



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Supervisory Data Quality Assessment and Governance

Update



STC Dialogue, 2024

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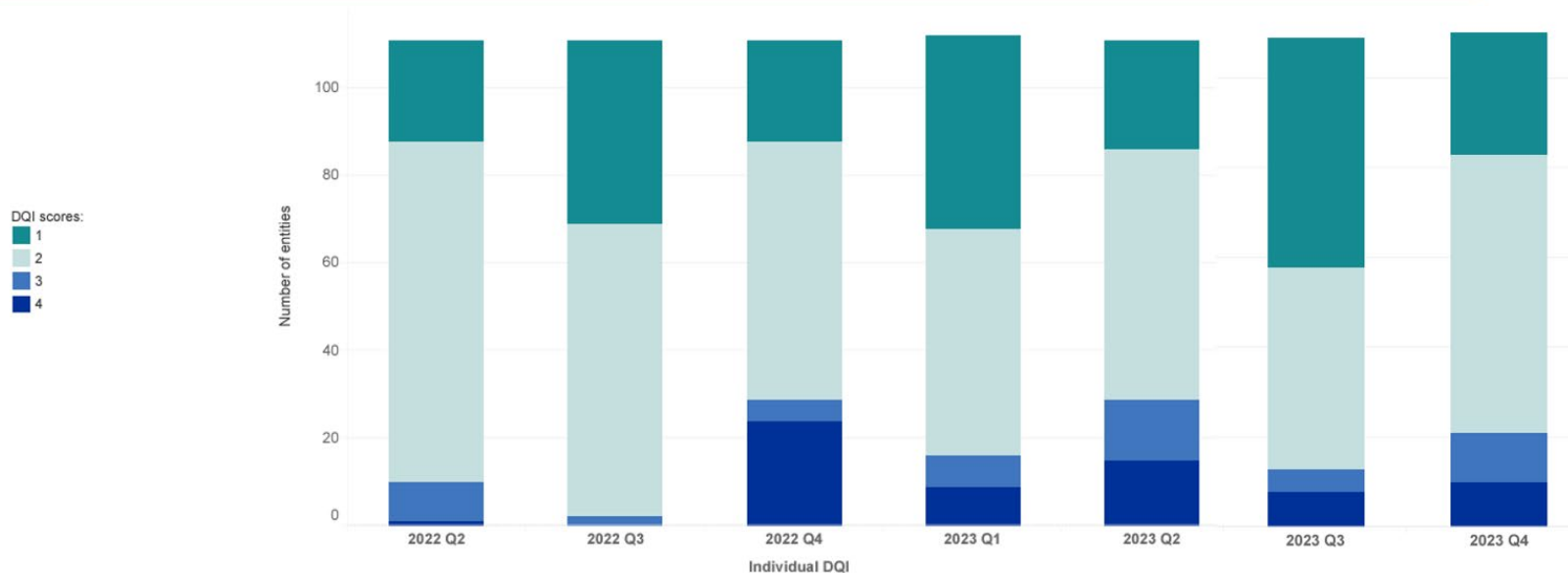
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Introduction

Latest developments

Impact on the DQI of immediate forwarding by NCAs

Individual Data Quality Indicator (DQI) distribution



Impact on the DQI of immediate forwarding by NCAs

Accumulate total of submitted modules

% of expected files received by T^(*) for SIs at the highest level of consolidation



(*) T- ITS remittance date
 (**) Q4 2022 –first reference date with remittance at T

2

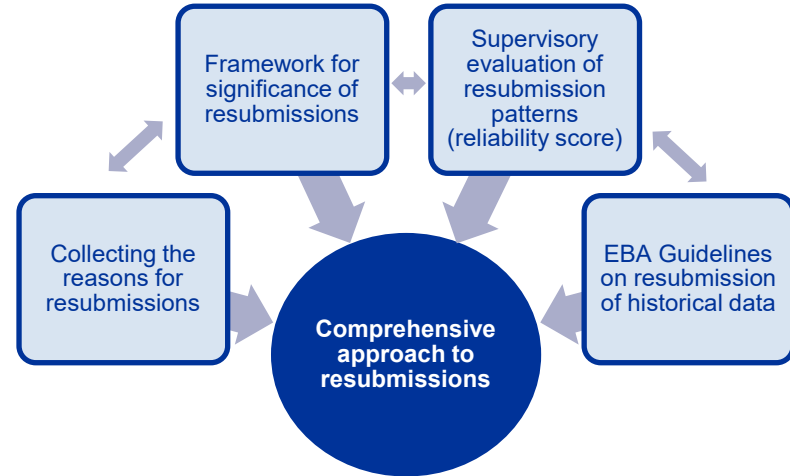
Resubmission Framework Pilot

Update

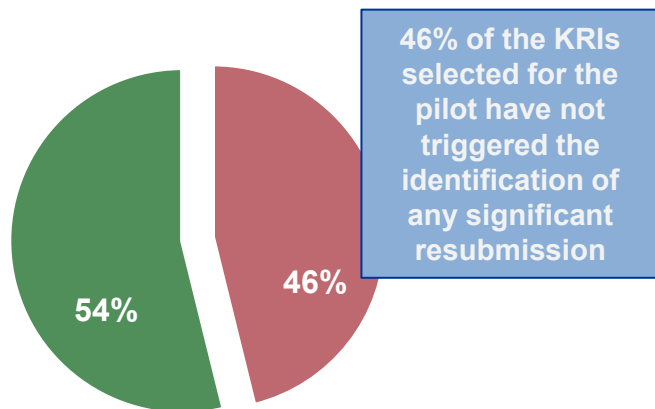
Introduction

- On a typical quarter, **between 100.000 and 700.000 datapoints are revised by institutions** after they are first received by the ECB. (Only for “core” supervisory reporting: COREP, FINREP, asset encumbrance frameworks)
- The purpose of a resubmission framework is to identify **when, how and why data is revised**, and to assess the **supervisory significance** of resubmissions. Recurrent patterns of resubmissions are symptoms of **deficiencies in risk aggregation capabilities** (supervisory priority in 2022-2025).
- Work on a resubmission framework has proceeded along **multiple axes**:
 - **Assessing** the reliability of reporting, via resubmission metrics.
 - **Identifying** significant resubmissions.
 - **Collecting** the reasons for resubmissions.

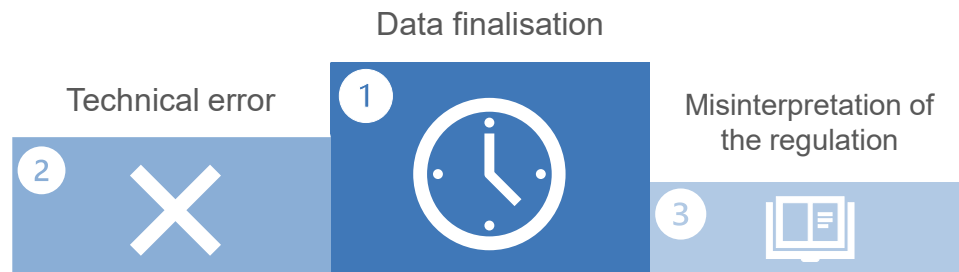
Ultimate goal of the resubmission framework:
support the work of JSTs and horizontal functions, identifying relevant issues within banks IT systems or reporting teams.



Identifying significant resubmissions: results



Explanations received from entities



* Resubmissions due to an audit/OSI have also been mentioned several times by institutions

Main lesson learnt: Analysing significant resubmissions at KRI level is not sufficient as only 51 significant resubmissions have been produced over the pilot.

Note: Explanations provided by institutions were generally clear and therefore most of the findings could be closed promptly.

Next step: analyse significant resubmissions at **datapoint level**.

Interactions with institutions on this topic are expected to resume later in 2024, possibly expanding the scope of the 2023 pilot.

Collecting the reasons for resubmissions

- During the pilot, the **reasons for resubmissions have been collected via the existing communication channel between DG-S/SUP and NCAs/institutions** (the *Quality Findings Report* – regularly shared by SUP including summary of outstanding data quality issues), to avoid additional burden.
- This communication channel is not meant to represent a sustainable solution in the long run, as it **does not allow institutions to proactively inform supervisors of the reasons for resubmissions**.
- The EBA and the ECB are considering a **solution to collect the reasons for resubmissions that is integrated into the reporting framework** (at XBRL level), as a long-term and robust alternative. Unfortunately, no clear timeline yet.

Conclusions

The ECB is proceeding with the plan to establish a comprehensive resubmission framework, by

- ... continuing the work on a robust methodology for assessing the reliability of supervisory reporting, including the definition of significant resubmissions, once finalised.
- ... operationalising the methodology into a final product for JSTs and horizontal supervisors, with ongoing development envisaged to respond to the evolution of the regulatory environment.
- ... continuing the fruitful engagement with NCAs and institutions on the regular data quality monitoring of supervisory reports, eventually integrating discussions on the reasons for resubmissions in the monitoring process, also making the information available to the JSTs for their supervisory needs.

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Management Report Results

Management Report on Data Governance and Data Quality

Structure of the Management Report

Pre-populated section - PDF

Sent to the banks in ASTRA on 18 March

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Section 1: Internal data governance

Data quality indicators derived from the annual **IT risk self-assessment questionnaire**:

Section 2: Supervisory data quality assessment

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Indicators on the quality of the supervisory data of the SIs

- Is the data of sufficient quality to support and inform supervisory decisions? (**Completeness, Accuracy & DQI**)
- How was the information provided? (**Punctuality & Reliability**)
- How promptly were the issues solved? (**Monitoring**)

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Section 2 “bis”: Supplementary information on supervisory data quality produced by the ECB from banks’ submissions

Questionnaire completed by institutions

Received from the banks in CASPER with deadline 8 April

A

Acknowledgement through a signature (Sign-Off form)

Signed by at least one member of the Management Level, as awareness of the issues displayed in the Management Report and Management Body responsibility over the quality of supervisory data

Answers to qualitative section (“Questionnaire” - Excel)

B

- 4 questions on causes for the data quality issues** in supervisory data
- 9 questions relating to RDARR capabilities** (bank self assessment)



What has been sent to the banks in ASTRA

Reliability analysis is risk-based approach!

Data Quality Indicator

Data Quality Assessment

		2023 Q1	2023 Q2	2023 Q3	2023 Q4						
Score	DQI score	3	3	3	4	Monitoring					
	Ranking across peer group	10	7	12	14	Completeness	% of unsolved issues completeness	-	100.0%	0.0%	-
Ranking	Total nr. of institutions	14	14	14	15	Accuracy	% of unsolved issues accuracy	100.0%	33.3%	66.7%	0.0%
	Ranking across SSM institutions	87	73	98	102	Reliability	Nr. of resubmitted modules	4	15	6	3
	Total nr. of institutions	112	111	109	110		Nr. of expected modules	8	8	8	8

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Reliability

3 Supplementary information on supervisory data quality

IT Risk Questionnaire

Percentage of resubmitted over submitted data points by module

Module	2023 Q1	2023 Q2	2023 Q3	2023 Q4
AE	0.0%	2.4%	0.0%	3.9%
ALM	44.1%	17.6%	23.6%	13.4%
COREP LR	0.0%	0.0%	0.0%	0.0%
COREP OF	0.3%	3.6%	0.0%	0.0%
FINREP	0.0%	0.0%	0.0%	0.0%
LCR	7.3%	16.3%	9.6%	9.6%
LE	0.0%	0.0%	0.0%	0.0%
NSFR	0.0%	0.0%	0.0%	0.0%

Questions from the IT risk self-assessment questionnaire

	Bank value		SSM average		Peer group average	
	2022	2023	2022	2023	2022	2023
Self-assessment score for IT data integrity risk level	3.0	4.0	2.6	2.6	3.0	3.5
Self-assessment score for data quality level maturity level (Risk Control)	3.0	3.0	2.5	2.6	3.0	3.0
Self-assessment score for data architecture model maturity level (Risk Control)	3.0	3.0	2.5	2.6	2.5	2.5
Nr. of end user computing applications (EUC) ¹	11,970	11,954	851	965	6,295	6,245
Nr. of cases of incorrect submissions in the supervisory reporting ²	37	61	34	34	27	50
Nr. of incidents leading to significant invalid data modifications ³	0	0	-	-	-	-
Nr. of critical findings related to IT data integrity are open for more than a year ⁴	1	0	-	-	-	-

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Answers to the qualitative questionnaire (Excel)

Question	A	Issues with software provider	Additional information on software provider (at least name of the provider and detailed description of the issues encountered)	Issues with IT reporting system	Additional information on IT reporting system	Operational/human error, incident	...
1. Please describe the underlying causes for the completeness issues in supervisory data at ITS remittance date highlighted in the Report.							
2. Please describe the underlying causes for the accuracy issues highlighted in the Report i.e. non-compliance with the ECB and EBA validation rules at the ITS remittance date.							
3. Please describe the underlying causes for missing and delayed reports at the ITS remittance date highlighted in the Report.							
4. Please provide the underlying causes for the number of resubmissions highlighted in the Report.							
Question	Answer						
5. By what date is your institution expected to adhere to all the supervisory expectations outlined in the Draft ECB Guide on Effective Risk Data Aggregation and Risk Reporting (including supervisory reporting)? Please indicate a concrete date. If your institution has already achieved compliance with the respective supervisory expectations, please indicate the (approximate) date when this was achieved.							
6. Regarding the responsibilities of the management body as outlined in Section 3.1 of the Draft of the Guide on Effective Risk Data Aggregation and Risk Reporting, please indicate by what date your institution is expected to adhere to these particular supervisory expectations. If your institution has already achieved compliance with the respective supervisory expectations, please indicate the (approximate) date when this was achieved.							
7. Does a group-wide data governance framework covering supervisory, financial and internal risk reporting exist and is it approved by the management body?							
...							

Sign-off form (PDF)

Sign-off Management Report on Data Governance and Data Quality

I/we hereby acknowledge, without any certification nor endorsing any responsibility related to any of the data and information pre-populated by the ECB in the Management Report, that:

- It is the responsibility of the management body to ensure the quality of internal, financial and supervisory data
- Appropriate verification measures aimed at cross-checking the data reported with the information available in the accounting and information systems of the bank have been put in place

Date: 14.02.2023

C-level function: Chief Financial Officer

Name:

Signature: 

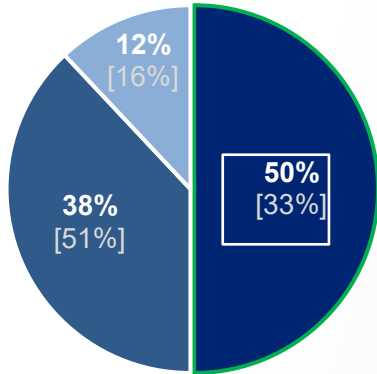
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Conclusion

Increase in the awareness of the Senior Management in 2024 (signature)

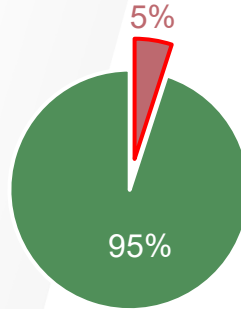
Number of signatures per institution



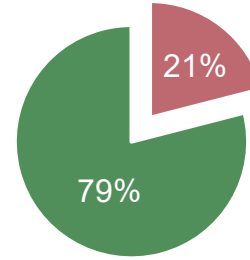
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Signatures received

2023 -2024



2022 -2023

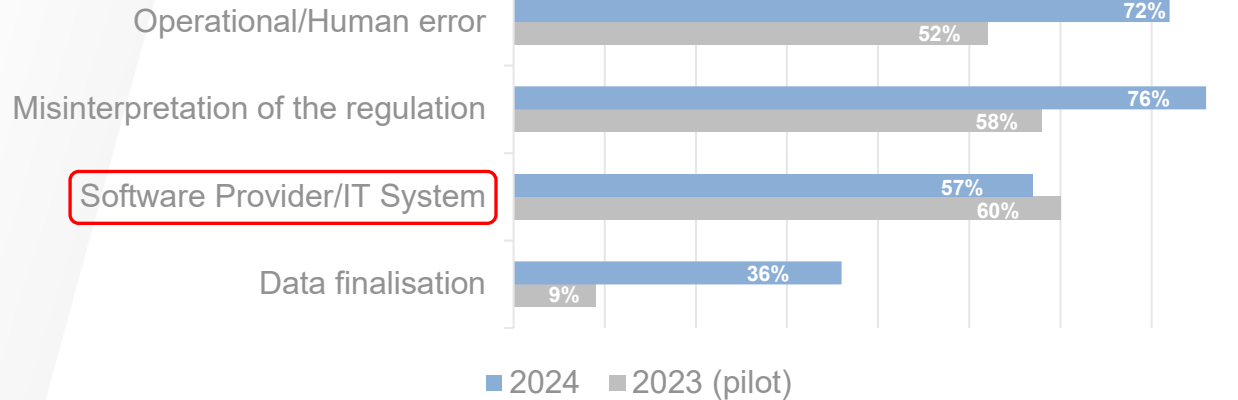


■ No MBMF*

■ At least one MBMF

* Signed by a CRO and/or a CFO not sitting at the management body

Main deficiencies observed



Some feedback on the DQI...

Can minor or immaterial errors be the cause for a DQI of 4 (“serious concern”)?

- A score of 4 is almost always a result of **punctuality issues**. A score of 4 can also be the result of failing validation rules, but only in case of **failing a significant number of validation rules**. → it is never the case that one small mistake can produce a 4.
- Looking at the scores of 3 and 4 for **Q4 2023**:
 - 10 banks scored **4**. The main driver of the score is
 - for 9 out of 10 cases: **missing modules/templates**.
 - for one case: **31 failing validation rules in COREP_OF**. Of the 31 failing rules, only 6 rules fail for small differences and might be considered minor issues.
 - 11 banks scored **3**. The main driver of the score is
 - for 6 out of 11 cases: **missing templates/datapoints**
 - for 5 out 11 cases: **failing validation rules**. In 4 cases materiality does not play any role. In one case a bank fails 12 validation rules and only 1 of them might be considered a minor issue.

Questions?

