

Strengthening risk management  
through the adoption of Basel  
Committee on Banking Supervision  
(BCBS) 239 principles

September 2023

# Basel Committee on Banking Supervision (BCBS) 239

What was the genesis for the BCBS 239 principles, and why should firms act now?

## Overview

In January 2013, the Basel Committee issued guidance on the *Principles for effective risk data aggregation and risk reporting* (RDARR), also referred to as Basel Committee on Banking Supervision (BCBS) 239. As financial institutions continue to evolve and adopt RDARR, the recent focus on risk management and regulatory scrutiny highlights the urgency for prioritizing adherence with RDARR principles to preempt future regulatory inquiries and strengthen overall risk management posture and capabilities.

## RDARR adherence progress by financial institutions

- Institutions continue to make investments around internal gap analysis, training, and enhancements to their RDARR framework.
- Despite the efforts and investments devoted to improving RDARR practices, regulatory assessments indicate that financial institutions have considerable work ahead to reach sufficient levels of adherence.
- Data architecture and technology infrastructure are primary challenges and recurring themes for financial institutions.

## Reemergence of regulatory focus on RDARR and data management

- Thematic observations from a 2023 regulatory review of bank failures point to opportunities for strengthening risk management, governance, and management oversight. These are foundational pillars of the BCBS 239 principles.
- Continued dissatisfaction with the current BCBS 239 state of implementation for banks under European Central Bank (ECB) supervision has led to an ECB onsite inspection (OSI) campaign, often resulting in numerous high-severity findings.

Firms should take actions now to prioritize adherence with RDARR principles to preempt intense regulatory inquiries, prepare for regulatory exams, and strengthen overall risk data management posture and capabilities.



## Genesis for the BCBS 239 principles

BCBS 239 was established in 2013 because of the deficiencies in reporting and management information systems (MIS) of major global banks during the 2007–2009 global financial crisis. The objectives of these principles were to:

- Enhance the reporting infrastructure used by senior management to identify, monitor, and manage risks.
- Improve accuracy and timeliness of decision making.
- Reduce the probability and severity of losses by strengthening risk management processes.

## The BCBS 239 principles



### Overarching governance and infrastructure

- Governance
- Data and architecture and IT infrastructure



### Risk data aggregation capabilities

- Accuracy and integrity
- Completeness
- Timeliness
- Adaptability



### Risk reporting practices

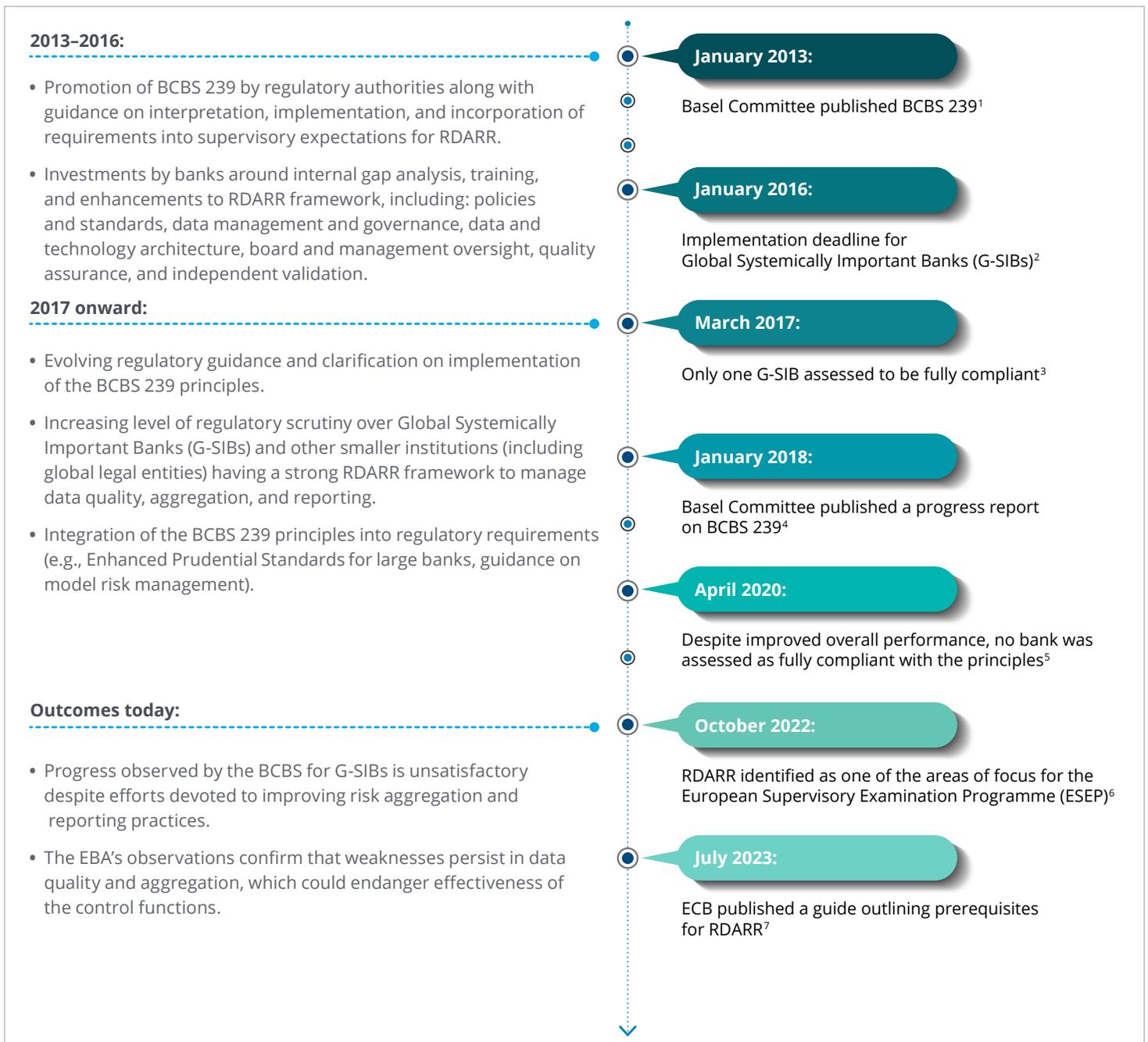
- Accuracy
- Comprehensiveness
- Clarity and usefulness
- Frequency
- Distribution

# Background and regulatory trends

How has adherence and the regulatory approach toward BCBS 239 evolved?

## From 2013 to now: How has adherence to BCBS 239 requirements evolved?

A decade has passed since the BCBS 239 principles were originally published. In 2023, the European Banking Authority (EBA) identified risk data aggregation as an area of focus with an “unsatisfactory” rating.



# Recent developments in the regulatory landscape

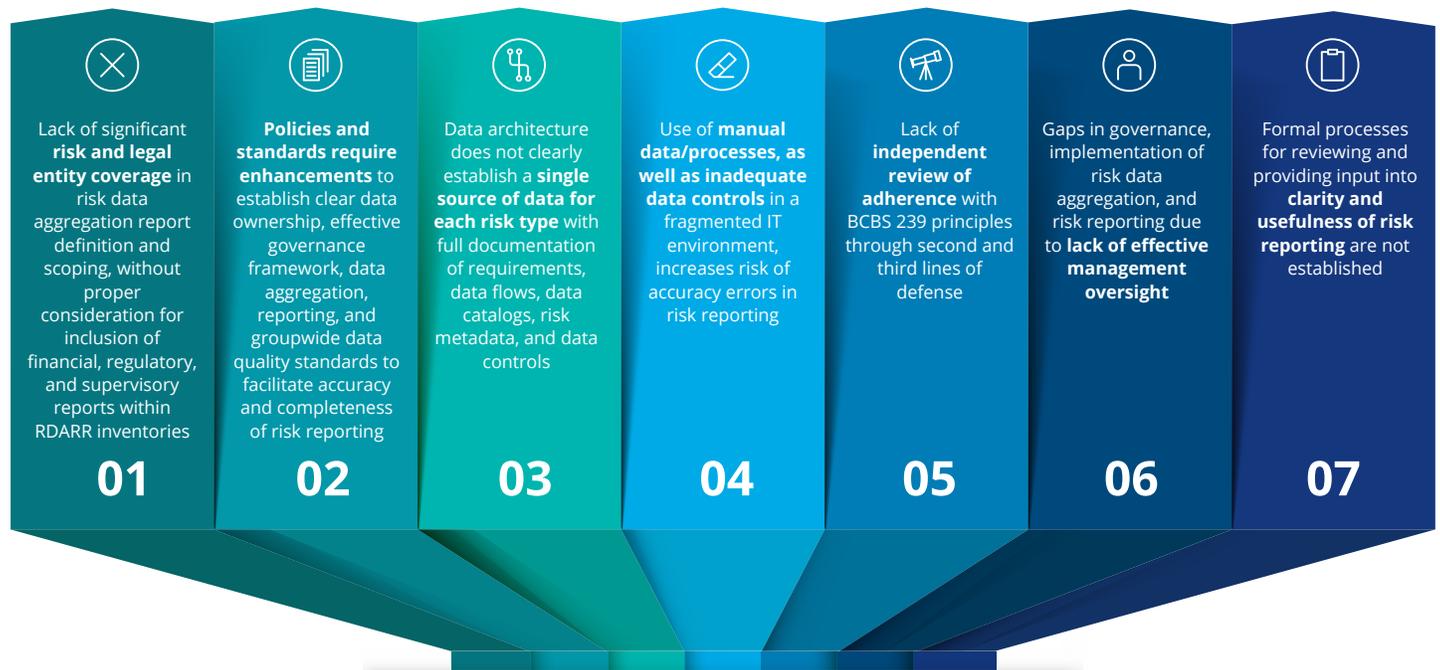
Why is it important for firms to act now?

## Latest developments

In recent years, regulators have conducted thematic reviews on effective RDARR to assess overarching governance, data aggregation capabilities, and reporting practices. The outcomes of these reviews, along with the [draft guide](#) published by ECB in July 2023, show that the implementation status of BCBS 239 by significant institutions is “unsatisfactory”.

Continued challenges with the current BCBS 239 state of implementation have led to increased regulatory scrutiny and OSI campaigns, resulting in numerous high-severity findings. RDARR is now one of the areas of focus for the ESEP under operational and financial resilience priorities. The majority of the banks examined by the ECB had findings around governance related to board of directors’ responsibility, monitoring and validation, and scope of application. To prepare for potential regulatory inquiries, financial institutions should proactively address structural deficiencies related to the BCBS 239 principles.

## Thematic observations:



These seven observations translate into the following focus areas:



# Preparing for regulatory scrutiny with Deloitte's RDARR framework

What does an effective RDARR framework look like?

## Preparing for increased regulatory scrutiny through Deloitte's RDARR framework

Our RDARR "building blocks" are designed to provide a framework to evaluate BCBS 239 adherence readiness, assess current state RDARR capabilities, and design target state programs for sustainable RDARR. There are six (6) building blocks within our RDARR framework:



# Deloitte's RDARR approach

How can Deloitte help accelerate your RDARR capabilities and compliance?

## BCBS 239 adherence assessment and exam readiness

Initiate the process by understanding your level of BCBS 239 adherence and exam readiness across the enterprise. Deloitte leverages its global member firm network to offer assistance in:

- Maturity assessments of current state RDARR capabilities and adherence to the BCBS 239 principles.
- Development of BCBS 239 remediation roadmaps and implementation plans.
- Program management office (PMO) function for BCBS 239 program efforts and implementation of RDARR capabilities, facilitating consistent information provided to regulators.
- Exam readiness preparation and ongoing monitoring.

## 01 STEP

### Deloitte's experiences and assets

BCBS 239 adherence assessment and exam readiness tools:

-  BCBS 239 maturity assessment questionnaire
-  Roadmap and program management templates
-  Data risk framework
-  Data strategy and architecture blueprint

## Risk data aggregation and risk reporting transformation

After assessing your current state adherence and exam readiness, you can then redirect your focus to enhancing existing BCBS 239 capabilities and addressing identified gaps. Deloitte can assist with the following:

- Transformation strategy and program assistance
- Requirements traceability
- Data sourcing and report automation
- Data quality and controls calibration
- Governance and supervisory framework
- Issue remediation and thematic analysis
- Report health monitoring
- Independent testing

## 02 STEP

### Deloitte's experiences and assets

Risk data aggregation and risk reporting transformation tools:

-  Governance operating models
-  Requirements traceability tools and templates
-  Transformation strategy and execution
-  Issue lifecycle/workflow and remediation framework
-  Data quality and controls blueprints
-  Data testing operating models and scripts

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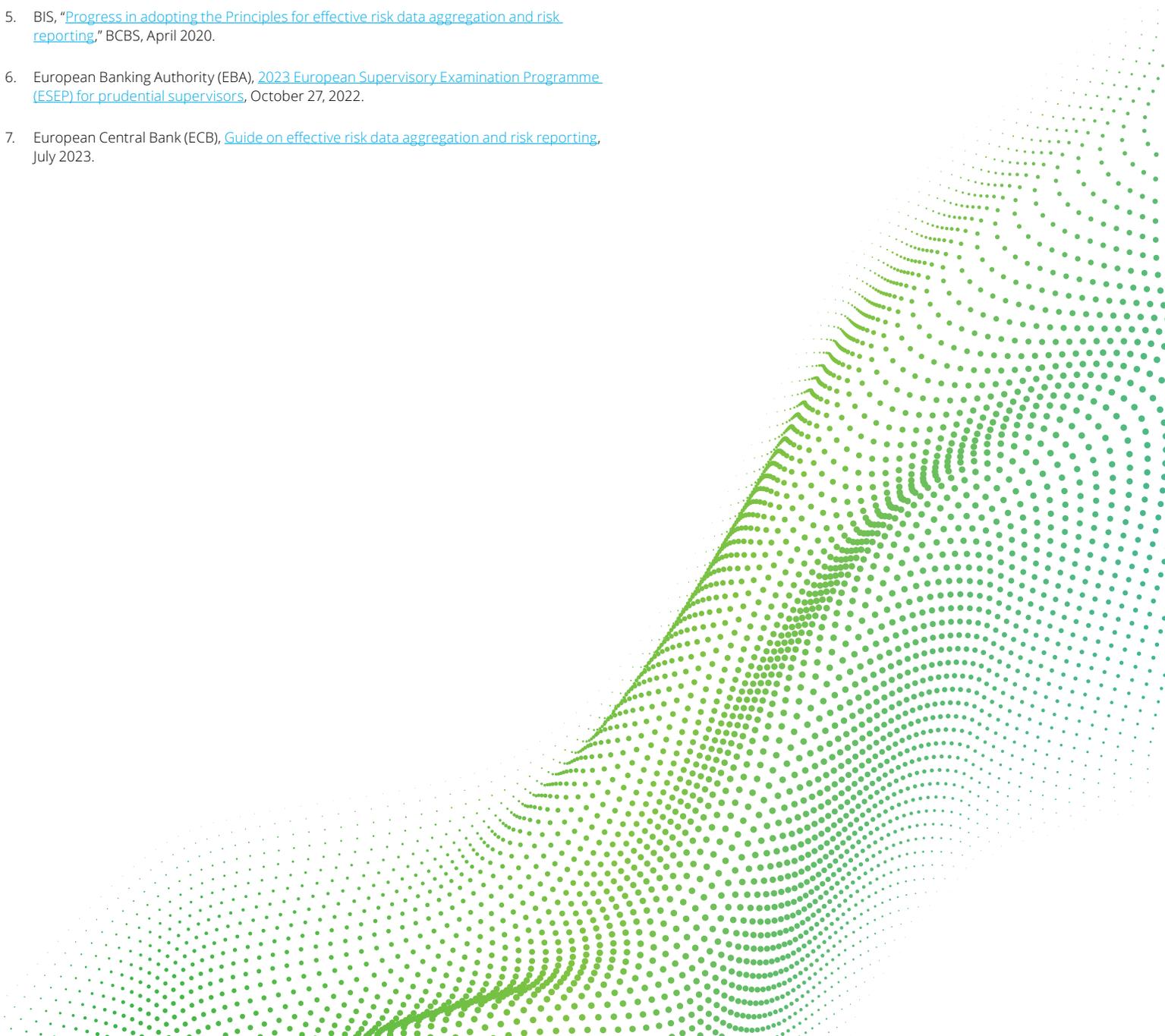
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# Endnotes

1. Bank for International Settlements (BIS), [Principles for effective risk data aggregation and risk reporting](#), Basel Committee on Banking Supervision (BCBS), January 2013.
2. Ibid.
3. BIS, [“Progress in adopting the Principles for effective risk data aggregation and risk reporting,”](#) BCBS, March 2017.
4. BIS, [“Progress in adopting the Principles for effective risk data aggregation and risk reporting,”](#) BCBS, June 2018.
5. BIS, [“Progress in adopting the Principles for effective risk data aggregation and risk reporting,”](#) BCBS, April 2020.
6. European Banking Authority (EBA), [2023 European Supervisory Examination Programme \(ESEP\) for prudential supervisors](#), October 27, 2022.
7. European Central Bank (ECB), [Guide on effective risk data aggregation and risk reporting](#), July 2023.





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