting, ECB, May 2024.