

Financial Research Advisory Committee Meeting July 28, 2016

Discussion Topic: Data Program Projects

The OFR has mandates to expand the scope of data available to policymakers and market participants; to develop, promote, and coordinate the use of standards to improve data quality; and to improve data access for key stakeholders.

To be useful for policymakers and market participants to support financial risk management, measurement, and reporting, financial data must have three attributes:

1. **Scope.** They must cover all relevant financial markets, institutions, and products with sufficient granularity for monitoring and assessing risks.
2. **Quality.** They must be complete, accurate, and timely; they must be easily usable by various parties through different systems; and they must be supported by adequate information technology and data architectures.
3. **Accessibility.** They must be appropriately and securely shared among stakeholders.

Three OFR programs are aligned with these attributes to coordinate our work on data: data quality, data scope, and data accessibility. Although each data program will include several essential projects, each is now focused on a high-priority, signature deliverable:

- For data scope — Implementing an OFR permanent collection of repurchase agreement and securities lending data.
- For data quality — Delivery of the financial instrument reference database.
- For data accessibility — Building the OFR's next-generation metadata catalog, with a goal to link it to the catalogs of others.

The appendix outlines details of the three programs.

Questions for Discussion:

- What critical data gaps have emerged or are emerging due to the continued evolution of markets, financial products, and regulatory changes?
- What are the advantages or disadvantages of creating a stand-alone data collections capability versus outsourcing?
- How should we implement best practices in data management and governance?
- How do we align industry and official interests in data collection?
- How can we maximize the benefit from the financial instrument reference database to our stakeholders?
- What is the right governance process to establish and maintain metadata and data definitions?

- Does a globally federated catalog of financial regulatory data collections and datasets provide benefits to industry and academia? How should we engage with those stakeholders to maximize those benefits?

Appendix

Benefits

Benefits of the OFR's data programs are significant for official and private-sector stakeholders. Market participants can benefit and costs can be reduced when regulatory reporting requirements are closely aligned with business processes. The public can benefit when policymakers, firms, academics, and others are better able to assess risks across the financial system. Of course, these efforts must be accompanied by rigorous safeguards to protect data security.

Data Scope

The data scope program addresses the OFR mandate to collect from any financial company the data necessary to assess to what extent a financial activity, entity, or financial market poses a threat to U.S. financial stability. To assess data gaps and to prioritize filling them, we collaborate with our regulatory colleagues to identify key questions and the data needed to answer them. We use data inventories or catalogs to compare the needs to the available data and to prevent the duplication of existing data collection efforts

The initial focus of this program is the project to build on already-completed pilot projects to establish permanent collections of data about repurchase agreements (repo) and securities lending from the industry. We intend to build a stand-alone data collections capability. The program will also establish the foundation for that capability, and for future collaboration with stakeholders. OFR technology infrastructure provides a solid foundation to store, maintain, and analyze the data. The development challenges lie in processes, procedures, staffing, and collections interfaces.

The design of the repo and securities data projects was greatly facilitated by the use of the funding and liquidity map that described the flows of cash and securities in securities financing transactions. We proposed to build on that mapping concept to describe the components and interconnections of other activities and parts of the financial system with similar maps. A collateral map is already in development. The committee has been instrumental in these efforts. More broadly, mapping the financial landscape will show the appropriate paths for identifying and filling data gaps. Such maps will focus on physical data movement — measuring flows across the system. By “drawing the map,” we will create new perspectives to detect data gaps arising from innovation and the evolution of instruments and practices in financial markets.

Data Quality

The data quality program will address deficiencies in the quality of data needed to identify and analyze vulnerabilities in the financial system. The program's primary goals are to standardize

the terms and definitions of financial data broadly used by market participants and regulators, and to integrate them into a reference data system that facilitates financial risk analysis.

The initial focus of this program is the delivery of the financial instrument reference database (FIRD). The FIRD will consist of three core components and their interfaces: reference data, a data dictionary, and analytic services. The core data dictionary will ensure the interoperability and drive the standardization that are essential to the integrity of the database, the reference data, and the analytic services content. Consequently, we will build that component first. The initial data dictionary will include standardized terms and definitions for the OFR's permanent collection of repurchase agreement and securities lending data, and the data elements resulting from the Committee on Payment Market Infrastructure (CPMI) and International Organization of Securities Commissions (IOSCO) working group on data harmonization. To elicit feedback from stakeholders, including industry, the OFR will publish a white paper later this year on the criteria for deciding on best practice methodologies for the FIRD and its components, and expected benefits.

The OFR will continue to work with industry standards groups and financial regulators to promote the development and adoption of standards for entity identifiers, instrument identifiers, product identifiers, transaction identifiers, and financial and business reporting. As in any standards-development work, frequent engagement with regulators and industry partners in public-private partnerships is a key to success.

Data Accessibility

The data accessibility program will address obstacles to the secure, timely, and effective sharing of data among key stakeholders to monitor risk and to conduct forensic analysis of stress events. Some of the most challenging obstacles are a lack of basic understanding about what data exist, where they exist, and how to provide secure access to the data. The program's primary goals are to create tools and capabilities for the regulatory community and the public to enable secure data sharing.

The initial focus of this program is to enhance the OFR's metadata repository. Two aspects of that enhancement are important now. First, we plan to expand the scope to include nonpublic data. Second, we will develop and implement plans to link our repository with repositories maintained by other regulators and organizations, and share them appropriately with the public. This effort depends on, and will partner with, the data quality and data scope programs to define and derive standardized data definitions and metadata describing the OFR's data. Users of the resulting federated system of metadata repositories will more easily discover and understand the data collected by authorities, so they can request access, and compare and integrate the data. In its most advanced stage, the OFR metadata repository linked with other metadata repositories will serve as a conduit for global data sharing among financial regulators and other stakeholders.