Data governance

New technology trends are buzzing in (and even fading out) fast these days, as firms wrap their heads around the likes of artificial intelligence and machine learning and blockchain. But the underlying paradigm shift is now universally noticed and understood: data has exploded in volume and quality, and the current wave of technology is all about harnessing it.

The step back

Banks are generating huge volumes of data which must be properly maintained according to strict regulation. The General Data Protection Regulation (GDPR), soon to go live, is the latest regulation in a slew of regulations that necessitate top-performing data governance and management. Setting aside this challenge, however, many banks have not even yet solved the eleven principles of effective risk data aggregation and risk reporting introduced by the Basel Committee on Banking Supervision's regulation (BCBS 239), effective since 2016. Frankly, many banks are facing a data overload and are unable to structure and outfit it in a meaningful way. They are feeling the lack of proper data management systems, intensified by increasing customer demands for information.

Over and above regulatory compliance, banks are also pressured to funnel all this data into effective decision-making tools. Data is the backbone of risk and finance departments, both of which have historically managed data much differently to one another — and to how BCBS 239 and the GDPR require them to. Now, incoming data must be stored in a certain way, while being editable and usable and sharable by both of these teams. Naturally, this requires many gymnastic feats in reconciling data inputs and informational outputs.

Thus, the task before banks is not about tweaking their systems to tick boxes on a compliance form. It's about transforming their entire approach to data in order to be secure, compliant, flexible, creative, and forward-looking—all at the same time, and all while technology is advancing at breakneck speed.

The leap forward

There are many questions that can be asked here. First of all, where do we begin? Lets start with the basics: deciding who should be the driving force behind these changes. Since data often falls within the domain

of information technology, many assume that the IT department should be the central initiator — but this is not the case. This goes beyond IT. The mandate should come from management, given the strategic aspects to coordinate both in terms of internal workings and external competitiveness. Many banks have hired Chief Data Officers (CDOs), who are responsible for establishing a "know your data" culture within the bank and implementing changes going forward.

Another basic: proper data governance must be established. Banks should implement a coherent and consistent framework across the entire organisation defining how data is to be managed. This should include how data ownership and stewardship is established, it should define the data and information architecture, it should set general rules and standards for data, and it should extend all the way to metadata management and data lineage. When done right, all these things represent data quality, by ensuring its integrity, consistency, and accuracy.

After the data governance programme, banks must determine how to measure and track its value. Stakeholders and business sponsors often struggle with this, as ongoing cost/benefit analyses and returns-on-investment can be tough to quantify. The answer is to define measurable key performance indicators (KPIs). These should be classified into categories from data quality and timeliness, to compliance and efficiency.

Data quality, for example, is measurable by comparing data in the source system to a "golden record". Track changes in data quality by defining data quality rules and measuring those rules' degrees of compliance over time. These examples both relate to the input side—the output side should definitely not be neglected, as risks from data issues must be minimised.

The KPIs should also be categorised by data subject, for example customer data. For each KPI, the following should be defined and documented:

— details of how to measure it

— follow-up procedures for related issues

— frequency of information intake

— unit of measurement

— threshold values acceptable

Bold thinking

As all of the above suggests, implementing a data governance programme is no quick or easy or short-term task. It will require dedicated resources. It will require big, bold thinking. It is an upheaval, not an exercise in finding bandage solutions. It will require good change management.

The goal is to become a data-driven business that is resilient to new regulatory pressures and that can capture value, with the longest shelf-life possible, from data.