Comply with BCBS 239 for Effective Risk Data Aggregation and Risk Reporting

In January 2013, the Basel Committee on Banking Supervision (BCBS) published BCBS 239, Principles for Effective Risk Data Aggregation and Risk Reporting. These fourteen principles were developed to strengthen banks’ risk data management, calculation and reporting practices. Effective implementation of the Principles is expected to enhance risk management and decision-making processes at banks.

As outlined by the Committee, one of the biggest lessons of the global financial crisis that started in 2007 is the need to radically improve a bank’s data capabilities and architecture in the area of risk management, thus enabling all stakeholders to get a clear and comprehensive view of the bank’s global risk exposure. These requirements are not only a new set of obligations for banks, but are also a tremendous opportunity for major banks to either start new programs or strengthen existing initiatives to address shortcomings in the area of risk data management. The precise steps for such projects will differ from bank to bank, but the target should be the same: establishing a single source of truth for risk management, that all can trust and rely on.

The Bank of International Settlements (BIS) and its constituent institutions believe that adoption of the principles laid out under BCBS239 will enable fundamental improvements to the management of financial institutions. The 14 Principles are summarized in the below figure:
Address BCBS 239 by Leveraging Oracle’s Unified Platform

The Basel requirements are not only a new obligation, but also a great opportunity to put in place a stronger, more reliable, repeatable and comprehensive risk data management framework. Oracle Financial Services Analytical Applications’ (OFSAA) unified platform is at the foundation of such a strategic response. Its three components – the Oracle Financial Services Data Foundation, the framework and the highly configurable, pre-built Risk Reporting package – offer the solution set needed to comprehensively address compliance challenges.

By leveraging OFSAA’s unified data taxonomies and architecture across multiple risk areas, financial institutions can ensure enterprise-wide consistency in the capture, storage and use of data in accordance with BCBS 239. Built from years of experience in the field of risk applications, the physical data model covers all the areas of a bank’s risk management needs, thus truly enabling a bank to establish a “single source of truth” for risk data.

Gaining Competitive Advantage through Risk Data Excellence

OFSAA’s unified platform will set a financial institution on the path to compliance with the new Basel requirements on risk data aggregation and risk reporting. Furthermore, it is the first step to streamline and improve the risk management framework. Three aspects have to be considered:

- From a functional risk management perspective, OFSAA offers a full set of risk management applications directly integrated with the unified platform.
- From a technical point of view, OFSAA offers best of breed tools that can help address IT infrastructure issues such as data sourcing, volumes, scalability, etc.
- From a re-use point of view, the platform is built utilizing open standards technology, so the bank has the option to choose Oracle integrated applications or continue using their existing calculation engines, internal or third party models, as those can all be hosted within the framework.

Obtain a 360° View of Data and Eliminate Data Silos

OFSAA’s pre-built reports and dashboards ensure enterprise-wide consistency in management and regulatory reporting. The pre-packaged suite of dashboards and reports greatly improves the user experience as they present useful and significant information in an easy to understand manner, thus covering the requirements laid out in BCBS 239. OFAA’s framework is completely open, so banks can integrate the unified platform not only with native Oracle risk applications, but also with external engines, either in-house developments or third-party solutions. Oracle Financial Services Analytical Applications are designed to inherently be compliant with relevant principles.

Summary

The 14 Principles established by the Basel Committee address an important and pressing point: most banks have been facing data and reporting issues that have prevented them from achieving a comprehensive view of their risk exposures. Whether these problems originate in the proliferation of silo’d systems or in the sheer complexity of the business organization, the target should be the same: building a single source of truth for risk data that is accurate, clear and complete.

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