Data Management ‘now’ for Financial Institutions investing in change ‘next’

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Why is data significant?

With businesses across the globe being impacted by the forces of digital transformation, data is being reckoned as the new superpower in the financial services world. It is the key driver to streamline our businesses, customers, processes, systems and is also a major contributor in intelligent decision-making. With these tremendous benefits associated with quality data, it is indeed a most valuable resource – ‘the oil of the digital era’.

Key data challenges faced by Financial Institutions (FIs) globally

There is a vast amount of data available with Financial Institutions (FIs). Despite the advanced analytics, structures and capital to exploit it, this incredibly valued asset is not utilised to its full capacity, owing mainly to the challenges of data management. FIs are unable to efficiently and effectively manage data, whether it is for regulatory requirements or to glean meaningful insights. Some of the common challenges faced include:

- **Fragmented Data Ownership**
  Data ownership often shuffles between business and IT, with no clear structure of governance and ownership. This is further exaggerated by the legacy systems in place, operating completely in silos.

- **Absence of a data culture**
  There is a dearth of knowledge and skills around data management and the resources required to manage it. A strong data culture is difficult to establish as it requires a shift in our treatment to data in day-to-day operations.

- **Poor Data quality**
  There are multiple and disparate systems that lack a well-defined data architecture, i.e. inconsistent data definitions, inaccurate and incomplete data, and high duplication, which, in turn, lead to poor data quality.

- **Heavy manual dependencies**
  Owing to heavy dependencies on manual interventions, there is an absence of data flexibility. This leads to a slow response time to any regulatory requests that may come in. Legacy IT systems do not integrate well with one another, which causes undue dependency on manual intervention.

- **High volume of data**
  High data volumes make it difficult to aggregate, manage and derive insights from that data. With no strategic view and handy tools, the operating cost and timely reporting of data is also highly impacted.
With more than a decade since the 2008 global financial crisis and the increased regulatory scrutiny post-facto, data in FIs still isn’t good enough, and the ability to consistently produce and manage high-quality data continues to remain an aspiration.
The aftermath of the 2008 global financial crisis has led to an increased scrutiny of financial services institutions, through stringent reporting and data collection requirements.

To emphasise on the greater need for effective data management and reporting, the Basel Committee introduced a set of principles, commonly referred to as BCBS 239, which were guided towards improving banks’ capabilities to aggregate risk exposures, and identify concentrations quickly and accurately at various levels.

Investing in a data management program would not only help financial institutions implicitly comply with data management and other regulatory requirements, but also lead to a fundamental transformation from its existing rudimentary data management capabilities. It also has several benefits such as:

- **Predictive forecasting**: Ability to identify opportunities at the industry level, as well as analytics such as early warning signals, and NPA default prediction analysis.
- **Reduction in IT Costs**: Simplification of portfolio of data repositories and faster speed to market of new analytics.
- **Improvement in profitability**: Opportunities to cross-sell, through pricing, risk management, accurate propensity models, faster onboarding.
- **Timely Reporting**: Reduction in business time, cost and effort for reporting by reducing data-cleansing-related activities in operations or finance.
- **Reduction in losses**: Reduction in risk through lower operational losses and less capital requirements.

**Think beyond regulatory compliance**

**BCBS 239 Principles**

- Overarching governance and infrastructure
- Risk data aggregation capabilities
- Supervisory review, tools and cooperation
- Risk reporting practices
Our Data Management framework engages stakeholders to customise data management benchmarks to their business needs and continuously adapt to changes in the business environment. It focuses on key themes that impact the data across all stages of its lifecycle.

**Current State Assessment**
- Review current data governance structure, system architecture and data quality framework.
- Map the current state data management framework against the global data management benchmarks such as BCBS 239, DAMA etc.
- Assess gaps against BCBS and DAMA principles and RDARR requirements.
- Select Target Maturity Level.
- Benchmark with other leading FIs in India and globally.
- Design Target Operating Model.

**Gap Analysis**
- Assess gaps against BCBS and DAMA principles and RDARR requirements.
- Select Target Maturity Level.
- Benchmark with other leading FIs in India and globally.
- Design Target Operating Model.

**Data Governance Charter**
- Define DG Organisation, roles and responsibilities.
- Define, approve and communicate data strategies, policies, standards, architecture, processes and metrics and Terms of Reference.

**Data Architecture**
- Develop DQ Framework.
- Define DQ Dimensions and Metrics.
- Develop DQ Solution.
- Develop Implementation Document incorporating:
  - Data Sources, Target Systems
  - Solution Architecture, Design Standards
- Build Data Dictionaries
- Define Ownership Matrix for Data Concepts (Business & IT)
- Define and Standardise Reference Data
- Build Data Profiling Rules and jobs
- Conduct Impact Assessment of issues
- Perform Root Cause Analysis of issues
- Design and implement automatic remediation jobs and packages
- Recommend system and process changes
- Design and implement DQ Dashboard

**Data Profiling & Remediation**
- Define and Standardise Reference Data
- Build Data Profiling Rules and jobs
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**Data Lineage**
- Build business glossary - define BCBS/BASEL and other regulatory reporting metrics.
- Draw data lineage to source systems to capture metadata
- Identify Critical Data Elements (CDES)
- Review DQ operating framework for enabling BAU
- Prioritise recommendations related to system modifications and processes for implementation
- Identify sources for data enrichment
- Launch campaigns to improve data quality

**Implementation Phase**
- Build Data Dictionaries.
- Define Ownership Matrix for Data Concepts (Business & IT)
- Review operating framework for enabling BAU.
- Identify the triggers for execution of processes.
- Develop roadmap for implementation of future initiatives.

**BAU transition**
- Review DQ operating framework for enabling BAU.
- Prioritise recommendations related to system modifications and processes for implementation.
- Identify sources for data enrichment.
- Launch campaigns to improve data quality.
Tools and Accelerators

Deloitte’s experiences, proven methodologies and accelerators enable delivery of quality solutions with minimal business disruption.

**Accelerators**

- Deloitte BCBS239 Assessment Framework
- DQ Management Framework
- Process Flow Diagram for Data Profiling
- Process Flow Diagram for Dashboards
- RACI Matrix and Templates

**Value**

- This framework is the basis for a tool-based assessment of current and desired compliance with BCBS 239.
- This framework enables organisations to consistently analyse their master data against business rules, and includes processes specific to the use of the organisation’s preferred data quality tools.
- This detailed process helps undertake data profiling as part of Deloitte’s Data Quality Operating Model and supporting methodology.
- These reusable assets (including framework and operating model) can be customised, making it faster and more aligned with global practices.
- The predefined RACI matrix and templates help in DQ Project Planning, DQ Profiling and assessment design document.
Our holistic approach, combined with years of industry experience, sets us apart from the crowd:

**The Deloitte difference**

**Key Differentiators**

- Our differentiated practical approach, based on experience in implementing data management frameworks
- Our extensive experience in Data Management with global and financial services firms
- Our experience of working with multiple banks across various geographies, such as US, Europe, Asia Pacific, Middle-East and Africa
- ‘Quick wins’ – Tools and techniques to undertake ‘Fast Data Management Compliance’ activities
- We have the right team with appropriate regional and technical experience
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<th>Client</th>
<th>Business Challenge / Opportunity</th>
<th>Solution / Key Activities</th>
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| UK-based global banking conglomerate | One of the largest banks in the world, designated as G-SIB, sought Deloitte’s programme management assistance for its Asia Pacific BCBS 239 Compliance implementation. | We were able to assist the client:  
• Perform current state assessment of key reporting metrics across in-scope countries, DQ capabilities and IT infrastructure  
• Review deliverables to ensure compliance with programme objectives  
• Monitor BAU transition to ensure ongoing compliance |
| One of the largest Swiss-based private banks | One of the largest private banks headquartered in Switzerland, designated as G-SIB, sought Deloitte’s assistance to undertake change management activities for one of the key projects within their overall BCBS239 program | We were able to assist the client:  
• Perform change management activities covering an assessment of business requirements and adherence with BCBS239 principles  
• Develop metrics to monitor manual/automated file deliveries (one of the Bank’s top 10 BCBS metrics) and SLAs agreed between the systems  
• Conduct training workshops on navigation of dashboards before BAU transition |
| Top 5 US Bank Holding Company | A Top 5 US banking client sought Deloitte’s assistance to meet the following broad objectives:  
• Comply with BCBS 239 principles on effective risk data aggregation and reporting  
• Develop and implement a COSO-based enterprise Governance and Oversight framework | We were able to assist the client with their:  
• Data Controls Gap Assessment  
• Data Traceability  
• Development and execution of remediation plans based on G&O process and data control gaps / enhancements  
• Data Quality – Issue Management and Remediation |
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