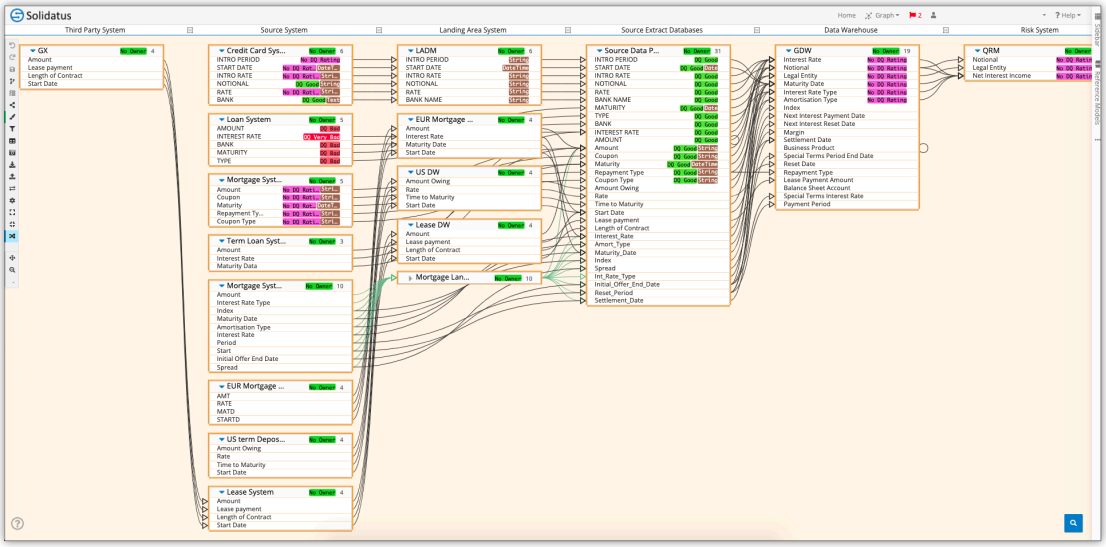
Solidatus for BCBS 239

The Basel Committee on Banking Supervision standard number 239 "Principles for effective risk data aggregation and risk reporting" aims to fix risk management failings in systemically important banks. Its Principles are designed to improve the accuracy and speed of risk reporting. While initially focused on risk reporting, the Principles demand data governance and adaptability which can deliver much wider benefits.

KEY PRINCIPLES AND CONSIDERATIONS

The BCBS 239 principles apply to all Global Systemically Important Banks (G-SIBs) and are also recommended to be applied to Domestic Systemically Important Banks (D-SIBs) by national supervisors. Banks are required to be compliant with the Principles and a key component which drives compliance is the documentation of data lineage.

The approach to be taken for data lineage has been one of the key challenges that banks have faced in aligning to the Principles as it is one of the more time consuming and resource intensive activities demanded by the regulation. Whilst this is the case, there are strong benefits to implementing a robust and consistent framework, summarised as follows:



DATA JOURNEY

- Provides transparency of definitions of data and an understanding of the manipulation, transformation and aggregation of critical data as it travels through its journey into reporting.
- Supports a strong understanding of architecture in place.

DATA CONTROL

- Supports assurance of the control framework in place supporting the embedding of an effective control framework given the risks associated by the data journey.
- Supports benefits in clear identification of touch points during change management processes.

DATA QUALITY (DQ)

- Provides clarity on the required data quality framework to be put in place, ensuring that DQ controls and supporting rules are placed in the correct place in the process, in the context of the potential risks and issues that could arise throughout the data journey.

DATA GOVERNANCE

- Underpins a strong data ownership and governance framework driving consistency, definitional alignment and control across the critical data in scope.

BRINGING ACCURACY AND SPEED TO RISK REPORTING

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CHALLENGES

Regulators are showing impatience with the slow pace of adoption of BCBS 239. Banks could be hit with capital add-ons and restrictions on their business. Banks are discovering in their data lineage investigations that the volume of critical data elements and complexity of the journeys has been wildly underestimated, and existing data governance platforms are not capable or flexible enough to handle the lineages being documented.

Banks have tried using systems which started life as semantic modelling tools but were sold as comprehensive data governance packages, which they were never designed to be. Their lack of usability, suitability and flexibility reflects this poorly designed architecture. Input data must be re-engineered to fit the systems. Users need a platform that is easily adaptable to their requirements.

- Users find there is a lack of joined-up functionality. The same data needs to be re-entered at multiple points. **Is it possible to upload the data lineage and DQ controls in a system at one point without continually repeating this task?**
- Bank users need platforms that are user-friendly with only minimal procedure notes to operate. Some existing poorly architected platforms need excessive 'read the manual' effort – and even then, processes don't seem logical – it is difficult for users to use their initiative and create a workable solution. **Is it possible to have a well thought out platform that a BAU User can utilise without the need for excessive training?**
- Documenting the data lineage and DQ controls can be an evolving process and published lineage needs to be updated to reflect changes in systems, products and processes. **Is the platform able to amend existing production data, revisit or restore previous versions through version control and what is its ability to document data journeys from new systems and products?**
- **What are the maintainability levels of a system that was not originally designed for the task is now ill-suited to perform?**
- Critical system functionality such as data lineage diagrams have been found to be unusable in systems with limited functionality, when real world lineage is populated. **Can metadata from lineage assessments be linked with all other metadata to achieve these requirements?**

SOLIDATUS FOR BCBS 239

Solidatus allows the rapid capture, storage and graphical representation of data lineage, together with its supporting metadata providing the ability to model interdependencies at increasing granularities, delivering both the scope and detail levels required. The power to document lineage at the attribute level, showing how data moves across the enterprise from capture to ultimate usage, means that Solidatus can reveal data quality issues.

- Any entity within a Solidatus model may have an unlimited number of properties creating a **flexible and comprehensive metadata capture framework and query capability**. There are no size limits to a property, allowing a richness of detail to be supported that would be unsustainable in traditional, spreadsheet-based documentation.
- Through the intuitive Solidatus graphical interface, models can be quickly created and, more importantly, speedily grasped and understood by others. This visual representation of **lineage allows data-sourcing to be identified easily and validated as fit for purpose**.
- The powerful governance and version control features of Solidatus enable and facilitate federated development and governance, giving subject matter experts across an organisation the power to take ownership of lineage and related metadata within their areas of expertise. This distributed approach is an essential foundation to **enterprise-scale data governance** and the only way to achieve it sustainability.
- Solidatus allows **glossaries** to be engineered directly or populated in an upload from any form of structured **data dictionary** or controls database. Glossary items can be linked directly with the physical models, reducing redundancy, increasing **control and transparency**.
- Solidatus is designed with the business in mind. It is **user-friendly and adapts to the needs of its users**, whereas other platforms, often developed in an ad hoc fashion from poor design foundations, force people to adapt to the system's limitations.

KEY BENEFITS

- Administer a common language across functions, while still allowing everyone to speak their own.
- Point-in-time system of record – to be able to show exactly what knowledge was available and when.
- Ability to simulate change within the models – demonstrate to all involved the impact of change based on the facts known at the time.
- Enterprise-scale modelling and visualisation – the ability to model complete flows is critical to compliance.
- Reduce risk of non-compliance by identifying gaps – extent of knowledge is clear and demonstrable.
- Centralised repository, de-centralised collection – always use the subject matter experts to collect and validate the metadata and lineage.

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