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70% of Financial Services CDOs say risk data aggregation is the primary regulatory concern, survey shows

BELFAST, UNITED KINGDOM, June 9, 2021 /EINPresswire.com/ -- A new survey of financial services firms has revealed that seven in 10 Chief Data Officers (CDOs) expressed that risk data aggregation is their primary regulatory concern.

> “The way we consume and share data has changed dramatically, yet banks and insurers have failed to adopt the necessary technologies, exposing them to major security and operational threats.”
>
> *Simon Cole, CEO at Automated-Intelligence*

In essence, Risk data aggregation means defining, gathering and processing risk data according to a bank’s risk reporting requirements to enable the bank to measure its performance against its risk tolerance/appetite. This includes sorting, merging or breaking down sets of data.

Under the Basel Principles, financial institutions are required to demonstrate sound risk management, encompassing “identifying risks to the bank and measuring and assessing exposures to those risks where possible.”

However, with data consumption rising exponentially and 54% of respondents revealing that at least half of their compliance functions are performed manually, sufficient risk data aggregation is virtually impossible. Furthermore, it raises a number of major concerns, primarily:
1. Heightened risk of human error
2. Inaccurate risk quantification
3. Heightened risk of data breaches

Compounding the problem is the challenge of out-dated IT infrastructure. A recent report by IBM suggests 92% of the world’s top 100 banks still rely on legacy systems.

“The way we consume and share data has changed dramatically in the last decade, yet banks and insurers have failed to adopt the new technologies needed to observe and manage this information, exposing them to major security and operational threats. That individuals are still manually managing such processes is both unnecessary and irresponsible,” says Simon Cole, CEO at Automated-Intelligence, the company behind the hivera, a data management platform specifically created for managing regulatory risk within unstructured data for the financial industry.

Regulatory focus on unstructured data

Identifying the importance of having greater observability over their entire data estate, 38% CDOs and Privacy professionals 2 see the need to integrate structured and unstructured data as one of the main challenges facing their organisations. The main reasons given, include:
• The unstructured information is spread across, and siloed into many disparate sources
• It is complicated to analyse
• It is costly to analyse
• Storage is cheap so there is a tendency to 'keep everything forever'

However, such excuses are no longer tolerated by regulators. Last October the Office of the Comptroller of the Currency (OCC) fined Citi $400 million for persistent issues in risk management, data governance and internal controls.

Closer to home, in March a spokesperson for the Bank of England, stated 'When we look at the firms we regulate, we want to see best use of evidence in decision making as part of governance and risk management…we want to make the best use of data, whether its structured or unstructured."

To support financial services firms in taking greater control of their unstructured data, hivera has developed a guide, which can be downloaded here.

Notes to the editor

1 https://www.intersystems.com/resources/detail/the-evolving-role-of-the-cdo-at-financial-organizations/

2 https://www.alveotech.com/insights/whitepaper/integrated-data-management-and-analytics/

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