

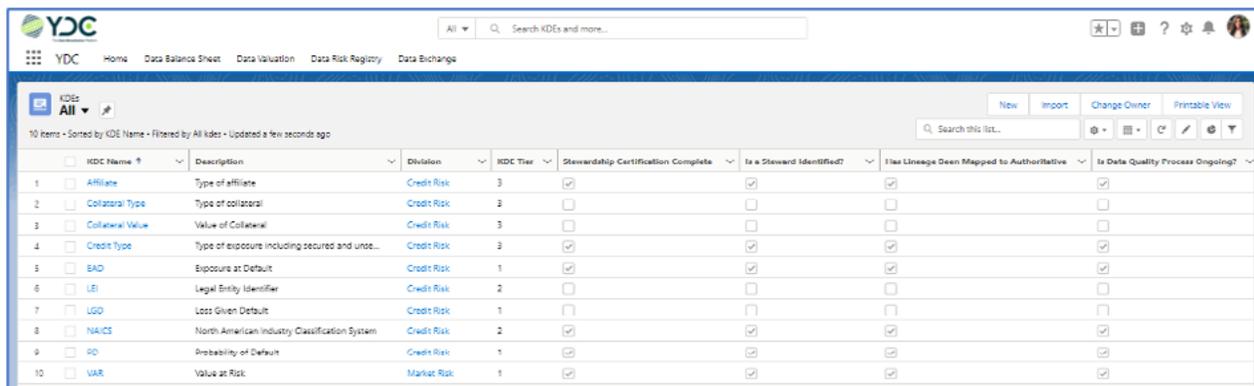
# Operationalizing Financial Services Data Monetization for the Large Financial Institution Rating System with YDC

The Large Financial Institution (LFI) rating system is governed by the United States Federal Reserve Board. LFI provides a supervisory evaluation of whether a covered firm possesses sufficient financial and operational strength and resilience to maintain safe-and-sound operations through a range of conditions, including stressful ones. The LFI rating system applies to bank holding companies with total consolidated assets of \$100 billion or more; to all non-insurance, non-commercial savings and loan holding companies with total consolidated assets of \$100 billion or more; and to U.S. intermediate holding companies of foreign banking organizations with combined U.S. assets of \$50 billion or more.

The LFI rating system has three components: 1) Capital Planning and Positions, 2) Liquidity Risk Management and Positions, and 3) Governance and Controls. Each LFI component rating is assigned along a four-point scale: Broadly Meets Expectations, Conditionally Meets Expectations, Deficient-1, and Deficient-2. There is a strong presumption that a firm with a “Deficient-1” or “Deficient-2” rating will be subject to an informal or formal enforcement action by the Federal Reserve, including a limitation on dividends and stock buybacks and restrictions on acquisitions.

LFI restrictions on dividends, stock buybacks, and acquisitions would likely impact an institution’s stock price and market value. In December 2020, CNBC reported that big banks’ share prices increased by 4.5% when the Federal Reserve announced its intention to allow share buybacks. Sound data management has an indirect impact on stock price by reducing the risk of LFI enforcement actions by the Federal Reserve.

In a typical scenario, a bank has an inventory of Key Data Elements (KDEs) such as Affiliate, Collateral Type, Collateral Value, Exposure at Default, and Legal Entity Identifier (Figure 1). The data management team has classified each KDE into Tier 1, 2, or 3. Last, each KDE has a “Stewardship Certification Complete” flag marked with a checkbox if a data steward has been identified, data lineage has been mapped to the authoritative data source, and a data quality process is ongoing.



KDC Name	Description	Division	KDC Tier	Stewardship Certification Complete	Is a Steward Identified?	Is Lineage Been Mapped to Authoritative	Is Data Quality Process Ongoing?
1	☐ Affiliate	Type of affiliate	Credit Risk	3	☑	☑	☑
2	☐ Collateral Type	Type of collateral	Credit Risk	3	☑	☑	☑
3	☐ Collateral Value	Value of Collateral	Credit Risk	3	☑	☑	☑
4	☐ Credit Type	Type of exposures including secured and unde...	Credit Risk	3	☑	☑	☑
5	☐ EAD	Exposure at Default	Credit Risk	1	☑	☑	☑
6	☐ LEI	Legal Entity Identifier	Credit Risk	2	☑	☑	☑
7	☐ LGD	Loss Given Default	Credit Risk	1	☑	☑	☑
8	☐ NAICS	North American Industry Classification System	Credit Risk	2	☑	☑	☑
9	☐ PD	Probability of Default	Credit Risk	1	☑	☑	☑
10	☐ VAR	Value at Risk	Market Risk	1	☑	☑	☑

Figure 1: Inventory of Key Data Elements in YDC

How do we then assign a value per KDE? The bank assigns an overall value to the LFI program. Using the 4.5% stock price impact mentioned in the CNBC report and assuming the bank has a market value of \$30 billion, then the value of the LFI program is approximately \$1.35 billion. If we assume that KDEs contribute 10% to the overall value of the LFI program and we make some assumptions about the relative weights of each KDE tier, we have a potential value of \$1.3M per KDE criticality point (Figure 2).

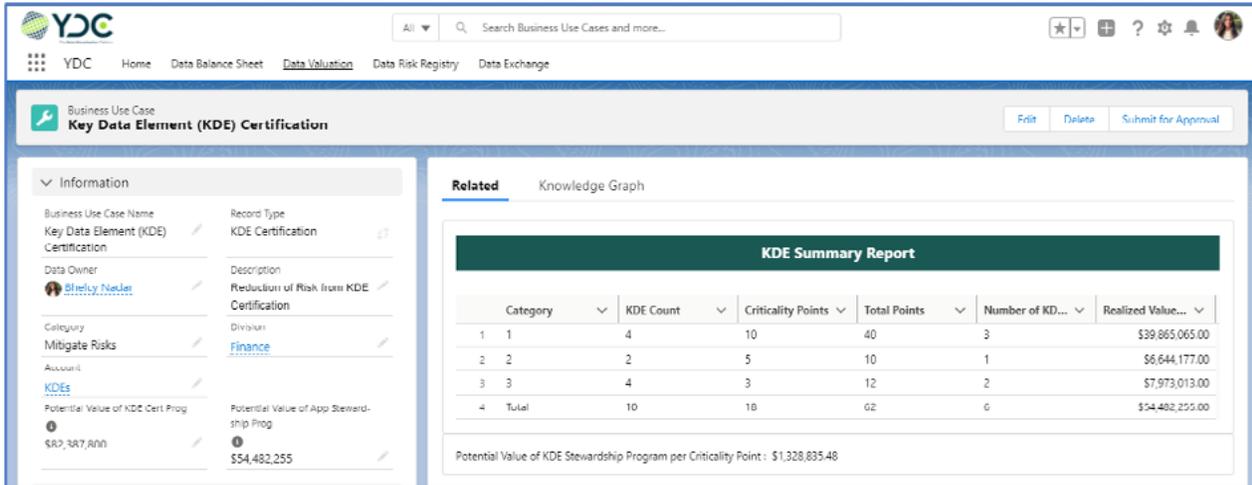


Figure 2: KDE valuation based on criticality points in YDC

The overall value of KDEs is \$54 million based on the KDEs that have been certified.

Finally, the value of KDEs is placed on the data balance sheet (Figure 3).

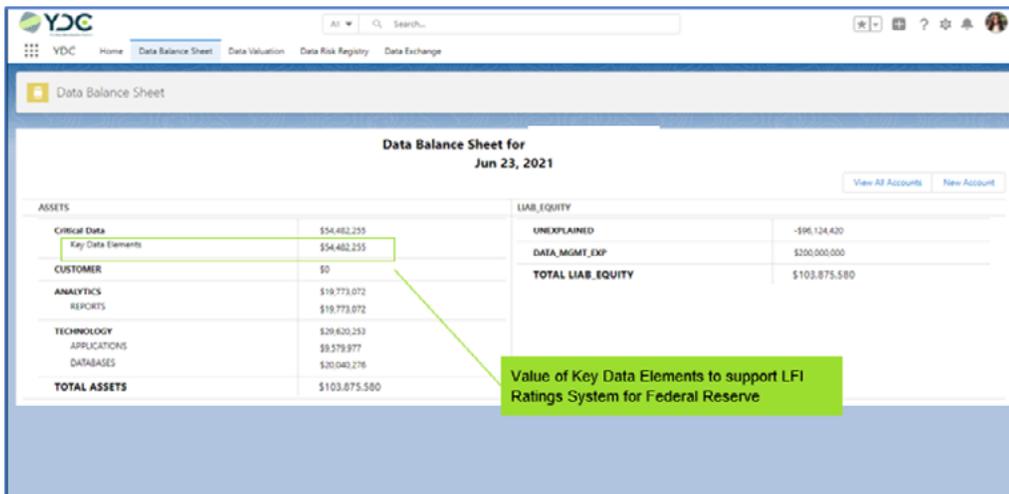


Figure 3: KDEs placed on the data balance sheet in YDC

For more information about this solution, please visit [YDC Data Monetization University](#).