Establish a Culture of Data Awareness to Enhance
Compliance Reporting and Business Performance
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Financial services firms must establish a culture of data awareness that is supported by clearly defined processes if they are to cope with ever-increasing volumes of data involved in compliance reporting. Being data aware will empower their teams to uncover the facts needed to improve compliance with complex regulatory mandates, while they also gain the insight required to fuel growth and business improvement.

On the surface, it may seem that these two objectives run counter to one another and in competition for resources. In the first case, regulatory compliance can be viewed as purely a drain on resources. Many firms are so focused on meeting the next regulatory deadline that they fail to take a strategic view, such as establishing a repeatable process that has actual business value beyond that moment in time. The approach of doing the bare minimum to meet the minimum requirement often results in firms using inappropriate technology and large amounts of inefficient, manual effort.

Regulatory mandates should not be viewed solely through the lens of compliance. Forward-thinking firms will develop sustainable processes to not only meet the regulators' requirements and deadlines, but also unify people, processes and technology in a way that drives tangible business benefits. These benefits could include reductions in cost, improvements in customer service, improved business process efficiency or some combination of these. This approach also gives regulators evidence of the accuracy of a firm's data traced from its source to its submission—information that is increasingly critical to provide.

I recently presented at the 2014 FIMA (Boston) and GARP (New York) conferences, and I had numerous conversations with financial services executives about the best way to get started along the right path. I discussed at length methods to best establish a culture that aligns behind clear objectives, deals in facts, and empowers the right people with the tools they need to actually get things done and not just talk about it.

The following provides additional detail on how firms can achieve their goals for each of these three main points above.

1. Establish an Organizational Mandate; Put the Right People in Place

The most senior executives of a firm have a critical role to play in this process. They must give a clear mandate that their organization will embrace a culture of data awareness, provide sufficient financial resources and empower leaders across their organization to enact change. Executives must make sure that the personnel tasked with implementing data governance/management best practices have the mandate and the authority to drive participation. Additionally, this culture must focus on looking forward and not seek retribution for problems that occurred in the past.

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Following this mandate, business leaders must assemble compliance teams with the right mixture of skills and experience. This means bringing both business and technology stakeholders together and creating a team not composed solely of data managers. Business stakeholders have a depth of subject matter expertise. They know the business processes that are currently in place, how data is being used and why it needs to be captured in a certain way.

For example, I have been working with a large U.S. bank to support its Comprehensive Capital Analysis and Review (CCAR) submission process. The bank's team comprises an array of roles, including business analysts and data architects as well as representatives from finance and underwriting. This cross-section of people has enabled the bank to bring real-world business context to the data analysis and issue resolution process. Given that the goal is often to remediate data and process issues and prevent problems from happening in the future, it is important that team members have a good appreciation of the business process and the root causes of the observed issues.

2. Formulate a Process That Blends Top-Down and Bottom-Up Approaches

Many organizations that I work with have a difficult time getting started. They spend too much time trying to define their frameworks or plans and not enough time identifying and resolving problems that have a material impact on their business. Any data management initiative has to be linked to a measurable business benefit to gain the support required. In other words, it has to pass the "so what?" test.

After identifying the right people, the organization must clearly identify the business problems it is trying to solve and map the relevant roles to the process, including who are the data providers, modifiers and consumers. To be most effective, this top-down view of the process and associated data flows must be combined with a bottom-up approach of analyzing key data elements to uncover factual evidence with regard to data issues that can be used to drive engagement with the business subject-matter experts. By blending top-down and bottom-up approaches, firms can ensure that they are able to engage business process owners and data consumers by discussing real-world issues affecting their day-to-day operations.

Continuing with the example that I provided above, the large U.S. bank had one fairly simple task of documenting the definitive list of risk codes used. From stakeholder interviews, the risk model owners expected codes 1 to 15; however, the system owner suggested that code number 15 was no longer valid. We combined this factual analysis with a data profile that told us there were several thousand loans coded as category 15. By connecting the stakeholder understanding with the facts, we were able to confirm that there was an issue, understand why the issue was happening, what its impact would be and also what the suggested remedy should be. This level of understanding can be achieved only by connecting data stakeholders with the facts.

3. Empower Business Teams with Self-Service Technology

Business stakeholders must be able to have a direct connection with the data they are responsible for if the required cultural change is to be achieved. They can no longer be dependent on IT to perform analyses on their behalf. This is not a knock on IT – they have neither the time nor the resources to provide the level of insight and analysis that the business requires.

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Instead, organizations must embrace new self-service data assurance solutions that provide business teams with transparency regarding their data. Empowered business stakeholders should be able to access, validate, analyze and monitor the universe of data they depend on for their risk and compliance initiatives. Easy-to-understand dashboards that allow key data elements to be monitored and compared across various asset classes can then provide executive-level insight. Dashboards can also be submitted to regulatory authorities as supporting evidence that proper standards and data monitoring processes are in place.

The U.S. bank in the example has realized a great deal of benefit from using self-service data assurance solutions for its CCAR submission process. As only one example, the bank has been able to quickly adapt to the regular CCAR rule changes from the Federal Reserve Board, with turnaround time now measured in days instead of weeks or months. It was also able to improve its productivity in terms of publishing approved data monitoring rules, which were previously several hundred per month, to the current pace of several hundred per week.

Conclusion

Establishing a proactive culture of data awareness and supporting it with the right people, processes and technology is essential for financial services firms, given the complex challenges they face today. As regulations are expected to continue to increase in complexity and their reporting frequency, firms must be able to navigate these challenging times and still be able to grow their businesses as well as serve the needs of their customers. With the right approach, financial services firms can simultaneously accomplish these objectives in an efficient and effective way.

About Trillium Software

Trillium Software offers proven Self Service Data Assurance Solutions that accelerate compliance with many complex, data-centric regulatory regimes and identify hidden risks across an organization. From CCAR and FATCA to Basel II/III, Risk Data Aggregation and others, Trillium provides deep subject matter expertise, industry-leading technology and unique content to help business leaders achieve their objectives and attest with confidence. Our innovative Solutions minimize reliance on IT and Operations, delivering value in the form of a business-as-usual process in less than 90 days. For more information, visit www.trilliumsoftware.com/business/banking.

About the Author

Jon leads the advisory consulting practice at Trillium Software, where he is responsible for the delivery of best practice advice and guidance to Trillium's many global clients. He has over 15 years' experience in information management, data quality management, data governance and data analysis, gained through his work for both global consultancies and software vendors across a variety of international financial services clients.

During the course of his work, Jon has advised senior business officers at a number of global financial services firms in support of Governance, Risk & Compliance (GRC) initiatives within credit risk and regulatory compliance engagements linked to FATCA, Dodd-Frank, CCAR, Basel II, Solvency II, customer deposit guarantee (FSCS) and credit risk data assurance.

Prior to his role at Trillium, Jon held senior consulting positions at both HP Consulting and Deloitte LLP, where he was the data quality lead within the Enterprise Risk practice.