BCBS 239: Unifying governance before it's too late
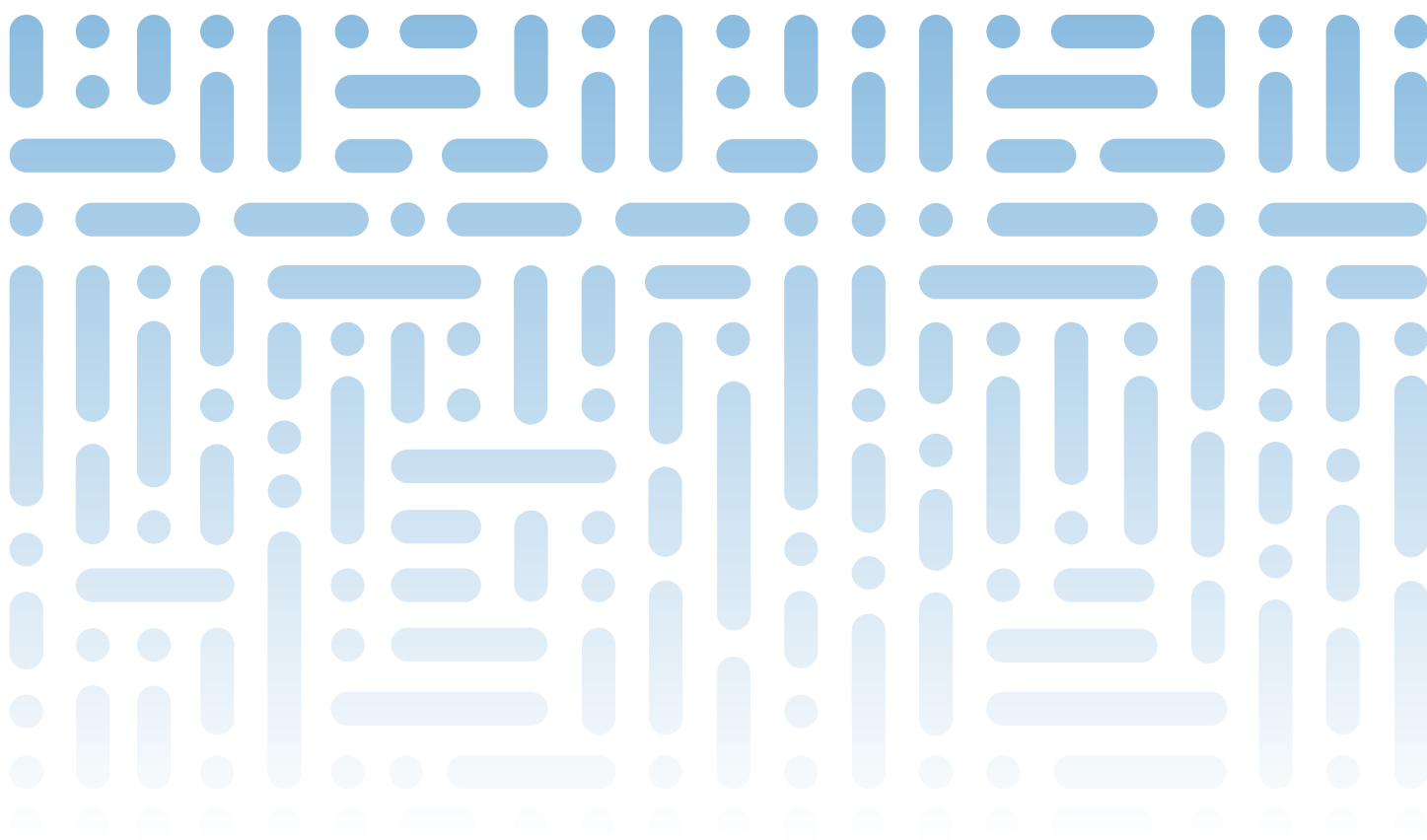
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A breakdown of BCBS 239

BCBS 239 is an important standard that has changed how banks and financial institutions handle risk data. The Basel Committee on Banking Supervision (BCBS) created it in 2013 after the global financial crisis revealed problems in data management and risk transparency that contributed to financial instability. The principles of BCBS 239 help financial institutions capture, combine and report risk information at all levels of their organizations. This improves their ability to withstand stress and make more informed decisions.

Key aspects of BCBS 239

The framework comprises 14 principles that focus on four primary areas:

- **Governance and infrastructure:** Institutions must establish a robust governance framework for risk data management, integrating it into their strategic priorities

- **Risk data aggregation:** Accurate and timely data aggregation is essential for understanding exposures, especially during market stress. Ineffective aggregation can hinder responses to emerging risks

- **Risk reporting:** Reporting must be clear, concise and actionable, providing decision-makers with accurate insights to manage real-time risk

- **Supervisory review:** Compliance is mandatory and subject to regular review by supervisory bodies. Non-compliance can lead to penalties and increased oversight, affecting operational and financial flexibility

What are the business impacts when compliance isn't done right?

Non-compliance with BCBS 239 (or inadequate compliance using a poorly implemented solution) can lead to significant business impacts:

- **Regulatory penalties and restrictions**
  Non-compliance can result in fines, increased capital requirements or restrictions on operations, limiting growth opportunities. For example, banks may face constraints on expanding business lines until they rectify deficiencies

- **Increased operational costs**
  Banks may incur higher expenses due to their reliance on inefficient manual data reconciliation and reporting, which requires additional specialized staff

- **Reduced risk management capabilities**
  Inadequate data aggregation hampers the ability to analyze risks promptly, increasing the likelihood of financial losses during market volatility

- **Reputational damage**
  Persistent non-compliance indicates weak data governance, resulting in diminished trust from regulators, clients and investors

- **Strategic and competitive disadvantages**
  Non-compliant banks struggle to implement effective risk management, missing opportunities for optimization and innovation

- **Potential financial losses in crisis scenarios**
  Insufficient risk reporting may lead to significant losses during market stress, as seen during the COVID-19 pandemic

Non-compliance with BCBS 239 leads to financial costs and strategic risks, while compliance boosts operational resilience and competitiveness.

Measuring BCBS 239 compliance

BCBS 239 compliance is evaluated based on an institution's adherence to 14 principles set by the Basel Committee on Banking Supervision. These principles address data governance, risk data aggregation, risk reporting and supervisory reviews. Compliance is assessed through internal audits, external inspections and key performance indicators (KPIs) that measure the quality and accuracy of risk data practices.

Primary KPI for BCBS 239 compliance

The **Compliance Audit Pass Rate** is an important measure for BCBS 239. It shows how well an institution follows compliance standards during audits and inspections. A high pass rate means the institution successfully meets the data management, governance and risk reporting guidelines set by BCBS 239.

Supporting metrics and reporting

Organizations should monitor key performance indicators (KPIs) essential for BCBS 239 compliance to maintain a high audit pass rate. Regular reporting on these KPIs is crucial for assessing compliance performance.

Compliance issue closure rate

- **How it supports compliance audit pass rate:** This KPI measures how effectively an organization identifies and resolves compliance issues, impacting audit outcomes. A high closure rate indicates timely resolution of weaknesses, reducing the chances of problems arising in future audits

- **Use in monitoring:** Regularly reviewing the Compliance Issue Closure Rate helps ensure that all audit recommendations and regulatory findings are addressed, thereby increasing the likelihood of passing future audits

- **Primary data sets:**

    - **Compliance issue log:** Records of all identified compliance issues, including type, severity and impacted processes

    - **Issue status data:** Tracking the current status of each issue (open, in progress, closed)

    - **Resolution timestamps:** Dates and times of issue identification and resolution

    - **Root cause analysis:** Insights into recurring problems and high-risk areas

Policy adherence rate

- **How it supports compliance audit pass rate:** A high Policy Adherence Rate indicates strong compliance with internal policies, which supports successful audits

- **Use in monitoring:** Tracking this key performance indicator (KPI) helps managers identify adherence gaps, providing early warnings of potential non-compliance issues that may impact audit results. Addressing these gaps strengthens compliance practices, positively affecting the Compliance Audit Pass Rate

- **Primary data sets:**

  - **Policy compliance checks:** Data from periodic reviews detailing adherence across departments

  - **Policy violation reports:** Records of policy breaches categorized by type and severity

  - **Audit logs:** Documentation of non-adherence instances and corrective actions taken

  - **Employee acknowledgments:** Records of employees confirming their understanding of policies

Training completion rate for compliance programs

- **How it supports compliance audit pass rate:** Comprehensive training prepares employees to understand compliance requirements and reduces risks of audit findings. A high training completion rate indicates readiness to meet these standards

- **Use in monitoring:** This KPI helps compliance teams assess staff training levels. Low completion rates may indicate a risk of non-compliance due to a lack of awareness, potentially affecting audit outcomes

- **Primary data sets:**

  - **Employee training records:** Information on completed training modules, including topics and completion status

  - **Compliance training curriculum:** Overview of required modules, including frequency and attendees

  - **Attendance and completion rates:** Tracking of attendance for live sessions and online module completions

  - **Knowledge assessment results:** Scores from quizzes or assessments to evaluate understanding and training effectiveness

Data quality compliance rate

- **How it supports the compliance audit pass rate:** BCBS 239 audits assess data quality to ensure risk reports are accurate and reliable. A high Data Quality Compliance Rate indicates adherence to regulatory standards, which enhances the chances of a successful audit by minimizing data integrity issues

- **Use in monitoring:** Monitoring data quality compliance helps teams identify and resolve issues before audits, ensuring that risk reporting aligns with BCBS 239 standards and improving audit outcomes

- **Primary data sets:**

  - **Data quality metrics:** Measures of completeness, accuracy, consistency, and timeliness in risk reporting datasets

  - **Data source inventory:** A catalog of all data sources used in risk reporting, including metadata and data lineage information

  - **Data quality issue log:** Records of identified data quality issues, including errors and corrective actions

  - **Data validation reports:** Reports from periodic checks verifying the accuracy and reliability of data across systems

Regulatory report submission timeliness

- **How it supports compliance audit pass rate:** Timely submission of regulatory reports shows an institution's ability to meet compliance deadlines, which is vital for audits. Consistency in this area indicates strong compliance processes and improves audit pass rates

- **Use in monitoring:** By tracking submission timelines, compliance teams can ensure deadlines are met, minimizing the risk of negative audit findings due to late submissions. This fosters a positive compliance culture and enhances the primary KPIs

- **Primary data sets:**

  - **Submission schedule:** Timetable of regulatory reporting deadlines, including frequency and due dates

  - **Submission time stamps:** Records of actual submission dates and times for comparison against deadlines

  - **Regulatory report inventory:** List of all required regulatory reports detailing content and submission specifications

  - **Exceptions and delays log:** Records of any late submissions, reasons for delays and corrective actions taken

Incident response time for compliance issues

- **How it supports compliance audit pass rate:** Swiftly resolving compliance incidents reduces potential risks and showcases a proactive compliance environment. Quick response times indicate effective issue management, minimizing the chances of unresolved problems affecting audits

- **Use in monitoring:** This KPI helps compliance teams track and enhance response times to incidents, ensuring issues are addressed before becoming audit findings and keeping operations efficient

- **Primary data sets:**

    - **Incident management system data:** Centralized log of compliance incidents, detailing detection, severity and affected areas

    - **Response time stamps:** Timestamps for detection, reporting, response and resolution of incidents

    - **Incident root cause data:** Data identifying trends in recurring incidents

    - **Resolution documentation:** Records of corrective actions and steps taken to resolve incidents, assessing response effectiveness

Summary of required data sets by report

Every supporting KPI report requires specific data sets to ensure accurate measurement and proactive Compliance Audit Pass Rate management.

Report	Primary data sets
Compliance issue management report	Compliance issue log, resolution timelines, root cause analysis
Policy compliance report	Policy compliance checks, policy violation records, audit logs
Compliance training completion report	Training records, curriculum details, assessment results
Data quality compliance report	Data quality metrics, data source inventory, data quality issue log
Regulatory submission timeliness report	Submission deadlines, submission time stamps, exceptions and delays log
Compliance incident response report	Incident log, response time stamps, toot cause and corrective action data

Maintaining high performance in these six KPIs is crucial for data management and governance in line with BCBS 239 principles. Financial institutions can identify and address compliance gaps by monitoring targeted reports, enhancing their compliance audit pass rate and adhering to BCBS 239 standards.

The benefits of using Collibra for BCBS 239 compliance

Collibra's platform offers significant advantages in achieving and maintaining BCBS 239 compliance.

It improves four key areas crucial for compliance: increasing compliance, enhancing risk management, reducing costs and boosting revenue.

Increasing compliance: How Collibra helps

Strengthened data governance controls: Collibra provides a centralized system for managing data access and usage, ensuring integrity and compliance. Role-based access and quality rules reduce non-compliance risks.

Improved data quality: Collibra's data quality rules and monitoring capabilities proactively identify and correct issues, leading to more reliable risk reporting. The platform ensures data consistency, which is critical for accurate regulatory reporting.

Increased automation and productivity: Automated processes reduce manual work, lowering errors and ensuring steady compliance. This allows staff to focus on essential tasks.

Enhanced audit trail: Collibra's comprehensive audit trail simplifies regulatory audits and facilitates quick resolution of compliance questions, ensuring transparency and accountability.

Improving risk management: How Collibra helps

More accurate risk assessments: Good governance helps ensure accurate data for better risk assessments. This allows for effective strategies to reduce risks and manage situations proactively.

Improved data-driven decision-making: Collibra offers insights into risks, aiding in risk management and capital allocation decisions.

Enhanced scenario planning: The platform enables thorough analysis for better scenario planning, helping banks prepare for various events.

Reducing costs: How Collibra saves money

Minimizing compliance-related expenses: Enhanced data quality and automation saves time and resources on corrections and audits.

Preventing costly errors: Accurate data reduces the risk of compliance failures and penalties.

Optimizing resource allocation: Increased efficiency allows resources to focus on strategic initiatives.

Increasing revenue: How Collibra can boost income

Enabling informed business decisions: High-quality data leads to better strategic choices, improving profits.

Supporting new business opportunities: Strong risk management helps banks confidently pursue new ventures.

Attracting clients: A good reputation for governance and compliance draws in more investors and clients.

BCBS 239 compliance is about building a stronger, more efficient and profitable bank. Collibra enhances compliance with a solid data governance framework, leading to better decisions, improved risk management, efficiency gains and increased revenue. Its impact goes beyond regulations, fostering a culture of data-driven decision-making that strengthens the organization.

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BCBS 239 compliance is a journey that requires commitment and continuous improvement

A recent BIS assessment shows that many banks face compliance challenges due to gaps in data governance, data quality and overall management practices. Addressing these issues is essential for maintaining regulatory alignment and operational efficiency.

At Collibra, we understand the importance of effective data governance and quality in achieving BCBS 239 compliance. Our platform offers key capabilities, including:

- **Data Governance:** Implement clear processes with defined roles for accountability over the data lifecycle

- **Data Quality:** Ensure accuracy and reliability of data for precise risk aggregation and reporting

- **Data Visibility:** Enhance understanding of data flows and sources

Banks can use Collibra's platform to tackle data management challenges, meet regulatory expectations and unlock new growth opportunities.

Explore our whitepaper, "Conquer BCBS 239 compliance with Collibra", to learn more about accelerating your BCBS 239 compliance.