

Data Standards Committee (DSC) response to Data Standards Review

As part of the ongoing work of the Transforming Data Collection (the 'TDC') programme, sponsored jointly by the Bank of England (the Bank) and the Financial Conduct Authority (FCA), the Data Standards Committee ('the DSC') commissioned a review of data standards ('the review') – full details of the review background and results can be found in the report.

The review made six proposals. In the order in which they were dealt with by the DSC, they are:

1. 'Establish a formal Data Standards Committee to become the body responsible for the ongoing oversight of data standards for financial services regulation' – p15 of the review
2. 'Define the role of the regulators in data standards'. – p15 of the review
3. 'Agree a taxonomy of financial services data standards to support ongoing recognition of their usage and development requirement' – p10 of the review
4. 'Agree a standard set of metrics associated with the use of data standards to support ongoing benefits identification and prioritisation of effort required to iterate and develop' – page 10 of the review
5. 'Prove delivery of a new data standards development use case applying a collaborative, iterative approach in a Lab environment' - p17 of the review
6. 'Create and publish the roadmap for strategic implementation of financial services data standards and an associated programme with budget to deliver'. – p17 of the review

The DSC debated the proposals and has made a set of recommendations which are documented here for consideration by the Bank and the FCA as part of the on-going TDC programme.

Recommendations

DSC Recommendation 1 (DR1): Data Standards Committee

The DSC agrees that a formal Data Standards Committee should be established to provide ongoing recommendations regarding the use of data standards for regulatory financial data collections to the Bank & the FCA, hereafter referred to as 'regulatory financial data collections'.

There are, however, some amendments required to the mandate of the current DSC that we believe would improve the effectiveness of the new DSC. Where appropriate, we refer to the 'new DSC' in our response below:

The DSC believes that the new DSC should be placed permanently into the landscape for regulatory financial data collections in the UK as a positive step forward in improving the efficiency and effectiveness of such reporting to UK regulators.

This ensures that data standards are embedded as a permanent feature of regulatory financial data collections beyond the timescale of the TDC programme.

1. Membership

Selection:

- a. Membership of the new DSC remains at the discretion of the regulators and this should be in agreement with the chair.
- b. On rotation or withdrawal of an existing member, new members will be selected by the regulators and the chair from the available pool of applicants.
- c. Engagement with the broader regulatory reporting community will be at the discretion of the regulators and the chair.

Attendance:

- a. It is anticipated that outside of ad-hoc projects, a new DSC member will be expected to attend meetings on a regular basis. Meeting frequency and time commitment are to be determined by the new DSC, but typically are expected to comprise one two-hour meeting per month.

2. Term

Currently, Term of Office is set at one year for members and two years for the chair. To give continuity and support progress, the DSC recommends the term of membership be revised as follows:

- a. Chair term increase to 3 years
- b. Member term increase to 3 years.
- c. Membership rotation should be implemented and staggered so that only 1/3 of the membership in any year is replaced.
- d. Following the end of a term, a member may be re-appointed once only for a second term.

3. Mandate

- a. The focus of the new DSC should be to recommend the use of existing data standards in regulatory financial data collections where appropriate. This provides a mechanism to systematically review and increase the use of data standards in a way that supports improved data quality and reduces unnecessary costs. Focusing on the implementation of existing data standards reduces the risk of duplication or inconsistencies between regulatory financial data collection and other data uses.
- b. If a gap in the standards to meet a particular need is identified, the new DSC should refer the identified gap to an existing standards-setting body. The appropriate body will be determined by the purpose of the standard.
- c. New DSC recommendations on the use of data standards should follow a robust process which may include public consultation. This process will be defined by the new DSC.
- d. The new DSC should be responsible for the continuous review of data standards in use in data collections to ensure they remain appropriate.
- e. The new DSC should be a central point for market participants to raise issues relating to data standards in the regulatory financial data collection space.
- f. The new DSC should encourage cohesion in relation to the use of data standards at an international level.

4. Operation

- a. The new DSC should be permanently staffed at an appropriate level. We expect this will require 3-6 full-time roles supporting the output of the new DSC.
- b. Permanent staff should be supported by secondees from within the industry as per today.
- c. Regular analysis is needed to ensure the new DSC has sufficient resource and the right skills for fulfilling its mandate. This will be driven by the proposed future work plan.

5. Governance

- a. The new DSC will have an independent life beyond the TDC initiative and become a permanent part of the UK regulatory financial data collection landscape.
- b. The Bank/FCA must agree with the industry a funding model for new DSC staff as identified above.

DSC Recommendation 2 (DR2): The role of the regulators

The DSC recommends that the regulators should:

1. Be full members of the new DSC.
2. ‘Mandate’¹ the adoption of standards recommended by the new DSC by incorporating them into regulatory financial data collection requirements.

DSC Recommendation 3 (DR3): Taxonomy

The new DSC should adopt a taxonomy for the regulatory reporting space as a key initial output.

In addition, the new DSC recommends the creation of a data standards inventory and the investigation of the need for a bespoke data model.

The new DSC believes there are 3 deliverables associated with the review recommendation:

1. **Taxonomy:** The new DSC should adopt a taxonomy that clearly identifies the standards that are in the scope of the new DSC.
2. **Inventory:** Identification of all data fields specified in regulatory financial data collections, together with the appropriate data or message standards to be used for representing the specific data elements and the message construction e.g. ISO 20022. Such an inventory would also identify gaps, if applicable, where standards are required. See DR5 below for more detail.
3. **Data model:** The potential requirement for a bespoke data model[s] should be explored but this work would potentially require expert third party engagement.

DSC Recommendation 4 (DR4): Metrics

The new DSC should develop a set of metrics around data standards, potentially with support from a third-party.

Specifically, the metrics should:

¹ The review uses the term ‘Enforce’, the DSC believes that ‘Mandate’ is more appropriate, allowing the regulators to determine a view on enforcement.

1. Measure the adoption of data standards within regulatory financial data collections.
2. Derive a measure of benefit vs cost of development and implementation – such metrics might be a mix of quantitative and qualitative measures.
3. Derive a measure of the ongoing benefit from use of the standards.
4. Be specific about who are the beneficiaries.

DSC Recommendation 5 (DR5): We dealt with the final two report recommendations together to create DSC recommendation 5 (DR5)

- **Prove delivery of a new data standards development use case applying a collaborative, iterative approach in a lab environment.**
- **Create and publish the roadmap for strategic implementation of financial services data standards and an associated programme with budget to deliver.**

The new DSC should produce a suggested roadmap which sets out long-range strategic goals for recommending data standards that help simplify and standardise all regulatory financial data collections in the UK. This should include the creation of an inventory of regulatory financial data collections and their associated data elements.

In the two years since its creation, the DSC has made observations on the effectiveness of the current method of working. Whilst the initial 'use cases' selected by the regulators were needed to get the TDC initiative underway, it is now time to rethink how the priorities of the TDC programme and relevant initiatives beyond the scope of TDC are identified in future.

We recommend that **all** regulatory financial data collections in the UK are documented at the data element level to create a data standards inventory as referenced in DR3. This will allow all reports to be catalogued vertically (by product) and horizontally (by data element and standard currently used) which will allow the following:

- Identification of any gaps in the standards.
- Identification of where existing standards choices are sub-optimal.
- Identification of where different standards are used for the same data element.

This will allow the new DSC to make an informed judgement on the priority for the TDC work. Coupled with the cost-benefit metrics outlined in DR4, this will form the toolkit for the new DSC to contribute to the appropriate prioritisation of TDC work in a way that will provide maximum benefit to the broad industry.

We believe the approach set out above will establish a global gold standard for regulatory financial data collections and deliver TDC's core objectives to collect data effectively at the lowest cost to industry and public authorities.