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Shaping the RDARR Scope of Application

Turning Regulatory Expectations
into Market Practice

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With the publication of the RDARR¹ Guide, the ECB seeks to clarify the requirements outlined in the original BCBS 239² paper. These refined expectations, combined with BCBS 239’s status as a supervisory priority for the ECB’s 2025–2028³ planning cycle, have ignited considerable activity throughout the industry. Banks have conducted gap analyses, undergone audits such as dedicated BCBS 239 on-site inspections, and are now addressing identified gaps and findings through implementation or remediation programs that are currently planned or have already been initiated.

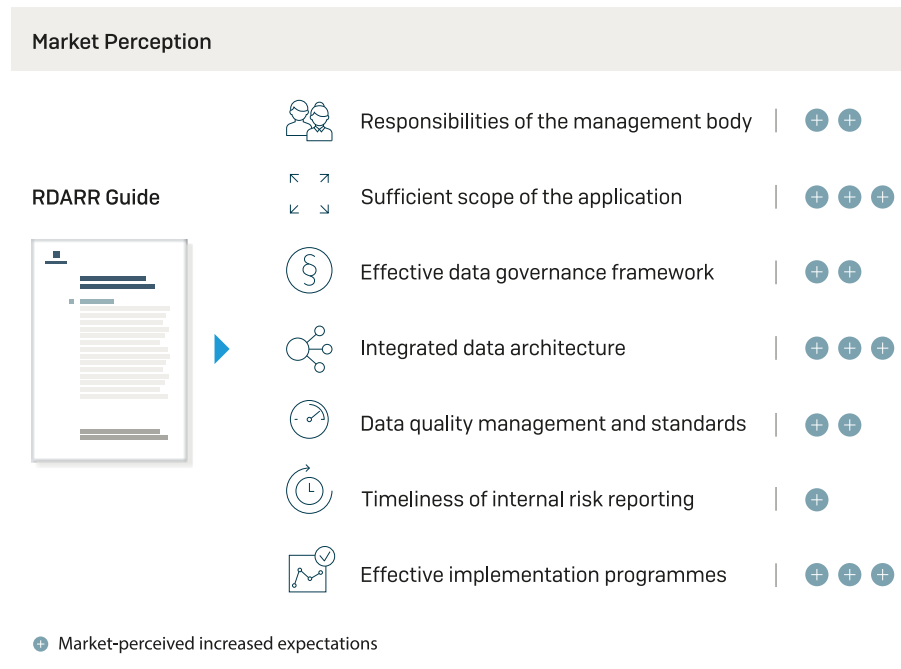


Figure 1: Market perception of the increased requirements compared between the RDARR Guide and the initial BCBS 239 paper.

Despite various clarifications in the RDARR Guide, certain aspects remain open to interpretation – for instance regarding the scope of application, as no detailed guidance is provided on how relevant reports, models and figures should actually be determined. On the one hand, this increases uncertainty among banks whether the developed solutions fully meet expectations. On the other hand, it presents an opportunity to develop fit-for-purpose approaches tailored to the bank’s specific needs within regulatory boundaries. Identifying an approach that suits the size, complexity and business model of a bank requires regulatory experience, extensive market insight, and knowledge of best practices.

The scope of application for BCBS 239⁴ is one of the main effort drivers – a narrower interpretation, focusing strictly on the essential reports, models and metrics is one possible means of prioritization. However, besides ECB’s expectations, applying similar data governance principles to a bank’s entire data landscape not only supports regulatory compliance but also enables for instance advanced analytics and AI-based use cases – transparent, high-quality and available data significantly increases the AI-readiness of banks and is a clear business advantage – making a clear case for going beyond the bare regulatory minimum. This is also recognized among less significant institutions (LSIs), which are increasingly seeking to leverage the benefits of strong data governance. Additionally, it may only be a question of time before local requirements (e.g. the German MaRisk) are aligned with ECBs expectations.

¹ “Guide on effective risk data aggregation and risk reporting” (May 2024).

² “Principles for effective risk data aggregation and risk reporting” (January 2013). References to BCBS 239 are to be understood in light of the RDARR Guide unless stated otherwise.

³ Please see supervisory priorities [2025-2027](#) and [2026-2028](#).

⁴ As per the RDARR Guide section 3.2 “Sufficient scope of application”.

BCBS 239 – and, more generally, robust data governance even beyond BCBS 239 – are here to stay and will remain core topics even though the regulatory focus might shift to other areas in future. Therefore, institutions need future-ready, fit-for-purpose data governance solutions that are robust and effective yet efficient and low-maintenance.

In this publication, we focus on the scope of application of BCBS 239, as it has become evident that the interpretation of the requirements in this area – along with for instance the granularity of the required lineage documentation – is subject to considerable debate in the community.

02.

Scope of application – A consistent and structured approach is vital

The scope of application of BCBS 239 is defined along different dimensions: It consists of reports of different domains⁵, key risk models – specifically “input data for model development as well as resulting model outputs” – key risk indicators⁶ (KRIs) of said reports and models and the critical data elements (CDEs) underlying the KRIs. Furthermore, the BCBS 239 requirements are to be applied to all material legal entities within the group (to determine whether a legal entity is material, the risk inventory provides a pragmatic starting point – its impact on KRIs may also be assessed). The scope of application is reviewed on a regular basis, usually annually. Compared to the industry’s interpretation of the original BCBS 239 paper, especially the extension towards regulatory and financial reporting as well as towards model data is considered as a significant scope extension. Establishing a clear and structured approach to identify the scope and ensure its completeness and consistency across all affected business areas remain a challenge as the RDARR Guide does not provide clear guidance.

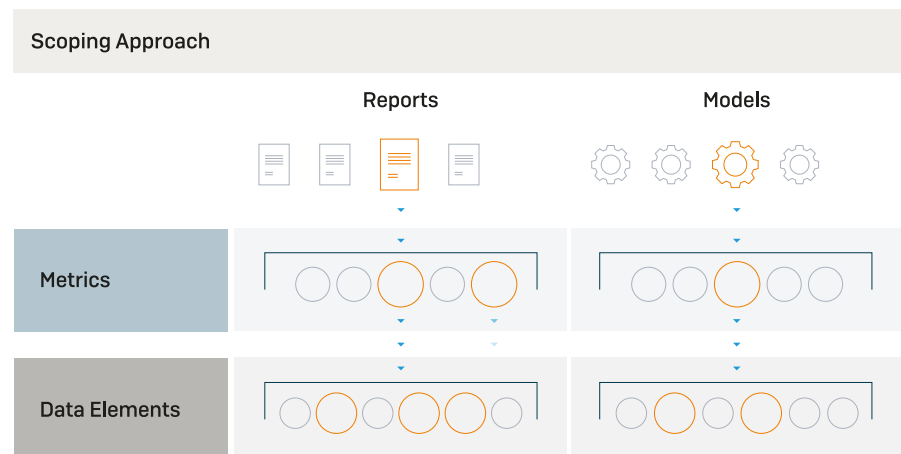


Figure 2: Typically, the scoping approach is initiated at the level of reports and models. Once the reports and models in scope have been identified, KRIs and the underlying CDEs are subsequently determined. KRIs are a subset of the metrics included in relevant reports or models and the CDEs are a subset of the data elements underlying the KRIs.

⁵ Internal risk reporting, financial reporting and regulatory reporting (section 3.2 of the RDARR Guide).

⁶ Key risk indicators (KRIs) as per RDARR Guide, section 3.2, article 3: the term “key risk indicator” is perceived in the market as too narrow, which is why most banks use a more general terminology (e.g. key metrics), while the Guide retains the term to stay aligned with BCBS 239.

Reports – Familiar ground, but covering a wider scope

One of the main challenges often is the lack of a consistent internal central report inventory (or even an unambiguous definition of what constitutes a report) which could serve as a long list of reports which have to be assessed regarding their relevance for BCBS 239. As a result, most banks gather reports by sending requests to various selected departments and business units and consolidating the replies, which is not only cumbersome, but also prone to misunderstandings and incorporates the risk of missing relevant reports.

Efficiently identifying and engaging the relevant units when setting the scope on report level requires comprehensive understanding of bank-wide reporting processes, combined with extensive expertise of BCBS 239 requirements.



Further details on reports:

Some banks are considering reports to the management board with performance figures as being a subset of the domain internal risk reports and potentially in scope, where most adopt a narrower interpretation of the requirements and focus solely on reports used to manage the risk the bank is facing, as per the Risk Appetite Framework / Statement. However, the ECB expects a broader application of the BCBS 239 principles, from a risk-based focus to a more holistic view on steering and monitoring metrics. In this context banks would clearly benefit from including internal reports to the management body in general (i.e. performance or internal financial reports) in the scope of BCBS 239.

Smaller banks typically restrict the scope of regulatory reports to the examples provided in the guide⁷, whereas larger banks proportionately extend the scope according to their size, complexity and risk profile (E.g. Asset Encumbrance or Minimum Requirement for Own Funds and Eligible Liabilities (MREL)). However, there is consensus in the market that statistical reporting is not included in the scope as it is used for macro-statistical and monetary policy purposes rather than institution-specific supervisory decisions.

⁷ "FINREP/COREP reporting templates including the Short Term Exercise, submissions to EU-wide EBA stress tests and SREP stress tests and Pillar 3 disclosures" as per section 3.2 article 1c of the RDARR Guide.

Usually maintained by the model risk management unit, a central model inventory alongside an assessment of criticality of the corresponding model is often already in place. This inventory can serve as a long list of models to be assessed for their relevance to BCBS 239, using the models' criticality contained in the model inventory as the foundation.

While BCBS 239 explicitly requires models⁸ to be included in the scope, it is important to consider how in general data governance requirements should be applied across all stages of the model lifecycle⁹. To date, no clear market standard has emerged. In particular, data used for model development has a rather one-off character, making, for instance, central lineage documentation or regular data quality measurement in many real-world setups less practical. This is why, for the time being, most banks prioritize their implementation efforts at the stage Production / Live, while ideally designing an approach that can be extended to the other relevant stages of the model lifecycle in a proportionate manner – of course data used for model development and validation must be of sufficient quality.

Defining a pragmatic but robust, lifecycle-wide approach in which metadata, lineage and data quality requirements are tailored to the stage in the lifecycle, making development and production data consistently manageable within one coherent framework requires extensive experience in data governance combined with model development, including supervisory expectations, architecture and data processing.



Further details on models:

As EGIM¹⁰ also sets out requirements concerning quality and traceability of data used in model development, IRB banks would additionally benefit from including specifically model development data of their IRB models into the scope of application of BCBS 239 consistent with the requirements outlined in EGIM – a lean and pragmatic approach is achieved by setting internal requirements, for instance concerning metadata and data quality, accordingly thereby addressing the regulatory requirements in one framework. Insufficient data governance of model development data has led to numerous findings addressing the quality and traceability of model development data.

⁸ Which “includes input data for model development as well as resulting model outputs”

⁹ Development, Validation, Production / Live, Refinement...

¹⁰ [ECB guide to internal models](#)

05.

KRI – Enabling effective decision making

The KRIs form a subset of the metrics included in the reports and models in scope, and should, at a minimum, cover the “risk appetite indicators as well as other key risk indicators”¹¹ that e.g. reflect the bank’s risk profile. Their selection should focus on indicators that are relevant for bank wide steering and monitoring, commonly appear in group wide reports or represent critical model outputs. Usually the central data governance function provides guidelines for their identification.



Further details on KRIs:

Since the identification of KRIs require profound understanding of the reports and models in scope, usually, the business owners of the corresponding reports and models are accountable for their identification, while the central data governance function provides guidance criteria – e.g. materiality or limits associated with the corresponding metric. For regulatory reports, it is market standard that, at a minimum, metrics with regulatory limits (e.g. CET1, LCR, NSFR) are included in the scope and for financial reports metrics that reflect the bank’s financial resilience and risk profile (e.g. RoE or CIR).

One key challenge is to ensure that the number and nature of identified KRIs are consistent across reports and models, despite the involvement of various stakeholders from different departments. This can be achieved through central coordination and establishment of awareness as well as clearly defined governance standards.¹²

06.

CDE – Key to an effective roll-out

CDEs are the “data elements underlying a KRI with a direct or significant impact on its value or its technical routine”¹³. As BCBS 239 implementation is in practice largely organized around CDEs, they are key to an effective roll-out.

Similar to KRIs, banks usually apply an expert based approach to identify CDEs, relying on the owner of the corresponding KRI. The identification of CDEs requires a deep understanding of the underlying risk and corresponding business processes and follows dedicated guidelines provided by the central data governance function. More quantitative and analytically driven approaches – including the use of AI – are increasingly discussed but are not yet a focus of implementation efforts in most banks.

One of the main challenges is achieving a bank-wide consistent level of implementation due to the decentral domain knowledge and often decentralized operationalization. In the context of data governance requirements, we will address CDEs in more detail in upcoming publications.

¹¹ Please refer to section 3.2.3. of the RDARR Guide.

¹² See also RDARR Guide section 3.7 “Effective implementation programs”

¹³ As per RDARR Guide, section 3.2, article 3.

The scope of application of BCBS 239 is one of the main levers to keep implementation efforts adequate, provided it is derived from a clear, risk-based materiality and criticality assessment. At the same time, banks must be able to transparently explain and convincingly justify to supervisors how this scope was defined in a well-structured manner, including the underlying criteria and assumptions. Quality vs. quantity – in our experience banks should focus on a stringent derivation of the BCBS 239 scope of application rather than widening the scope without due consideration; the scope may always be expanded at a later stage. In general, similar data governance principles should be applied to a bank's entire data landscape by establishing principles of criticality / materiality and tiering data governance requirements accordingly.

The aim is to ensure that the data governance framework is efficiently and effectively implemented across all data management processes. d-fine is a strong partner to develop fit-for-purpose solutions that deliver genuine added value to your organization.

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