

High quality data and collection systems through active communication with data providers

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Introduction

Thirty years ago, the United States banking system was structured by restrictive laws. Hence, it was relatively straightforward to identify data reporting responsibilities for each type of reporting entity. Financial products were fairly routine, leading to non-complex reporting systems. Over the years, as laws were changed and innovative financial products developed, data reporting has become far more complex. It has become imperative to form partnerships with reporting entities. Discussions of market practices, new financial products, maintenance of static data systems, potential burden associated with proposed accounting rules and changes in reporting are a few examples of information that lay the foundation for effective report form designs and reporting requirements. Our experience is that reporting entities are dedicated to submitting high quality data. Most data reporting problems are the result of requirements that are unclear or that force reporters to implement overly complex systems or manual workarounds, making for systems that are far too costly to implement and maintain. Effective communication brings these issues to light, and many of them can be addressed while continuing to meet users' needs. More importantly, data quality improves, because data can be compiled more effectively.

Building relationships

Open and productive communication is a key to strong relationships with reporting entities. We start by explaining the need for the particular data items that are to be reported, and how they will be used. We also discuss how other data collections fail to provide the necessary data. Proposals for collecting new data items are shared with reporting entities for comments and suggestions. In some cases, the reporting community's suggestions will not produce the data that are needed. Often, however, their suggestions can be implemented. Suggestions tend to focus on aligning reporting requirements with internal management reports and other agency reporting. Reported data that can be used to create internal management reports are far more likely to be of superior quality.

Enlisting the reporting entities in the creation of reporting forms and in changes to current reports creates a powerful alliance. When senior managers of reporting entities participate in the design process, they become more committed to the changes, and to ensuring that the appropriate resources are available for timely implementation. Another positive result of reaching out to reporting entities is an environment where they are comfortable reciprocating. They provide information on new financial products and business lines before implementation is complete, in order to obtain reporting guidance.

¹ The opinions expressed here are the author's alone, and should not be attributed to the Federal Reserve Bank of New York.

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Another relationship-building tool that we use is our written feedback to senior management within reporting entities. Letters of thanks for high quality data help to reinforce sound procedures, controls, and review mechanisms that have been implemented, while reporting entities that have submitted lower quality data appreciate feedback because it helps them focus their resources to correct problems, and enables them to justify requests for additional resources to implement changes.

We find particularly large and complex organisations to require more in-depth relationships. Large financial institutions tend to be the result of numerous business combinations and changes. Therefore, preparing reports almost always involves multiple manual adjustments and, hence, errors. Over time, reporting entities come to realise that their only way to control the process is to build an integrated system with centralised static data (eg master customer files, securities databases, etc.). When this occurs, we work with them, emphasising that many of their peers are doing the same thing, and that we understand that though this is a multi-year effort, it is the only road to the control that both they and we want to achieve at a reasonable cost. We then have regular checkpoint discussions to monitor progress and ensure that technical points are being thought through correctly.

Data variance discussions

Active discussions are held with reporting entities to discuss questionable data in their current reports, as well as variances between report dates. Trends over time are also reviewed and discussed. Lastly, when reasonable, we compare data items across report forms. The goal is to formulate a story that explains data movements to our users, while perhaps providing insight into future data changes.

We strive to understand the business strategies and changes to the client base that have led to data anomalies. Understanding a reporting entity's business strategies helps to reduce questions, and enables analysts to focus their attention on truly unusual data fluctuations. Providing reporting entities with fewer, more targeted questions is a critical aspect of our strategy. This method enables reporters to conduct more in-depth research on questionable data items, and has led to uncovering systemic problems, the remedying of which improves data quality. The data quality improvements may go far beyond the report that gave rise to the question.

Correspondence

We ask reporting entities to pose questions – especially complex questions – in writing. We encourage this more formal communication because of the greater likelihood of misinterpretation in telephone conversations, especially when information is being relayed to individuals subsequent to the conversation. Our policy is to respond to written requests in writing, which provides a permanent resource in addition to reporting instructions. Frequently Asked Questions (FAQ) documents are maintained in addition to instructions. Common issues that arise from specific reporting entity questions are added to the FAQ as they arise.

Training

Regardless of how well reporting instructions are written, they do not replace face-to-face discussions of reporting requirements. The Federal Reserve Bank of New York (FRBNY) staff devotes a significant amount of time to various forms of training each year, including

formal seminars. About 200 people attend in person, and hundreds more attend via Internet webcast. Small training groups are conducted for reporting entities with similar reporting structures and responsibilities. One-on-one training is conducted to meet the specific needs of individual reporting entities. Problems discussed are followed up in monthly telephone conferences where we discuss the status of outstanding issues and the timeline for resolving them. We emphasise to our analysts that preparing training materials is a key to demonstrating their understanding of the fine points of the reporting instructions – a critical job standard.

Report change process

The Federal Reserve Bank of New York collects a wide range of data to support monetary policy, bank supervision, and the creation of international accounts. Our largest, most complex reporting entities are typically required to file hundreds of reports each year. To ensure that our reporting requirements reflect active data uses and needs, and to reduce unnecessary or duplicate reporting, our Office of Management and Budget (OMB) requires a comprehensive review of each report every 3 years. In addition, when we identify a burden, we act as an advocate to reduce reporting and eliminate inconsistencies.

In conjunction with the formal 3-year review, we must formally announce changes (or absence thereof) through a Federal Register Notice (FRN). When the FRN is issued, any entity or individual can submit comments related to the report that is on notice. All comments are reviewed and addressed by the agency responsible for the report. Each comment and the response to it are included in the final published FRN.

Although formal communication channels are in place, we believe strongly in discussing possible changes with the reporting community before the FRN is published. These conversations either confirm that our changes can be implemented, and that the data can be reported without undue burden, or lead to adjustments in the details of the reporting changes. In both cases, the conversations lead to higher quality data while meeting users' data needs. The conversations also produce further insights into how reporters' back office systems are integrated, as well as the process used to compile data for reporting.

Instruction clarifications

At times, reporting guidance provided in written instructions needs to be clarified due to changing market terminology, or because original instructions were unclear. If reporting requirements are not changing, instructions may be updated without going through the FRN process. Reporting entities that specialise in the area of the instructions being clarified, or entities that found the original wording of the instructions confusing, are requested to provide comments on draft instructions.

Conclusion

Active communication takes many forms. Whether a communication is initiated by FRBNY staff, as in the case of training and report proposals, or by reporting entities, as may occur through correspondence, the resulting dialogue gives both parties an opportunity to learn, and to improve data quality. Building relationships with reporting entities leads to open, two-way communication. Open communication in turn leads to obtaining detailed information, which ultimately produces higher quality data.