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Financial stability requires industry wide collaboration on data standards: G-20 economies promote data sharing through collaboration



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Around the globe regulators and market participants are confronted with the challenge of managing ever larger amounts of data essential for financial-system oversight and risk management. This article summarises the work done to date and describes future work to be undertaken. The significance of these efforts is highlighted this week by the global conference at the International Monetary Fund on the G20 data gaps Initiative: a set of 20 recommendations on the enhancement of economics and financial statistics launched after the 2007–08 financial crisis to provide broader data sets for policymakers and supervisors.

The G20 data gaps Initiative, along with other responses to the global financial crisis, illustrates an increasing demand by both regulators and industry for more granular data. The need to find better solutions for data standards developments and data collection is becoming ever more pressing, even with the advent of new data management technologies.

The financial system is global, so global leadership and collaboration on standardised data collections are essential to provide policymakers and private-sector stakeholders with high-quality, granular data. In turn, such data are essential to assess and monitor future threats to financial stability, and to help reduce their impact and frequency by making the global financial system more resilient.

A recent event, the March 2017 workshop 'Setting global standards for granular data', was an opportunity to continue a discussion about best practices and emerging issues in the usage and standards of granular data. The workshop was the third in a series organised by the European Central Bank (ECB), the US Office of Financial Research (OFR) and the Bank of England and brought together policymakers, international organisations and financial industry practitioners from around the world.

Participants from all those groups agreed that the time is right to move forward in establishing clear, internationally mandated data collection standards for a variety of scenarios, based on more granular schemas and a common vocabulary,

where appropriate. Led by regulators from around the world, the success of these efforts critically depends on industry engagement and collaboration.

Evolution of the workshop series

The first workshop, held at the Bank in 2014, facilitated the co-ordination of regulators' efforts to agree an approach for granular data standards. The second workshop, hosted by the OFR in 2015, focused on some of the specific obstacles to establishing global standards for granular data, such as global semantic differences, technical challenges and legal and jurisdiction constraints. The most recent workshop included for the first time a wide number of financial market practitioners, in recognition of the importance of common collaboration. Global market participants support these standardisation initiatives because of clearly evident benefits they could deliver in reduced reporting costs and improved data quality.

Collaboration with industry

All three sponsoring institutions recognise that the challenge could best be overcome in partnership with the international financial industry and standards setting organisations. Initiatives such as Basel Committee on Banking Supervision (BCBS) 239 — 'Principles for effective risk data aggregation and risk reporting' from the BCBS — have challenged large financial organisations to implement high-quality data management processes, data identification and modelling programs, and innovative technical solutions to improve their internal data standards. The two-day workshop in March was widely attended by regulators and representatives from the financial industry (especially from banks identified as global systemically important banks).

Attendees expressed considerable enthusiasm for the theme and strong interest in the ideas presented. The topics ranged over semantic technologies, natural rules languages, big data techniques, developments in standards such as the Legal

(1) This report was prepared by Oliver Burrows (chief data officer at the Bank of England), Aurel Schubert (director-general statistics at the European Central Bank) and Richard Berner (director of the US Office of Financial Research).

Entity Identifier (LEI), and the impact that collecting granular data will have. Presenters were chosen from the regulatory community, academia, standards groups and industry. Case studies of existing collaborative initiatives such as the Banks' Integrated Reporting Dictionary⁽¹⁾ and Austrian Regulatory Reporting⁽²⁾ were shared, along with cases of granular collections recently being implemented, in part as a result of the previous workshops.

The conference included interactive feedback sessions. These sessions highlighted differing perspectives, potential new challenges and new opportunities that had not been considered before, which demonstrated the real value of bringing different groups together.

Aspects such as leveraging existing expertise found in standards organisations, special interest groups, academia, and FinTech companies were also discussed. Change comes with a cost, so giving firms incentives to support and adopt new standards needs to be considered. At the same time, the impact of change should be managed through good communication, adequate forewarning and practical initiatives.

The furtherance of the LEI with respect to geographical and cross-sector coverage, allied with the need for high levels of data quality, was of particular interest and participants agreed that it would benefit from further regulatory support around the world. The active development of the three core identifiers — LEI, Unique Transaction Identifier (UTI) and Unique Product Identifier (UPI) — across the globe is essential in allowing regulators and risk managers to answer a deceptively simple enquiry — 'Who trades what, to whom?' — in the global financial system.

Next steps

The overall response from participants was of strong support for further collaboration. A number of further initiatives have been pursued and the three sponsoring institutions form a cross-continental collaboration of authorities and will continue their work along with other organisations under the theme 'Sharing the challenge'.

The following areas were identified as needing attention and were regarded as priorities by the attendees:

- Further promote, support and increase the coverage of the LEI and the extension of phase 2 'relationship' information.
- Establishing a common granular (atomic) regulatory dictionary of terms (regulatory ontology) particularly with respect to known gaps and overlaps.
- Establish a common financial instrument taxonomy.
- Support and implement the adoption of other financial identifiers such as initiatives by the Committee on Payments and Market Infrastructures and International Organization of Securities Commissions on the UTI and UPI.

Close co-operation between the public and private sectors on the development of standardised granular data collections and taxonomies facilitates the ability of policymakers to understand interconnected markets and market participants. Co-operation can also bring efficiencies to regulatory reporting and bolster risk management efforts by the private sector. We are committed to continuing efforts to realise these goals.

(1) Banks' Integrated Reporting Dictionary, available at <http://banks-integrated-reporting-dictionary.eu/>.

(2) Austrian Regulatory Reporting, available at www.aurep.at.