





CECL data analytics

A model is only as accurate as the data underlying it. As the focus on fair value continues to increase, data retention and analysis would be the cynosure. Most banks are now moving towards a centralised repository of data. With regulations such as CECL, challenges on the data front become manifold – not only does granularity become a challenge, but also the size and amount, which may require rescaling of legacy IT infrastructure at banks. Systems and controls need strengthening, too, to ensure that data quality is consistent.

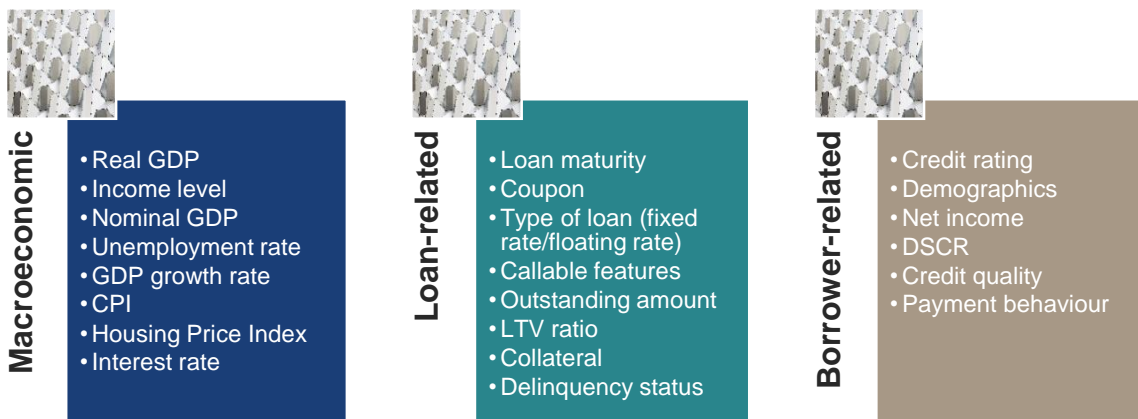
Four aspects of CECL data:

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Futuristic
 Current data might be historical, while CECL requires future estimates of variables
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Granular
 More granular data is required as losses have to be estimated at a loan/instrument level
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Dynamic
 Data and the assumptions around it can change rapidly
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Volume
 Data warehouse and data management need to be designed efficiently to handle huge volumes

CECL could impact the way data is stored and organised at a bank and ultimately lead to integration of risk and finance data, which are stored separately mostly. Also, comprehensive data requirements will goad banks to create a central data repository that can be leveraged for various reporting requirements. While this will translate into easier informed decisions, and more streamlined portfolio analysis and risk reporting, it will also mean creation and monitoring of additional data quality checks and controls. Banks will also start formalising their data governance procedures.

Banks will need more data than ever before, including historical data (five to seven years) and possibly transactional data (risk rating change dates, charge offs, prepayment etc)

The following sample represents some of the key data that might be required under CECL:



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