

BCBS 239 Principles for effective risk data aggregation and risk reporting

The essentials

What is BCBS 239?

The Basel Committee on Banking Supervision issued the *Principles for effective risk data aggregation and reporting* (BCBS 239) in January 2013. BCBS 239 is a set of **14 principles** (11 for the banks and 3 for the supervisors) aimed at strengthening Banks' risk management and decision making.

Banks designated as Globally Systemically Important (G-SIBs) have been required to implement and meet these principles. The application of the principles to Domestically Systemically Important Banks (D-SIBs) has been up to local regulators.

BCBS 239 principles and high level requirements

Overarching governance and infrastructure

Risk data aggregation capabilities

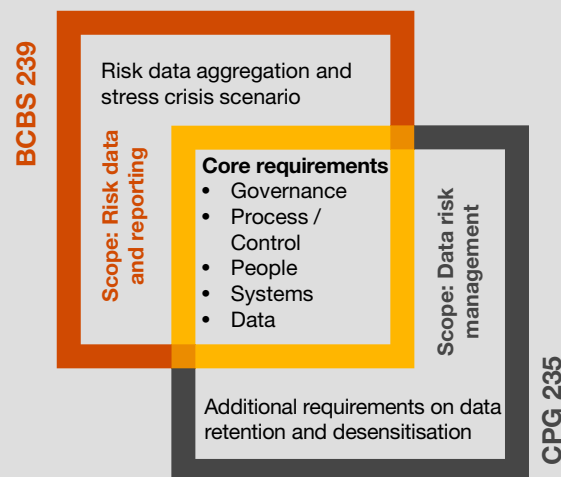
Compliance effort assessment ● High ● Medium ● Low

Risk reporting practices

1 Governance ● Requirement for strong governance including senior management and Board 'tone from the top' and oversight of risk data aggregation and reporting, awareness of limitations, documentation and validation and resilience	3 Accuracy & Integrity ● Requirement to be able to generate accurate and reliable risk data which implies identification of 'golden sources' for data, data dictionary, aggregation methods, control framework, process automation	5 Timeliness ● Requirement to be able to generate aggregate and up-to-date risk data which implies identification of critical risk data and ensuring remediation activities are performed in a timely manner	7 Accuracy ● Requirement for risk management reports to accurately and precisely convey aggregated risk data which includes implementation of data quality management, reconciliations, adjustments, risk model and approximation validation	9 Clarity & Usefulness ● Requirement for risk management reports to communicate information in a clear and concise manner. This includes Board reporting, senior management reporting, operational reporting	11 Distribution ● Requirement for risk management reports to be distributed to the relevant parties while ensuring confidentiality is maintained. This includes defining policies and procedures, reporting mechanisms and data security
2 Data architecture & IT infrastructure ● Requirement to design, build and maintain data architecture and IT infrastructure to support risk data aggregation and risk data reporting capabilities including for times of stress or crisis	4 Completeness ● Requirement to be able to capture and aggregate all material risk data to permit identifying and reporting risk exposures, concentrations and emerging risks. Incomplete data needs to be identified and explained	6 Adaptability ● Requirement to be able to generate aggregate risk data to meet a broad range of on-demand, ad hoc risk reporting which requires flexible aggregation, flexible reporting, data availability and responsiveness	8 Reporting comprehensiveness ● Requirement for risk management reports to cover all material risk areas within the organisation. The depth and scope of these reports should be consistent with the size and complexity of the bank's operations and risk profile	10 Frequency ● Requirement for the board and senior management to determine the frequency of risk management report production and distribution. This includes regular reporting and on-demand / stress and crisis reporting	

What does it mean for Australian banks?

- APRA has been considering the implications of BCBS 239 for some time. APRA's intention was signalled in late 2018 with a request for the Australian major banks to perform a self-assessment against the BCBS 239 principles
- Recently, the Australian major banks have been asked to identify their top 100 Critical Risk Data Elements (CRDEs) and to clearly articulate their plan to demonstrate that effective risk data management practices are in place and CRDEs are of acceptable quality by February 2021
- APRA's **Prudential Practice Guide – CPG 235 Managing data risk** (CPG 235) released in 2013 sets APRA expectations for how banks need to manage their data
- BCBS 239 and CPG 235 have overlapping requirements as illustrated in the diagram opposite. The primary difference is in relation to scope and intent – BCBS 239 is primarily applicable to risk data and reporting whereas CPG 235 is applicable to all data in the bank
- New regulatory requirements (eg EFS reporting collection, Basel III etc.) also reinforce regulator's expectations for banks to have a robust data governance and management practices in place with a focus on the quality of the data reported



Why is it important?

The objective of BCBS 239 is to strengthen banks' risk data aggregation capabilities and internal risk reporting practices, to enhance the risk management and decision making processes. BCBS 239 also underpins many priorities in the C-suite

Improved identification, monitoring and management of risks at the global consolidated level.
Better quality of strategic planning and the ability to manage the risk of new products and services.

Chief Executive Officer

Enhanced management of information across legal entities, while facilitating a comprehensive assessment of risk exposures.
Limit probability and severity of losses resulting from risk management weaknesses.

Chief Risk Officer

Maximise return on investment from the BCBS 239 program at it increase speed of the decision-making process throughout the organisation.

Chief Financial Officer

PwC capabilities and experience

How can we help



Strategy and readiness assessments – *Developing a systematic approach to achieve BCBS 239 compliance*

- Accelerate gap analysis of current data governance, data management and risk and regulatory reporting capabilities to comply with BCBS 239 requirements
- Articulate the target state definition and develop implementation roadmap to move towards full compliance



Enablement – *Accelerating delivery through best practice methodologies and domain expertise*

- BCBS 239 program planning and management to ensure required capabilities are implemented within the expected timelines
- Support delivery through provision of specialist skills to implement the required capabilities
- Ensure BCBS 239 program is set-up for success and on the most effective compliance trajectory



Assurance – *Providing assurance to senior executives and board on BCBS 239 readiness and compliance*

- Conduct holistic review, including periodic health checks, of the program to highlight any potential challenges or issues from three key perspectives: program delivery, compliance strategy and current status
- Independent validation regarding compliance status with scoring provided at both enterprise and principle levels

We have developed deep expertise on BCBS 239 and broader banking data management programs

We have supported over 40 global banks on their BCBS 239 programs including strategy, gap assessment, roadmap, implementation and independent validation experience.

We bring a proprietary BCBS 239 capability and compliance toolkit aligned with industry best practice frameworks such as the EDMC's DCAM framework.

Select experience



Global banks (US, Europe, Asia)

We have helped many European banks to perform gap assessments using our proprietary capability and compliance model. We have also helped the banks to establish their BCBS 239 program to move toward compliance



Global banks (US, Europe, Asia)

We have supported many global banks in deploying data, technology and risk management capabilities. Our comprehensive BCBS 239 capability and compliance toolkit includes a full suite of artefacts ready to support a tailored BCBS 239 implementation



European and UK banks

We have performed health checks of BCBS 239 programs including to support the re-framing of projects which may be off track. In addition, for a UK bank, we have performed an independent assessment of BCBS 239 compliance



*PwC was awarded *Outstanding Project for BCBS 239 implementation* in the inaugural Regulation Asia Awards for Excellence

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