

# Enhanced Data Collection Initiative - (EDC)

# FSRA

Financial Services Regulatory  
Authority of Ontario

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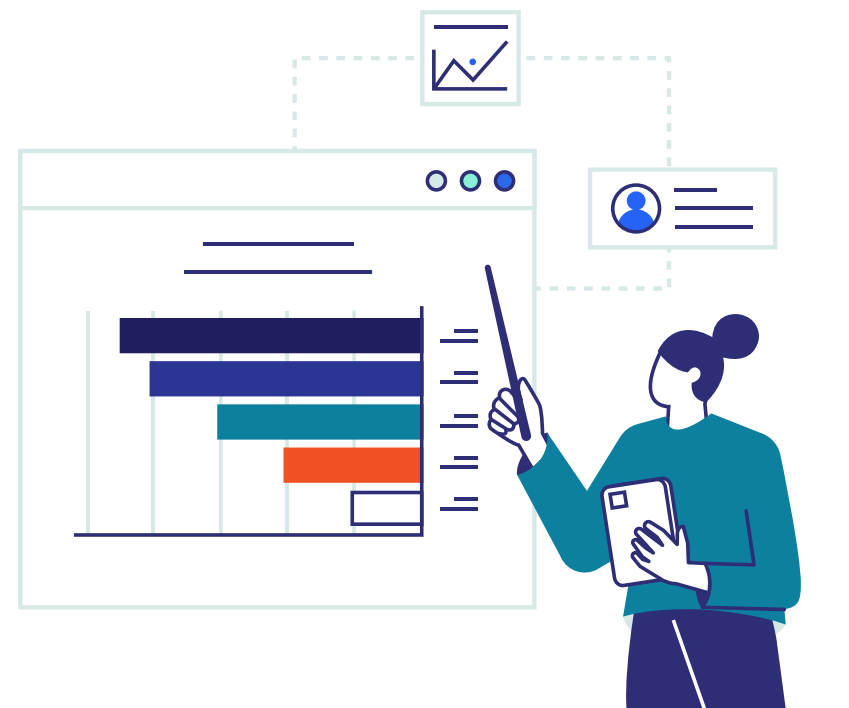
Ontario

## What is the Enhanced Data Collection initiative (EDC)?

- Enhanced Data Collection (EDC) is a project to change the way data is collected from credit unions
- It involves the creation of a new system to collect instrument level data, aka risk data on a periodic basis
- It will be a single platform that replaces various current filings
  - MiR(efiling), AiR, Financial Templates etc. will be transferred to the new system
  - It will also add instrument level reporting
- A Regulatory Data Standard is being developed to support data standardization
- Data collection will be proportional and the implementation will allow for a flexible approach for individual credit unions

## Why do this?

- In the modern era of technology and digitization financial institutions are enabled by data. It is key to the future evolution and long-term sustainability of our sector
- Business requirements for data have evolved significantly over the past decade and are likely to continue to change, driven by the need for enhanced data to support modern business models and effective risk management. CU management and boards need this data to identify growth strategies and perform risk management
- Better data will support enhanced credit union risk data aggregation, assessment and reporting to Boards
- Risk data will support modern supervisory purposes such as risk assessments and enhanced monitoring



**Better data will enhance the safety and soundness of our system which will support future growth and sustainability**

## Why do this?

The current system has not been updated since 2009 and the way we collect and process data poses challenges to ongoing evolution of the sector and its ability to keep pace with technological change

### Challenges with the current data

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- Lack of reconcilability (aggregation)
- Limited utility for risk assessment and management
- Not granular enough for DIRF adequacy assessment
- Limited utility for assessment of sector stability and stress testing
- Not granular enough to support orderly Resolution of a credit union

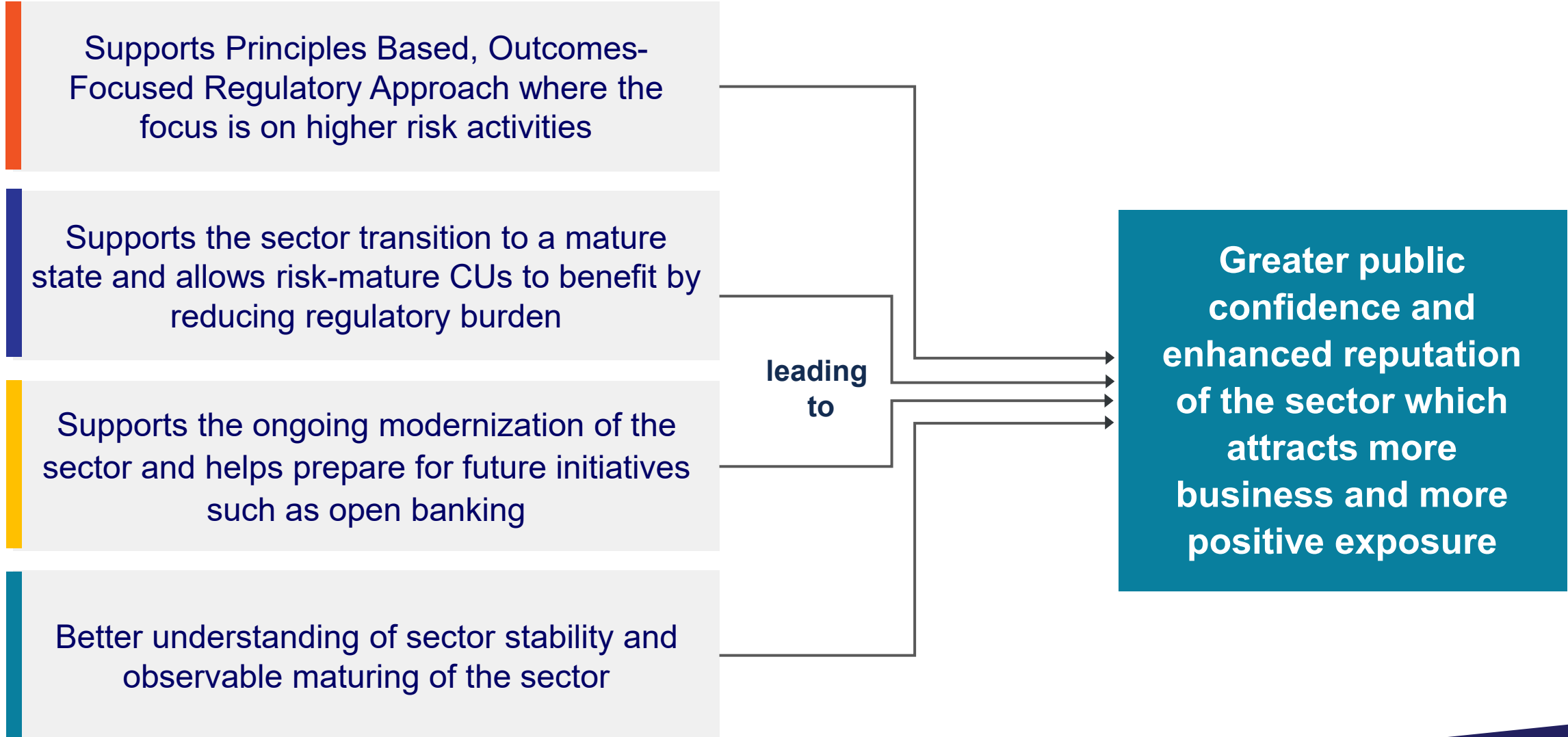
#### Credit Unions

- Manual intervention involved
- Duplication of data
- Requires reconciliation of figures
- Not aligned with how credit unions store the data
- Granular enough to support effective Recovery ?

## What are the benefits?

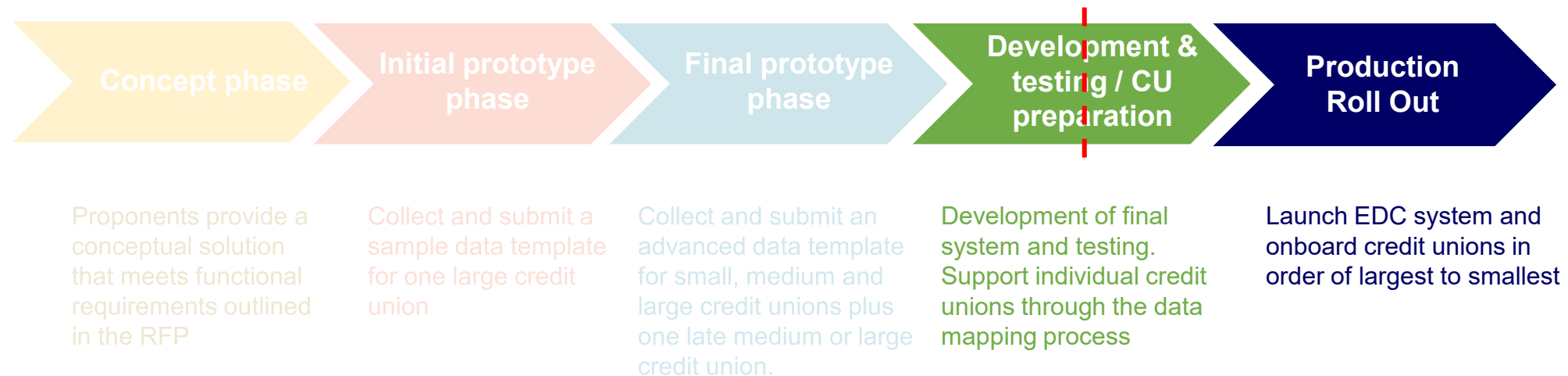
- Burden reduction through automation of collection, validation and reconciliation of data
- Reduced deposit insurance premiums for institutions that demonstrate low risk profile
- Improved DIRF adequacy assessment
- Reduced capital requirements for data-verified lower risk mortgage portfolios e.g. using metrics such as high beacon/low LTV
- Risk based approach that focuses on higher risk institutions
  - Reduced number and duration of examinations for lower risk institutions
  - Reduced intervention and corrective actions for lower risk institutions
- Available data and reports that can be used by credit unions
- Enhanced Regulatory efficiency and enhanced reporting back to the sector
- Consistent and accurate risk assessments of credit unions

## What does this mean for the Sector?



## Overview of project

Concept, Initial Prototype, Final Prototype, Development & Testing, Production Roll out



Dedicated FSRA team is working with each credit union individually to complete data mapping and technological development in preparation for EDC launch.

## What is instrument-level data (risk data)?

- Instruments are the mortgages, loans, deposits etc. that credit unions provide
- Each mortgage for instance is a separate instrument and the data which makes up that mortgage is instrument level data – see examples below

### Retail Loan (Instrument #01):

- Date of origination
- Approved amount
- Maturity
- Product Type – mortgage/loan/credit card
- Rate
- etc.

### Deposit (Instrument #02):

- Depositor Type – single/joint/trustee etc.
- Acc Type – chequing/savings etc.
- Deposit Type – Demand/Term
- Rate Type – fixed, variable
- Rate
- etc.



## How will proportionality be applied?

### Smaller Credit Unions

*tend* to have fewer business activities  
*generally* have less impact on sector risk/contagion  
*generally* are not as complex as larger credit unions



- Credit unions will start by providing only the instrument level data points which are accessible at the time of launch
- Over time credit unions will provide progressively more instrument level
- Smaller credit unions are not expected to provide the same data as larger credit unions

# Regulatory and Risk Data Standard (RRDS)

## What is the RRDS?

A Data Standard acts as a single dictionary of data providing standardization and common descriptors of the data

- data name | data label | description | format | frequency.....

Field Name	Data Label	Format	Overview	Detail	Frequency	Proportionality
Loan Category	RETL_LOA_CAT	String	Category of the loan.  Select from: Residential Real Estate Mortgage HELOC Personal Loan Reverse Mortgage Combined Loan Plan (CLP) Consumer loans secured by residential property – Credit Cards Consumer loans secured by residential property – Revolving (non-credit card) Consumer Loans secured by residential property – Non-Revolving Bridge Loans Other, as recorded in the lender's system	The category of loan from the lender's system	M	Level 1
Date of Origination	RETL_DAT_ORIG	YYY-MM-DD	Date of Origination		M	Level 2
Prepayment Option	RETL_PRE_OPT	String	Prepayment option status.  Select from: Open Closed Convertible		M	Level 3

Sample instrument level data

## Why does FSRA need the data?

- FSRA collects the data under the CUCPA in support of its objects to Supervise the sector and promote stability and soundness in the sector
- This purpose is served by the use of the data for Risk Assessment, Risk Monitoring and DIRF Adequacy assessments
- Enhanced data will allow more accurate risk assessments, timely monitoring and accurate sizing of the DIRF
- This is especially relevant now given the significant growth in size and complexity of the sector, the ongoing evolution of technology requirements and the increasing competitiveness of the financial services sector
- It is also aligned with the normal maturing process of the sector and ongoing modernization of systems to support data-assisted supervisory decision making

### Data Protection

- Role-Based Access and Controls (RBAC) to ensure minimally acceptable access to data
- Data in transit, data at rest, and data in use will be encrypted to the currently accepted highest standard of encryption

## How will FSRA use the data ?

- Much, but not all, of the regulatory data is already being provided under the current MiR
- Instrument data will be used for monitoring under the Risk Based Supervisory Framework (RBSF), for instance this could include monitoring of credit metrics such as average LTV or delinquency levels
  - This leads to early detection of deteriorating trends
- Various loan data points will be used in the DIRF adequacy model to improve the accuracy of the model
  - This leads to a more accurate assessment of DIRF size and premiums
- The data will also be used for risk assessment of credit unions under the RBSF
  - This leads to a more accurate assessment of risk and a more risk-based allocation of regulatory resources
  - A more accurate assessment of risk can impact credit unions' DPS score
- The data facilitates enhanced sectoral analysis and stress testing of the sector
  - This leads to enhanced information reported back to credit unions and a stronger sector

### Use Codes Retail Lending (example only)

Basic Loan Attributes	30
CMHC Attributes	11
Collateral Risk	17
Credit Risk Monitoring	22
Delinquency Attributes	6
Interest Rate Risk	8
Liquidity Risk	2
Prepayment Risk	4
Securitization Risk	5
Underwriting Risk	13
<u>Underwriting Risk - Affordability</u>	<u>34</u>

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## Will this result in work and costs for credit unions to change their systems?

- Credit unions' will have some of this data already as it is necessary to run the business and perform risk management.....
- .....but it may not be in the format or system that is easily accessible.
- There will likely be up-front cost and effort, but there are also future savings in perpetuity:
  - Automation of data collection and reporting
  - Reduced manual reconciliation
  - Reduced duplication
- There are many other benefits also:
  - Access to more data and reports
  - Modern easy to use systems
  - Detailed sectoral data provided back to Credit Unions
- It is not a one size fits all approach. Different credit unions require different approaches.
- A proportional approach will be taken.