The Interplay of Governance and Risk: Adopting a Risk-Centric Strategy for Data Governance

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Background

- 25+ years in Data & Risk Roles
- SAS
- DWP
- Virgin Money
- Castle Trust
- PCF Bank
- The Nottingham

Contents

- What is Data Governance?

- What is Risk Management?

- Data Governance Principles
  - Key principles to mitigate risk

- What is the interplay?
  - Data Risk Management
  - Risk Data Management

- Collaboration

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Data Governance – Definition

Defines roles, responsibilities and processes for ensuring **accountability** for and ownership of data assets across an organisation.

Risk Management – Definition

Identifies the techniques, practices or behaviours that aim to identify, measure and mitigate risks to an organisation.

Source: Open Risk Manual

Data Governance Principles

- Roles & Responsibilities
  - Ownership
  - Stewardship
  - Custodianship
- Data Quality
  - Trust
  - Integrity
- Data Protection and Compliance
  - GDPR
  - DPO
- Data Management
  - Data Standards
  - Control Framework

Roles & Responsibilities

Accountability is key

- Data Owner: Senior Person – Exec
  - Strategic point of contact
  - Approves changes/Decision maker

- Data Steward: Business expert
  - Day to day activities
  - Data governance processes and queries
  - Data Quality

- Data Custodian: Technical SME
  - Direct partners to data stewards
  - Capture, store and dispose of data
  - Operationalise data decisions
  - Data Quality

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Data Classification

Key to mitigating risk

- High sensitivity
  - Confidential/Restricted

- Medium sensitivity
  - Internal Use/Sensitive

- Low sensitivity
  - Public/Unrestricted

Data Risk Management

Data risk management is the controlled process an organisation uses when acquiring, storing, transforming, and using its data, from creation to retirement, to eliminate data risk.

Data risk is the potential for business loss due to:

- Poor data governance: The inability for an organisation to ensure their data is high quality throughout the lifecycle of the data.
- Data mismanagement: Weak processes for acquiring, validating, storing, protecting, and processing data for its users.
- Ineffective data security: Difficulties protecting digital data from unwanted actions like a cyber attack or a data breach.

Data Risk Management

Data Extraction	Data Profiling/ Quality	Cleansing & Deduping	Data Standardization	Quality Monitoring	Enrichment
Extract data from source systems: » Loan & Credit » Customer » Asset » Finance » Forecasting » Treasury » ALM/Modeling » Risk	Use logic algorithms and rules (both general and specific to the banking industry) to produce a picture of the overall data quality	» Identify and modify corrupt or inaccurate data » Remove or modify incomplete, incorrect, or inaccurate data » Retain only one unique instance of the data	» Execute a series of data quality checks and validation rules » Use a data management tool with pre-built data quality rules (both general and industry specific) » Enhance with user-defined rules	» Track ongoing data quality within the context of a data governance framework » Use software to auto-correct the variations based on pre-defined business rules	Enhance the value of internally held data by appending related attributes from external sources (for example, consumer demographic attributes or geographic data)
Load to profiling tools	Identify inaccuracies and errors	Clean up data	Improve quality	Ongoing monitoring	Enrich value

Source: Moody's Analytics

Risk Data Management

- Financial institutions – Big data/IFRS9/Stress Testing

- Regulatory Focus

- BCBS239 – Principles for effective risk data aggregation and reporting
  - 14 Principles
  - Required for effective and diverse Data Risk Management and Risk Analysis
  - Ensure Data quality and Data integrity
  - Trust

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Collaboration

The 14 BCBS 239 principles defined within these four sections are:

- Governance
- Data, Risk and IT architecture and infrastructure
- Data Integrity
- Completeness
- Timeliness
- Adaptability
- Accuracy
- Comprehensiveness
- Clarity and usefulness
- Frequency
- Distribution
- Review
- Remedial action
- Home / Host cooperation

Key Takeaways

- The concept of data risk/risk data standards is broader than that of Data Quality Standards.

- It is part of both the **Data Governance** and **Risk Management** function of an organisation.

Questions?