



## Template for comments

### ECB Guide on effective risk data aggregation and risk reporting

#### Institution/Company

Association for Financial Markets in Europe (AFME)

#### Contact person

##### Mr/Ms

##### First name

##### Surname

##### Email address

##### Telephone number

Please tick here if you do not wish your personal data to be published.

#### General comments

[The institution is] supportive of the development and maintenance of effective systems and controls to ensure effective risk data aggregation and reporting.

We welcome the opportunity to comment on the ECB's consultation and set out our detailed comments in the format requested in the next tab. We would suggest that where we have suggested that clarification might be helpful, that the ECB should engage with industry in these areas in advance of any publication to mitigate the risk of unnecessary levels of prescription and associated risks.

In the meantime, as general comments we would be grateful for any clarification as to whether the Guide is intended to form any update to the BCBS 239 standard and on how this is being considered internationally.

## Template for comments

[ECB Guide on effective risk data aggregation and risk reporting](#)

Please enter all your feedback in this list.

When entering feedback, please make sure that:

- each comment deals with a single issue only;
- you indicate the relevant chapter/ section/ paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion; and
- you include a rewording suggestion in case of a proposed amendment.

**Deadline:** 6 October, 2023

ID	Chapter/ section	Sub-point/ bullet/ paragraph	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
1	3.1 Responsibilities of the management body	1-3	5	Amendment	The concept of management body is used in its wider sense. As a result, it could mean the management body in its supervisory function and the management in its management function. Distribution of responsibilities between the management body in its supervisory function and the management body in its management function depends on the corporate structure and the internal governance of each bank. We consider it useful for the ECB Guidance to allow the Management Body of large and complex institutions to delegate the most operational and non-strategic tasks to other different organisational functions.	To improve implementability of responsibilities.		Don't publish
2	3.1 Responsibilities of the management body		5	Clarification	The guide appears to misinterpret both the scope and independence of Internal Audit since the task of Internal Audit is, among other things, to monitor the risk data aggregation and risk reporting capabilities of the management board and not the other way around. Instead, the guide implies that the management board should monitor internal audit in this regard. This cannot be reconciled with the Three Line of Defense (3 LOD) model.	Address inconsistencies in the guide to aid consistent application.		Don't publish
3	3.1 Responsibilities of the management body	7	5	Amendment	The guide reads as if the management board must deal with risk reporting at a very granular level of detail. We believe that the guide should allow the management board to rely on respective subject matter experts (SME) in this regard. The required level of detail also seems to be a hindrance to enabling the management board to focus on crucial BCBS 239 matters only.	Improve the efficiency of the requirements.		Don't publish
4	3.1 Responsibilities of the management body		5	Clarification	Paragraph 3.1 sets forth the responsibilities of the "management body" in order to ensure "appropriate risk data aggregation capabilities and internal risk reporting practices" within the institution. In this respect the ECB Guide does not provide a clear definition of what is meant by "management body". To avoid any potential uncertainty thereupon we would propose the ECB Guide adopt or explicitly refer to the relevant definition as provided for in the Capital Requirement Directive IV (i.e. Directive 2013/36/EU or "CRD IV") which allows for a distinction to be made in each legal system between the responsibilities typically allocated to the Board in its Supervisory Function and those relating to the day-to-day management activities which are attributable to the body in its management function.	To improve the clarity of the requirements.		Don't publish
5	3.1 Responsibilities of the management body	1,2,3	5	Amendment	Paragraph 3.1 specifies a set of responsibilities to be assigned to the management body which seem to go beyond the role of guidance and supervision of the Board upon the activities delegated within the corporate organization. In this respect, the ECB Guidance does not take into account the various responsibilities with which the members of the Management Body and the Managing Director are already vested, while adding other far-reaching ones and also requiring that a member is identified to exercise these responsibilities. To address this issue, we consider it useful for the ECB Guidance to allow the Management Body of large and complex institutions to delegate the most operational and non-strategic tasks to other specific organizational functions.	Improve the efficiency of the requirements.		Don't publish
6	3.2 Sufficient scope of application		6	Clarification	Propose the guidance be updated to reflect the separation of data governance & reporting governance framework requirements	To reflect current and good industry practice.		Don't publish
7	3.2 Sufficient scope of application	1	7	Clarification	Propose the language is updated to reflect 'banks risk policies' rather than referring to a single 'data' framework	As above		Don't publish
8	3.2 Sufficient scope of application		6	Amendment	That section implies every data element with every model needs to be identified. Here, a risk-based approach would be preferred, and it should be up to the supervised institutions to decide which data reconciliation and which data completeness controls are in scope. Furthermore, it would be appreciated if the guide allowed each bank to go through the process, refine it and to get it approved by the Management Board.	Improve the efficiency of the requirements.		Don't publish
9	3.2 Sufficient scope of application	3.2	6	Clarification	The Paragraph states that the framework should be applicable to "all material legal entities, risk categories, business lines and financial and supervisory reporting processes, and cover the entire lifecycle of the data, i.e. all processes from data origination, capture and aggregation to reporting". Given the huge scope of application (Pillars I, II and III, reporting and financial statements), it is important to clarify if the bank can define internally reasonable / intermediate consistency points which can guarantee the data quality of the upstream processes, so as not to push the widespread application of the framework beyond necessary levels of materiality (in other words a reasonable limit to data lineage can be envisaged).	Improve the efficiency of the requirements.		Don't publish
10	3.2 Sufficient scope of application	1	6	Amendment	The guide seems to imply that any Management Information System (MIS) reporting is within the scope of the guide. This approach seems too far-reaching to us, and we would be grateful if the scope of application could be limited	Improve the efficiency of the requirements.		Don't publish
11	3.2 Sufficient Scope of Application	3.2	6	Clarification	Request that improved clarity on expectations is incorporated. Is the focus on the RDA report or a collection of key risk figures	To improve the clarity of the requirements.		Don't publish

12	3.2 Sufficient Scope of Application	1 (b)	7	Clarification	Reports alone can be large and cumbersome. Oftentimes, data in financial reports are the basis for additional calculations and analysis to better understand what is happening. Should banks be focused on the entire financial report or the key risk figures derived from the financial report?	To improve the clarity of the requirements.		Don't publish
13	3.2 Sufficient Scope of Application	3.2.1 (a)	7	Clarification	In Section 3.2.1.(a), please clarify the term "main overall risk reports."	To improve the clarity of the requirements.		Don't publish
14	3.2 Sufficient Scope of Application	3.2.1 (b)	7	Clarification	In Section 3.2.1.(b), how are you defining "financial reports?"	To improve the clarity of the requirements.		Don't publish
15	3.2 Sufficient Scope of Application	3.2.1 (c)	7	Clarification	In Section 3.2.1.(c), given the large volume of supervisory reports submitted, can you provide additional guidance on expectations?	To improve the clarity of the requirements.		Don't publish
16	3.2 Sufficient Scope of Application	3.2.2	7	Clarification	In Section 3.2.2, can you clarify the scope of models? Is the scope referring to models supporting the key risk figures applicable to the RDA Reports identified? Please add clarification language	To improve the clarity of the requirements.		Don't publish
17	3.2 Sufficient scope of application	1	6	Clarification	Please could you discuss how financial institutions should consider the term proportionate (from Article 74 CRD) in the context of their BCBS239 compliance programmes.	Improve the efficiency of the requirements.		Don't publish
18	3.3 Effective data governance framework	3	8	Deletion	We would Challenge the prescriptiveness of the guidance – ECB guidance appears to mandate that there must be a validation function which is dedicated to RDARR and must be within the second line of defence. This is narrower than wording of the BCBS 239 Principles.	To facilitate international consistency and avoid superequivalence to the BCBS standard.		Don't publish
19	3.3 Effective data governance framework	3	7	Clarification	Here too, the 3 LOD does not appear to have been considered by the guide. The 2 LOD is an independent function whereby Operational Risk and Compliance are testing the 1 LOD with the latter being responsible for Quality Assurance (QA) and Quality Control (QC).	Address inconsistencies in the guide to aid consistent application.		Don't publish
20	3.3 Effective data governance framework	3	7,8	Clarification	The paragraph states that second level activities (Data Quality, Data Governance, BCBS239 compliance, IT infrastructure) should be all performed by Internal Validation. It is important to clarify whether: - the Internal Validation Function should centrally perform all data controls, including specialized controls that are already currently performed by specialized second-level Control Functions, or - Internal Validation can delegate such specialized controls to specialized Second-level Control Functions.  In the latter case (i.e. the delegation is allowed), given the independence requirements that characterize the Internal Validation Function, should the delegation include special safeguards / features? (e.g. special checks that Internal Validation must perform on the activities of the delegated Functions,...)	To improve the clarity of the requirements.		Don't publish
21	3.4 Integrated data architecture	4	9	Clarification	BDQ is a very broad definition. We would be grateful if the consultation paper could more clearly determine and define the scope and what exactly is falling under the BDQ terminology.	Address inconsistencies in the guide to aid consistent application.		Don't publish
22	3.4 Integrated data architecture		9	Amendment	The management of data taxonomies is recommended to entail Complete and up-to-date data lineages (including data capture) for all risk indicators and metrics within the scope of application.  Request to provide more clarity in original language with proposed rewording below:  The management of data taxonomies should entail key data journey points such as originating source systems, systems which data moves through or is aggregated & transformed within, and systems which are the endpoints for direct data sourcing of all risk indicators and metrics within the scope of the application.	To improve implementability of requirements.		Don't publish
23	3.4 Integrated data architecture	3	9	Clarification	Will the ECB consider forming an industry working group to develop data architecture standards, based on BCBS principles, to ensure clarity and consistency on approach across peer firms	There are a number of benefits in being able to trace and document lineage but from a supervisory perspective it would help provide peer firms with more certainty on scope, techniques, evidencing artefacts, etc		Don't publish
24	3.5 Group-wide data quality management and standards		9	Amendment	For globally operating banks, data quality indicators are difficult to implement on legal entity level. We would be grateful if the consultation paper would allow a threshold based on expert judgment and/or risk-based approach. In addition, a broader, more flexible definition of "quantitative impacts" would be appreciated. Also, "End-user computing" is a very broad definition and we would be grateful if the scope could be further described and limited.	To improve implementability of requirements.		Don't publish
25	Section 3.5 Group-wide Data Quality Management and Standards	1	10	Clarification	The implementation of data quality checks from front office systems to the reporting layer, automated where appropriate, as well as periodical reconciliation with other sources and reports (i.e. in the areas of accounting, finance, <b>and with external trusted sources like credit bureaus, land or housing registries, national authorities' lists etc.</b> ) applied to all material risk indicators and related model development data. Additionally, the implementation of regular procedures to assess and ensure the accuracy of critical data for risk management at the source of data, front office and the risk reporting systems using such information.  There may be concerns with the accuracy and security of data from outside sources, and it might be difficult and time consuming to obtain common formats.	To improve implementability of requirements.		Don't publish

26	Section 3.5 Group-wide Data Quality Management and Standards	2	10	Amendment	The Data Guide on effective risk data aggregation and risk reporting for the 10 quality indicators should take into account systemic data quality controls placed on user interfaces as data is captured and validated and inherent data quality controls in database and data transport technologies which assure 100% data quality without explicit definition and measurement of data quality indicators and tolerance levels.	To improve implementability of requirements.		Don't publish
27	3.5 Group wide data quality management and standards	1	9	Clarification	Will the ECB publish standards with particular focus on industry accepted trusted sources and definitions for consistent application in regulatory submissions, this could extend to things like counterparty classifications, approved ratings, product classifications	Clear guidance on trusted sources for industry standard information with precise definitions for use by reporting processes integrated into reporting instructions or standards or would improve consistency and accuracy while lowering barriers to implementation and improving maintenance activities		Don't publish
28	3.6 Timeliness of internal risk reporting		10	Clarification	The 20-business day expectation should be elaborated and specified to account for the fact that for ICAAP e.g., 20 business days are not achievable.	To improve implementability of requirements.		Don't publish
29	3.6 Timeliness of internal risk reporting		11	Clarification	An institution is expected to ensure that the combination of reporting frequency and production time is calibrated in such a manner as to allow for timely reactions to changes in its risk situation, thereby complying with its set of internal risk appetite indicators (metrics and limits). <b>For regular reporting, it is generally understood that institutions will not be able to react to changes in a timely manner if a monthly or quarterly risk report needs more than 20 working days to be produced.</b>  It is not clear what the 20 day timeline is based on and whether this should be considered the standard expectation.	To improve the clarity of the requirements.		Don't publish
30	3.6 Timeliness of internal risk reporting		11	Clarification	For regular reporting, it is generally understood that institutions will not be able to react to changes in a timely manner if a monthly or quarterly risk report needs more than 20 working days to be produced. It would be useful if the term 'regular reporting' could be defined.	To improve implementability of requirements.		Don't publish