2019 DATA AGGREGATION AND RISK REPORTING SURVEY: EXECUTIVE SUMMARY

DATA COLLECTED: DECEMBER 2018– MARCH 2019

REPORT DATE: JUNE 2019

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ACKNOWLEDGMENTS

This survey was designed to understand how institutions are managing the Basel Committee on Banking Supervision's Principles for effective data aggregation and risk reporting (BCBS 239). The ERM Council of RMA helped RMA draft questions for this survey.

The final report provides participants' responses, while protecting the confidentiality of individual institutions by masking the source of the responses. Please note that due to rounding, percentages in the tables may not add up to 100.

RMA staff contributing to the study include Edward J. DeMarco and Stacy L. Germano.

There were a total of 27 participants from 24 banks in the survey. However, not every participant answered every question.

Institutions that participated in the survey:

Atlantic Union Bank	Glacier Bank
BBVA Compass Bank	Hancock Whitney Bank
Bank of Hawaii	Huntington Bancshares
Bank of Oklahoma	IBERIABANK
Comerica Bank	Mitsubishi UFJ Trust & Banking Corp.
Commerce Bank	PNC Financial Services Group
Deere Credit Services	Provident Bank
Discover	Société Générale
East West Bank	Sterling National Bank
First Citizens Bank	TCF Bank
First Midwest Bank	TD Ameritrade
First Republic Bank	TD Bank

RMA thanks the institutions that participated in this survey. Credit for participation was given to all 24 institutions even if respondents skipped certain questions, as long as they provided valuable data to the majority of questions.

DISCLAIMER

The information contained herein is obtained from sources believed to be accurate and reliable. All representations contained herein are believed by RMA to be as accurate as the data and methodologies will allow. However, because of the possibilities of human and mechanical error, as well as unforeseen factors beyond RMA's control, the information herein is provided "as is" without warranty of any kind, and RMA makes no representations or warranties expressed or implied to a subscriber or any other person or entity as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any of the information contained herein. Furthermore, RMA disclaims any responsibility to update the information. Moreover, information is supplied without warranty on the understanding that any person who acts upon it or otherwise changes position in reliance thereon does so entirely at such person's own risk.

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ABOUT RMA

The Risk Management Association (RMA) is a not-for-profit, member-driven professional association serving the financial services industry. Its sole purpose is to advance the use of sound risk management principles in the financial services industry. RMA promotes an enterprise approach to risk management that focuses on credit risk, market risk, operational risk, securities lending, and regulatory issues. Founded in 1914, RMA was originally called the Robert Morris Associates, named after American patriot Robert Morris, a signer of the Declaration of Independence. Morris, the principal financier of the Revolutionary War, helped establish our country's banking system.

Today, RMA has approximately 2,500 institutional members. These include banks of all sizes as well as nonbank financial institutions. RMA is proud of the leadership role its member institutions take in the financial services industry. Relationship managers, credit officers, risk managers, and other financial services professionals in these organizations with responsibilities related to the risk management function represent these institutions within RMA. Known as RMA Associates, more than 18,000 of these individuals are located throughout North America and financial centers in Europe, Australia, and Asia.

Members actively participate in the RMA network of chapters. These chapters are run by RMA Associates on a volunteer basis and they provide our members with opportunities in their local communities for education, training, and networking throughout all stages of their financial services career. Chapters are located across the U.S. and Canada as well as in global financial centers.

RMA members also avail themselves of benefits offered through headquarters in Philadelphia, Pennsylvania. To assist members in advancing sound risk management principles, RMA keeps members informed and provides access to industry information at this site; publishes *The RMA Journal* and a variety of newsletters, books, and statistics; conducts workshops and seminars; holds conferences, including an annual convention (Annual Risk Management Conference); and has numerous committees working on a variety of projects.

Visit RMA at https://www.rmahq.org/.

Note: As a not-for-profit, professional association, RMA does not lobby on behalf of the industry.

EXECUTIVE SUMMARY

According to the Basel Committee on Banking Supervision, the global financial crisis of 2007–2008 revealed that many banks were unable to aggregate risk exposures and identify concentrations fully, quickly, and accurately. This seriously impaired their ability to make risk decisions in a timely fashion which had wide-ranging consequences for the banks and the financial system.

In January 2013, the Basel Committee on Banking Supervision issued Principles for effective risk data aggregation and risk reporting. Known as BCBS 239, the standard arose to strengthen banks' risk data aggregation capabilities and internal risk reporting practices in order to enhance their ability to cope with stress and crisis situations.

This survey was designed to understand how institutions are managing BCBS 239. The ERM Council of RMA helped RMA draft questions for this survey.

The survey questions focused on:

- The maturity level of institutions' data aggregation program.
- The extent to which institutions have formalized the governance of their data aggregation practices.
- Key risk indicators used to measure data quality.
- The banks' ability to generate accurate and reliable risk data to meet normal, as well as stress/crisis reporting requirements.
- Ability to aggregate risk exposures and identify concentrations quickly and accurately.
- The use of data aggregation to identify internal emerging risks.
- The priority of investments in data aggregation.

Institutions were invited to respond to the online survey between December 2018 and March 2019 which collected 27 responses from 24 institutions. Participants were asked to choose from five different asset size categories.

- Assets between $10–25 billion: 6 responses
- Assets between $26–50 billion: 8 responses
- Assets between $51–100 Billion: 2 responses
- Assets between $101–250 Billion: 5 responses
- Assets great than $250 billion: 6 responses

RMA is grateful to all of the institutions that participated in this survey. In order to ensure anonymity of the participants, responses are being reported at the "All" level as well as at the "Below $50B" and "Above $50B" sorts. Note: Due to rounding, percentages in the tables may not add up to 100.

KEY FINDINGS

- The majority of participants (63%), regardless of asset size, rated their data aggregation program as midway to mature, although more of the institutions with assets greater than $50B did so.
- 70% of institutions have had their risk data aggregation and risk reporting framework reviewed and approved by their Board of Directors while only 15% of smaller institutions have done so.
- Key risk indicators used to measure data quality as sorted by asset size:
  - Institutions with assets less than $50B
    - Overall portfolio by critical data elements with >5% error rate.
    - Monthly critical data element (CDEs) error rates by business unit and executive.
    - Percent represented in enterprise data lake. Errors reported in data.
  - Institutions with assets greater than $50B
    - Data quality score cards that measure accuracy, completeness, timeliness and adaptability.
    - We considered using KRIs but ultimately decided to use qualitative statements to track our data governance program in our risk appetite statement.
    - Data quality on key data points.
    - Number of outstanding/unresolved issues per risk stripe.
    - Data integration error rate, key data element quality rate, percentage of data files loaded to data warehouse failing controls, high priority data incidents percentage change, high rated data issues past due.
    - Primarily completeness, accuracy, integrity KRIs by risk type, by business line and various data related KPIs.
- 97% of participants reported that they are able to generate accurate and reliable risk data to meet normal reporting accuracy requirements, while 90% are able to generate accurate and reliable risk data to meet stress/crisis reporting accuracy requirements.
- 70% are able to capture and aggregate all material risks.
- 65% are using data aggregation to find internal emerging risks.
- The vast majority of participants have the ability to aggregate risk exposures and identify concentrations quickly and accurately; 86% at the group level, 82% across business lines, and 68% across legal entities.
- When asked the purpose of the data aggregation, every participant is developing it for risk reporting, 82% are developing it for regulatory reporting, 71% are developing it for finance, 61% for business, and 50% for marketing.
- All of the participants report that data aggregation is a top priority with 62% reporting that it is at least a top 5 priority. The results are unchanged at the asset level.