REPLY AVANTAGE

BCBS239 - A renewed ECB priority

Integrated data architecture

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

27 June 2024

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 (BCSB239).

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

An **integrated data architecture** is essential for institutions to effectively aggregate all relevant data sources. What does the ECB expect in this regard?

The ECB Guide specifies that this involves adhering to established **data taxonomies**, which includes a comprehensive metadata repository and a dictionary of key business definitions. The taxonomies must cover material legal entities, business lines, material risks and related reports, and key risk indicators along with their critical data elements.

The Feedback Statement on the responses to the public consultation on the ECB draft Guide (the "Feedback Statement") provides additional insights into the ECB's priorities. Whilst the BCBS239 Principles have been in place since 2013 and the Guide states that it does not introduce new requirements, the Feedback Statement emphasises two key aspects: (a) the importance of **integrated data architecture as an enabler of ad-hoc reporting capabilities**, and (b) the need for SIs to establish their **metadata requirements** to support their specific data architecture.

In addition to stressing the fit-for-purpose nature of the data taxonomies, enabling SIs to manage their risks effectively, and the usual emphasis on robust documentation, the ECB provides guidance on **three attributes of data taxonomies**:

1. **Uniform data definitions and glossaries with clear ownership of data:** Using different definitions in the data taxonomy could negatively affect risk data aggregation capabilities, as it cannot be ensured that commonly named data attributes would contain the same information across the SI. A common data architecture supports the creation of end-to-end data lineage.

2. **Validation rules for specific or range of values:** These rules ensure consistency and accuracy in the data being used for reporting.

3. **Complete and up-to-date data lineages at the data attribute level:** This includes data capture, extraction, transformation, and loading for the risk indicators and their critical data elements identified as being within the scope of application.

> "An integrated data architecture ensures that ad hoc risk reports can be created – especially in stress and crisis situations – in a timely manner at the Group level. The creation of the report would otherwise largely depend on capabilities at the legal entities. With this in mind, an integrated data architecture ensures that the necessary data are aggregated accurately and completely."
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> (Source: Feedback statement, page 32)

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