



Data Governance for Dodd-Frank Comply with the Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act is going to have a profound effect on the way financial institutions with a presence in the US manage their data. Although a significant amount of regulatory detail remains to be defined, the outlines are clear and financial institutions should begin aligning to Dodd-Frank now.

Dodd-Frank is ushering in a new attitude to data and information management in US financial services. Once a topic that was seen as something for the back office, it is now front and center as the regulators have discovered how essential it is for gauging systemic risk. Collibra provides a powerful set of capabilities that are fundamentally aligned with the needs behind Dodd-Frank. With these capabilities, financial institutions can master the new regulatory needs being imposed on them, and move successfully to the new information-centric paradigm.

Data-Focused Regulators

Dodd-Frank has established the Financial Stability Oversight Council (FSOC) which will use data collected from financial institutions to assess systemic risk in the overall environment. Associated with the FSOC is the Office of Financial Research (OFR) which has primary responsibility for facilitating the data sharing needed to get the FSOC the information it needs. This data sharing involves other regulators who are already collecting data directly from financial companies. However, the OFR also has the option (and will likely exercise it) to collect data directly from financial institutions.

“(2) DUTIES.—The Council [FSOC] shall, in accordance with this title— (A) collect information from member agencies, other Federal and State financial regulatory agencies, the Federal Insurance Office and, if necessary to assess risks to the United States financial system, direct the Office of Financial Research to collect information from bank holding companies and nonbank financial companies;” - H.R. 41731 § 112(a) (2)

This signals a broader move from regulation to oversight. Regulators are becoming more proactive, and such monitoring means that financial institutions must be ready to quickly supply data to regulators.

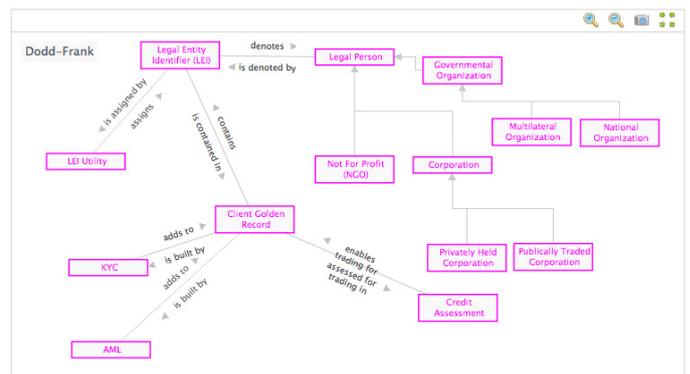
To implement Dodd-Frank, financial institutions must know what data they have, what it means, where it is located, what quality issues exist with it, and who is responsible for decisions made about it. Financial institutions must stand ready to quickly interpret the regulators’ data requests in order to gather the correct data and send it to the regulators. This is a tremendous challenge. The first order of business for a financial institution must be to understand its data. Collibra provides a proven knowledge management repository and governance framework that can achieve this.

“(a) PURPOSE AND DUTIES.—The purpose of the Office [OFR] is ... (1) collecting data on behalf of the Council, and providing such data to the Council and member agencies; (2) standardizing the types and formats of data reported and collected” - H.R. 41731 § 153(a)(1)

Collibra has a truly collaborative environment for managing definitions at both a business-centric level (e.g. uncovering and publishing business meaning) and a data-centric level (e.g. describing the population covered by a database column). This enables data to be defined and linked between source and model. A rich array of metadata, including taxonomic classifications, provides the capability to capture additional information about the data, adding to its usefulness. With Collibra’s easily accessible, business-facing orientation all this can be managed by subject matter experts in the business.

This enterprise-wide collaborative environment prevents fragmentation and siloing of knowledge about information and data. It is key to addressing the requirements of Dodd-Frank because regulators want to look across the entire information landscape of a financial institution, and not be presented with sets of narrow, incompatible views of the landscape.

“(f) SUBPOENA.— (1) IN GENERAL.—The Director may require from a financial company, by subpoena, the production of the data requested under subsection (a)(1) and section 154(b)(1)” - H.R. 41731 § 153(f)(1)

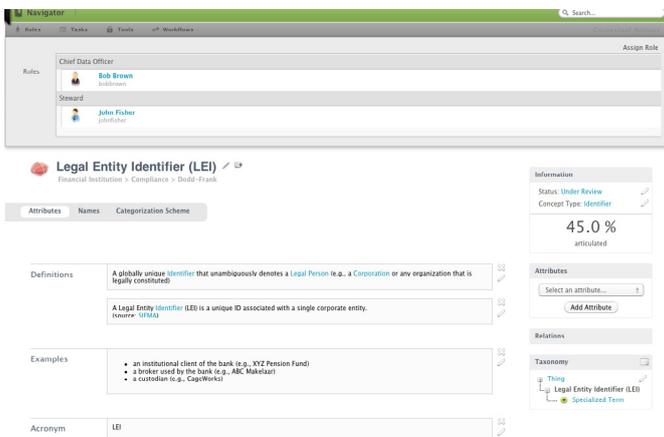


New semantic standards

“Knowing your data” is just a first step in aligning to Dodd-Frank. The regulators will require financial institutions to map data they provide to conform to standardized views that constitute the dataspace within which the regulators will search for signs of systemic risk.

“(2) STANDARDIZATION.—Member agencies, in consultation with the Office [OFR], shall implement regulations promulgated by the Office under paragraph (1) to standardize the types and formats of data reported and collected on behalf of the Council, as described in subsection (a)(2). If a member agency fails to implement such regulations prior to the expiration of the 3-year period following the date of publication of final regulations, the Office, in consultation with the Chairperson, may implement such regulations...” H.R. 41731 § 153(c) (2)

Financial institutions will be provided with new data standards directly by the OFR, or its affiliated regulators. The exercise of mapping these standards to the data in the financial institution’s data landscape will be a considerable challenge. With its extensible repository, collaborative environment, and governance framework, Collibra provides an environment where this can be done comprehensively. This approach avoids an unworkable fragmented and siloed result that will not satisfy the regulators.



Level of detail

In the past, regulatory reporting has nearly always meant creating fixed format reports at a very high level of aggregation, and submitting them to regulators on a periodic basis. That is not the approach of Dodd-Frank, and financial institutions will need to supply data at a far greater level of detail, probably in flexible formats, and probably more frequently.

“(5) the term “financial transaction data” means the structure and legal description of a financial contract, with sufficient detail to describe the rights and obligations between counterparties and make possible an independent valuation;”- H.R. 41731 § 151(5)

(6) the term “position data”— (A) means data on financial assets or liabilities held on the balance sheet of a financial company, where positions are created or changed by the execution of a financial transaction; and (B) includes information that identifies counterparties, the valuation by the financial company of the position, and information that makes possible an independent valuation of the position;” H.R. 41731 § 151(6)

The level of detail being asked for means that many data elements must be understood unambiguously in terms of definition, applicable scope, and data quality. It will no longer be possible to finesse such issues by aggregating data to very high levels where they no longer matter. Collibra provides an environment in which this task can be distributed across an array of subject matter experts. The alternative of a one-time “mega-project” carried out principally by large numbers of consultants lacking detailed industry experience and specific knowledge of the enterprise, will likely yield poor quality and unsustainable outputs.



Conclusions

Dodd-Frank not only covers traditional banking and brokerage, but also extends into such areas as insurance and Over-the-Counter Swaps Markets. In general, the specifics in these areas follow the same general principles that have been discussed above, although there are differences, e.g. with swaps there is additional emphasis on governance of swaps repositories.

Overall, the need to understand very large production data landscapes at a fine level of detail, the ability to map such data to the regulators’ requirements, and the agility to respond to new requirements, are the basic capabilities financial institutions must put in place. In many respects these resemble the capabilities needed for internal risk assessment too. And these are precisely the capabilities that Collibra provides the infrastructure and methodology for.

About Collibra

Collibra is a Data Governance software company bringing Business and IT together to govern data as an enterprise asset.

Collibra’s Business Semantics Glossary supports you in launching or maturing your Data Governance program.

Collibra provides a unique platform that allows the business to take charge of the data in their organization.

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