



WAYS BUSINESS-DRIVEN DATA GOVERNANCE Empowers Financial Institutions to Optimize Agility and Mitigate Risk



Business-driven data governance provides financial institutions with the tools and mechanisms they need to successfully gain and maintain control of the information — and information trust — that is so important to their performance.

Banking has always been about information and trust. You need accurate, complete, and up-to-date information about your customers, your markets, your positions, and your exposures. There needs to be a high level of transparency so that everyone feels confident that everything they are being told is true. And that trustworthy data must be easy to find.

But the variety, volume, and velocity of the information banks capture is exploding. And if you are handling massive volumes of highly diverse data moving at hyperspeed across an ever-expanding and relentlessly morphing array of databases, systems, and applications, it becomes much more difficult to find — and trust — all of your organization's information.

In fact, you might not even be sure where all of it is.

This data chaos is neither acceptable nor sustainable. When financial institutions are uncertain about where their data is, who has touched it, what it means, whether it's current, and the like, they expose themselves to significant operational and regulatory risk. Just as important, they sacrifice agility — because you can't quickly and adaptively leverage all the data at your disposal if you get bogged down trying to find someone somewhere who can tell you where you can find what you need.

There is, fortunately, a highly viable alternative to data chaos. Business-driven data governance provides financial institutions with the tools and mechanisms they need to successfully gain and maintain control of the information — and information trust — that is so important to their performance. More specifically, the right approach to data governance will:

- **Make trustworthy data and information easy to find** for everyone in the organization
- **Accurately and comprehensively catalog and watermark/certify** all data across the enterprise
- **Bring order and consistency to all data-related processes**, such as operational, management and risk reporting; application development; and re-platforming
- **Automate regulatory reporting** for mandates such as BCBS 239, CCAR, and GDPR
- **Simplify, streamline, and standardize data quality** management and remediation
- **Empower everyone in the organization** – from SVPs of Mid-Market Banking to in-the-trenches data analysts – to do their jobs better, faster, and with greater confidence

Financial institutions that genuinely commit to achieving this level of data governance will be nimbler, safer, and better able to leverage the full potential business value out of their data. Those that don't will suffer the problems, aggravations, and inefficiencies that chaos inevitably wreaks. It therefore behooves institutional leadership to opt into the former – sooner, rather than later.

THE DATA CHAOS TIPPING POINT

Financial institutions have historically faced many types of challenges, but data chaos has never been an especially pressing one.

That has changed. Dramatically. In an increasingly digital world, financial institutions have become universally susceptible to data chaos. And the consequences of that chaos pose a significant threat to their performance.

A number of key factors have brought data chaos to a tipping point, including:

The result of all this diverse data in motion is a lack of clarity about which data should be used for what purpose, where data is coming from, and where it is going.

DATA VOLUME, VARIETY, AND VELOCITY

Financial institutions have more data from more diverse sources moving across the organization at greater speed than ever before. This data is constantly being transferred from one system to another as executives, capital allocation managers, risk management specialists, retail loan marketers, IT application developers, and others all try to get their hands on the data they need to make decisions to accomplish their business objectives.

The result of all this diverse data in motion is a lack of clarity about which data should be used for what purpose, where data is coming from, and where it is going. This lack of clarity, in turn, makes it difficult for system stakeholders to be certain about the quality, accuracy, or timeliness of the information in their reports and analytics. The result is that organizations:

- Waste significant time and effort simply finding the right data, rather than productively analyzing it
- Inefficiently keep creating duplicative reports
- Chronically wind up with multiple reports that present different answers to the same questions

The chaotic movement of data across the enterprise can have serious compliance implications as well. Regulatory mandates across domains lead with a high expectation that financial institutions will be fully able to demonstrate the trustworthiness of their data. The recent DFS Part 504, for example, requires annual “compliance finding” certification for the processes and governance around anti-money laundering transaction monitoring and sanction programs. Consolidated Audit Trail will similarly increase requirements for trading activity.

GDPR, for its part, will further require institutions to know where European customers’ PII is at all times—since that PII cannot be used without explicit permission, and it must be fully removed from all systems upon request. It will be difficult – if not impossible – for an institution to comply with these GDPR provisions if data chaos leads to instances of European customers’ PII winding up in some analytics “data pond,” a transient application testing environment, or even someone’s personal Excel spreadsheet without the knowledge and authorization of appropriate institutional data “owners.”

EXCESSIVE DEPENDENCY ON PERSONAL AND TRIBAL DATA KNOWLEDGE

Whatever data governance policies or processes financial institutions may have sought to put in place in the past, the reality is that data has been shared between stakeholders in a largely ad hoc manner. Someone looking for a particular type of data or investigating its provenance typically does so by asking someone they believe has personal knowledge about that data. That supposedly knowledgeable person then either answers the question to the best of their ability or refers the inquirer to someone else.

Maintaining the status quo is not sustainable in this new era of heightened regulatory pressures for data that is not only reliable, but easy to find.

The adverse consequences of this ad hoc, person-to-person approach to data discovery include:

- Stakeholders getting inaccurate information about data from co-workers who are confident about their own knowledge, but are factually mistaken
- Slow data discovery/investigation that delays critical decision-making by requiring an indeterminate number of phone calls, emails, and meetings
- Inadequate controls over and documentation of which data is shared with whom and for what purpose
- Improper delegation of data governance responsibilities to data consumers, rather than data owners
- Loss of both business and IT productivity to data discovery/investigation activities that may or may not ultimately be fruitful

These consequences may have been tolerable in the past. But as data chaos grows and as institutional performance increasingly depends on effective deployment of new data-dependent applications and analytic capabilities, these consequences pose a serious and direct threat to the business.

INTENSIFYING REGULATORY PRESSURES

Regulatory oversight of institutional data management is intensifying for several reasons:

- The financial crisis of 2007-2009 highlighted the massive shortcomings in many institutions' ability to rapidly produce timely, accurate information
- Because banking and brokerage operations are increasingly data-intensive, regulators are naturally increasing their focus on data-related issues
- The credibility of institutional reporting for core mandates addressing risk, capital reserves, forthright dealings with customers and other regulatory concerns are all contingent on the trustworthiness of enterprise data
- Heightened public policymaker concerns about personal privacy and confidentiality – including PII security and the inappropriate exchange of PII between organizations
- An increase in cybersecurity incidents reported to regulators such as SEC and FINRA that, in turn, result in broader investigations into institutional data management practices

Financial institutions cannot respond to this growing data scrutiny in an environment of growing data chaos. And maintaining the status quo is not sustainable in this new era of heightened regulatory pressures for data that is not only reliable, but easy to find. Instead, they must be able to demonstrate to regulators that they know everything they need to know about their data – including what it is, where it is, where it came from, how old it is, who can access it, and how reliable it can be considered.

THE AGILITY IMPERATIVE

Innovative fintech companies are disrupting the traditional banking sector with new business models rooted in data. To succeed in this disruption-prone marketplace, traditional financial institutions must become agile enough to quickly bring similarly innovative digital capabilities to market – or, at the very least, digital capabilities that quickly bring them into competitive parity with their innovative peers. And those new digital capabilities (mobile apps, analytic decision support, etc.) must utilize data of appropriate quality in order to generate outputs that are also of appropriate quality.

Financial institutions need a unified repository of information about their data: a data system of record (SoR).

That can't happen if those charged with leading institutional go-to-market efforts can't find the right data quickly. Or if they sometimes find the wrong data masquerading as the right data. Or if sorting through their data is a chronically costly, productivity-draining process. To compete effectively and efficiently in digital markets, financial institutions must therefore empower all relevant stakeholders to find the right data quickly and confidently, every time.

BROADER ENGAGEMENT WITH EXTERNAL PARTNERS AND CONTRACTORS

Banks, brokerages, and other financial institutions have had to significantly increase their use of outside technology contractors and partners. And they've done this for a variety of reasons. It is often difficult to recruit and retain the full complement of sophisticated skills necessary to engineer advanced applications and data analytics. Human and financial capital management strategies often limit the number of FTEs an institution onboards. And time-to-market pressures often require organizations to quickly and temporarily expand the capacity of their application and/or analytic delivery pipelines.

This broader engagement with outsiders exacerbates data chaos in many ways. For one thing, the use – and potential misuse – of data by third parties has significant security and compliance implications. For another, these engagements increase the number of locations where data can wind up. More problematically, these additional locations are almost invariably outside the direct purview of data owners.

External engagements make it imperative that financial institutions aggressively mitigate data chaos and take the measures necessary to intelligently govern where their data is and how it is being used.

RESPONDING WITH BUSINESS-DRIVEN DATA GOVERNANCE

The appropriate response to data chaos is good data governance. But what does good, effective data governance look like? How can financial institutions reduce the thousands of hours people waste trying to find answers? And how can they give both their own data citizens and regulatory auditors high confidence in institutional data?

While the underlying technical requirements for effective data governance may be highly complex, financial institutions should focus on five core capabilities:

- 1. Accurate, comprehensive and progressive data cataloging with data governance built-in.** Financial institutions need a unified repository of information about their data: a data system of record (SoR). This data SoR should make it as easy as possible for business and IT stakeholders alike to find the data they need through user-friendly semantic search techniques – as well as to understand data lineage, trustworthiness, and past usefulness.

An effective data SoR will also allow an institution's "data citizens" to continuously enhance the business value of data and of the data catalog over time by adding information and annotations as appropriate. This collaborative model progressively captures personal and tribal knowledge about enterprise data so that it can reliably be found in one known location.

High data quality improves decision-making across the institution by optimizing the accuracy of the reporting and analytics managers use in making those decisions.

A progressive/collaborative cataloging model is key to avoiding “boil the ocean” projects that disruptively consume staff resources and endlessly defer concrete benefits to stakeholders. By allowing institutions to start at the point of greatest need and build from there, collaborative data cataloging accelerates time-to-benefit and promotes continuous improvement of data governance and data quality.

- 2. Consistent, centralized management of data-related policies and processes.** Good data governance requires appropriate data policies. And those policies are what ensure that data is only used for permitted purposes, that those with appropriate authority sign off on data use at appropriate points in data-use workflows, and that appropriate information about data use is captured for regulatory audit purposes.

Policies, however, are only words on paper if they aren't effectively put into action. That's why financial institutions need a consistent, centralized means of defining and publishing data policies so they can be readily discovered and understood by anyone to whom they apply. Institutions also need a consistent, centralized mechanism for automating the workflows associated with data use policies – including enforcement controls such as sign-offs and attestations.

Data policy management at financial institutions should also be highly intuitive and easy for authorized data citizens to configure and re-configure as necessary. This is important for two reasons. First, given an uncertain and constantly changing regulatory environment, institutions must be able to modify their policies appropriately in as little time and at as little cost as possible. Second, a brittle policy management system will frustrate business stakeholders – potentially incentivizing them to cut corners or revert back to less effective ad hoc approaches to policy implementation.

- 3. An institutional approach to data quality.** Data quality is a C-level leadership imperative. High data quality improves decision-making across the institution by optimizing the accuracy of the reporting and analytics managers use in making those decisions. High data quality enables managers to discover potential problems earlier, while avoiding false positives and false alarms. High data quality protects brand value – as well as markets as a whole – by ensuring that customers and partners can trust what their financial institutions tell them. And high data quality pleases regulators.

But data quality doesn't just happen. To effectively lead institutional data quality efforts, executives and boards need effective data governance. And that governance must include reporting that gives them clear visibility into a “single version of the truth” regarding data quality across the organization. Such reporting makes it easy for business leaders to see where data quality KPIs are missing their targets – and which of those missed targets have the biggest potential to adversely impact the business.

Data quality leaders also need a collaborative data governance environment that allows all qualified stakeholders to contribute to data quality — and insight about data quality issues — quickly and easily, whenever it makes sense to do so. This makes data quality everyone's business and helps build an institutional culture that genuinely attaches value to data quality.

Failure to provide this empowered data citizenship won't just cost financial institutions critical performance advantages. It will also undermine their ability to attract, retain, and fully engage top talent.

- 4. Automated regulatory reporting.** Financial institutions have often approached data governance and regulatory compliance as two distinct disciplines. But they are, of course, deeply intertwined. BCBS 239, for example, attempts to help ensure that banks make good decisions about risk by defining principles for risk data aggregation and internal risk reporting. These principles include reporting that's accurate and timely, a reporting environment that can be readily adapted to ad hoc requests, and transparency regarding any shortcoming in data quality.

These BCBS 239 principles clearly align with data governance best practices. In fact, they're really just common-sense, business-friendly guidance for how financial institutions should manage all of their data – not just that required for compliance. And they're broadly applicable to CCAR and other regulatory reporting requirements. So investments in business-driven data governance are, for all intents and purposes, also investments in compliance.

Moreover, a truly optimized data governance environment will have regulatory reporting built right into it. After all, if a financial institution's data policies are well-managed, reliably enforced, and fully transparent, there's no reason why it should be any more difficult to generate the kind of reports regulators require than it is to generate those required by the business.

- 5. Empowered data citizenship.** Success in an increasingly digital economy requires more than just technology. It requires people who are at home in that digital economy and prove themselves adept at aggressively converting data assets into performance advantages.

To effectively exercise their digital aptitudes, however, these high-value managers must be fully empowered to access the data they need when they need it – and put it to work for whatever purposes best serve the needs of the institution, within any appropriate limits. Failure to provide this empowered data citizenship won't just cost financial institutions critical performance advantages. It will also undermine their ability to attract, retain, and fully engage top talent.

EMPOWERING AGILITY, MITIGATING RISK

Business-driven data governance is obviously of value to financial institutions. The real question, though, is whether that value is merely "nice to have" – or whether it is essential to an institution's future.

The cumulative benefits of business-driven data governance suggest the latter, as they include:

- **Superior institutional agility.** Business-driven data governance uniquely enables all authorized stakeholders to find the data they need, when they need it – without the frustrations and time-sinks that result from continued dependency on arcane, hard-to-locate tribal knowledge. This fast, reliable data discovery is an absolute must in a financial services marketplace where it is imperative for institutions to quickly deliver digital innovations or, at the very least, rapidly emulate the digital innovations of their competitors.

Financial institutions find it a real challenge to successfully find, recruit, retain, and engage digitally astute financial professionals.

- **Mitigation of operational risk.** Decisions made with flawed data are flawed decisions. Customer-facing apps that utilize questionable data deliver questionable customer experiences. And the more things financial institutions do with their data, the more frequently these adverse outcomes are likely to occur. Business-driven data governance is the single most effective defense against such operational risks.
- **Mitigation of regulatory risk.** Regulators don't expect financial institutions to achieve perfection when it comes to data use and quality. They simply require that institutions make reasonable investments in best practices and controls. Adoption of business-driven data governance uniquely demonstrates this requisite digital diligence. It mitigates both the risk of regulatory non-compliance and the risk that any discovered shortfalls in compliance will result in the imposition of penalties such as large fines or excessively burdensome Code of Conduct.
- **Reduced operational costs.** Data chaos adds cost in the form of friction to just about every digital initiative an institution undertakes – every application development project, every analytic exercise, and every new compliance reporting deadline. Business-driven data governance takes cost out of all these initiatives by putting an end to counter-productive data “wrangling” and giving data consumers clear insight into the quality and provenance of data sources across the enterprise.
- **Better allocation of human capital.** Financial institutions find it a real challenge to successfully find, recruit, retain, and engage digitally astute financial professionals. Subjecting these elusive high-value professionals to endless data-related drudgery does not help institutions meet this challenge. Business-driven data governance, in stark contrast, makes institutions far more attractive to the digital elite. It also helps create a culture that facilitates the right balance of initiative, innovation, and compliance.

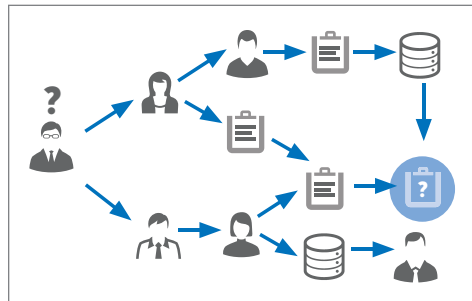
GETTING STARTED

Business-driven data governance isn't something that happens overnight. It requires ongoing commitment, effort, and investment.

But, as noted above, good data governance doesn't wait to provide pay off until the enterprise ocean is fully boiled. In fact, by zeroing in on the data most in need of good governance based on use-cases, quality issues, and opacity to stakeholders, institutions can quickly realize significant ROI on their initial efforts.

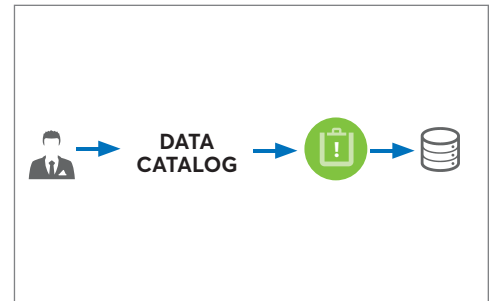
Good data governance doesn't wait to provide pay off until the enterprise ocean is fully boiled.

Regardless of exactly where a financial institution chooses to start its data governance journey, the key to success is to actually start. Institutions cannot efficiently achieve their digital objectives – and institutional leaders cannot successfully fulfill their trust mandates – in a data environment that remains subject to chaos, opacity, territoriality, crippling dependence on a small cadre of IT specialists. The only way out of such an environment is through the path of business-driven data governance.



BEFORE

Without data governance, people constantly waste their own time and that of their peers as they search for data – and, even then, they may lack sufficient confidence in the result.



AFTER

In a well-governed enterprise data environment, data citizens can quickly pinpoint the information they need – and they can have full confidence in its data lineage.

About Collibra

As the leader in data governance for business users, Collibra helps organizations across the world gain competitive advantage by maximizing the value of their data across the enterprise. Collibra is the only platform purpose-built to address the gamut of data stewardship, governance, and management needs of the most complex, data-intensive industries. Our flexible and configurable cloud-based or on-premises solution puts people and processes first – automating data governance and management to quickly and securely deliver trusted data to the business users who need it. Learn more at www.collibra.com/financial-services.