

INSTITUTIONALIZING EFFICIENCY FOR MULTI-JURISDICTIONAL REGULATORY COMPLIANCE

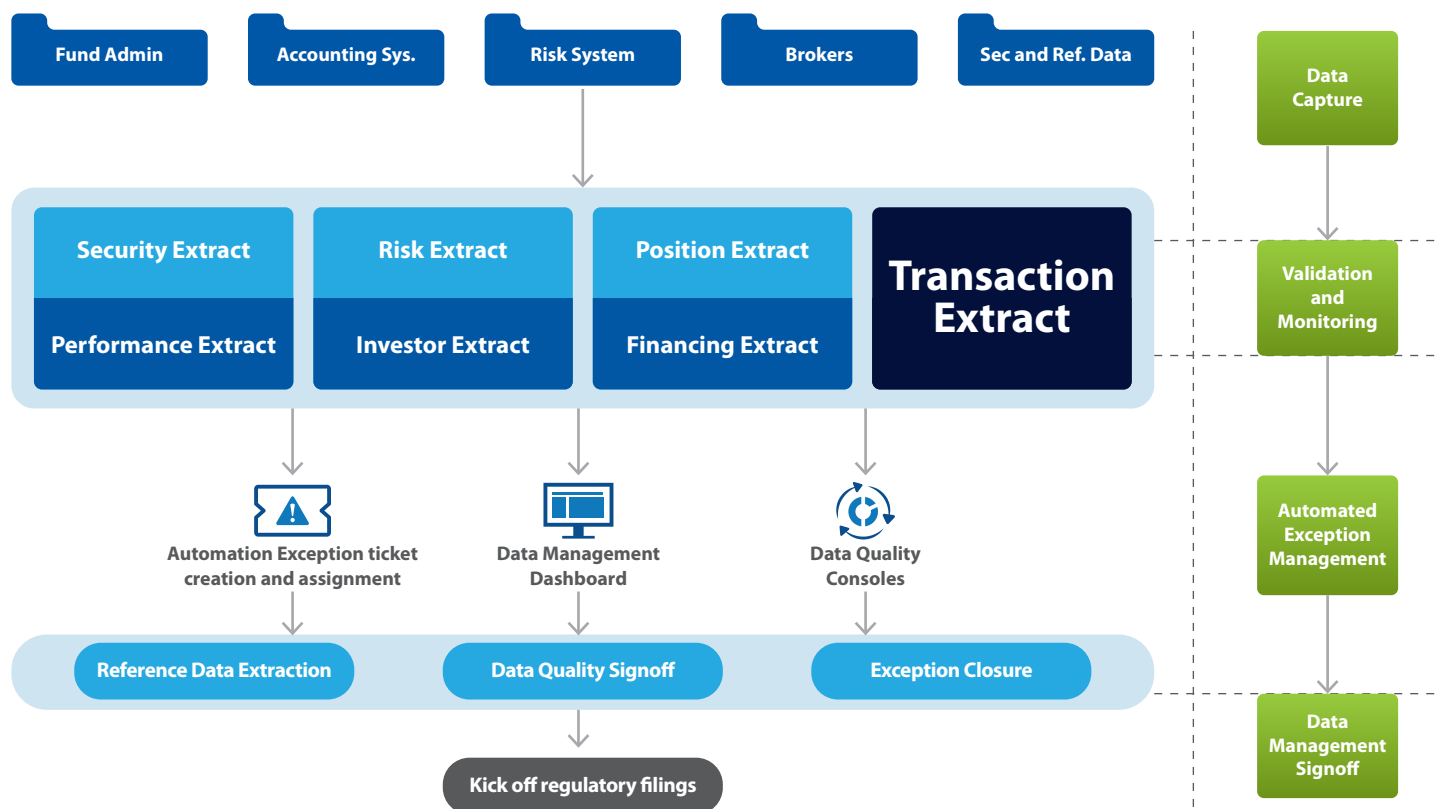
How outsourcing and data consolidation can
optimize reporting efficiency

The buy side faces complex multi-jurisdictional regulatory reporting obligations that vary in data requirements, formats, submission modes, and reporting rules. As reporting obligations continue to increase, firms encounter multiple challenges with respect to data sourcing, integration, and output generation. Firms also need expert, reliable counsel on reporting structures, frequency, and information required. Complying with regulatory guidelines across multiple jurisdictions and varying frequencies makes this process even more operationally complex.

Data is a particular challenge. It feeds in from multiple disparate systems, including database management systems, risk management systems, reference and security masters, and third-party vendor systems. This makes manual consolidation and calculation inefficient and a drain on enterprise productivity.

At the same time, regulatory requirements continue to evolve. That means firms must monitor and review existing reporting obligations for changes, which requires a targeted approach to regulatory reporting obligations across the firm. Yet many firms do not have the teams or technology in place to achieve this level of focus.

This white paper shows how outsourcing combined with effective consolidation and automation of data can provide a holistic solution for regulatory reporting on the buy side.

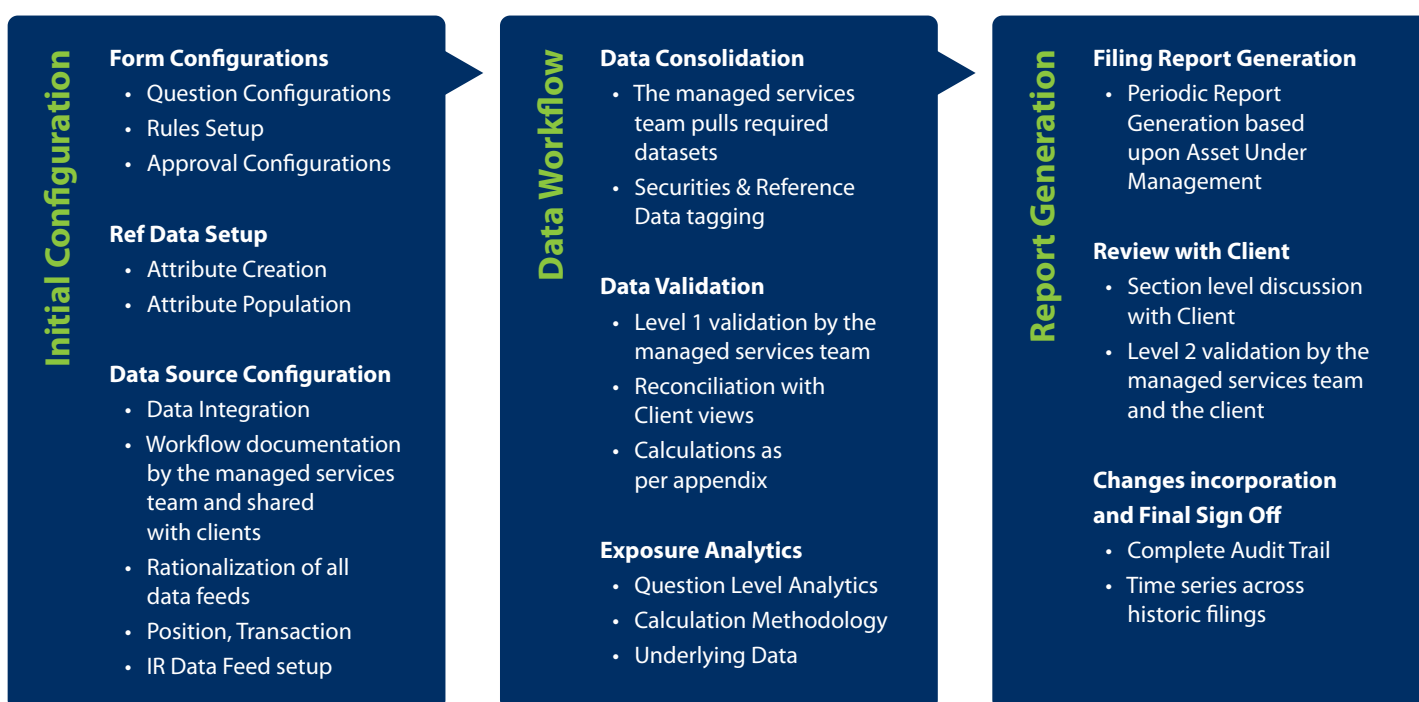


Regulatory Reporting Outsourcing Paradigm

Outsourcing, also known as managed services, includes six broad stages when combined with data automation for regulatory reporting:

1. Data Integration
2. Setup and Configuration
3. Data Population and Report Generation
4. Validation, Review, and Signoff
5. Final Submission and Feedback
6. Analytics and Reporting

It is important to understand how these stages work as well as the industry best practices within each area both for the reporting application and the managed services team.



1. DATA INTEGRATION

For the regulatory reporting process to run efficiently, it is imperative for data integration to be seamless. This process starts with the identification of sources of key datasets, such as positions, transactions, performance, risk, investor relations, and others. After the data sources are identified, automation comes next. This requires isolating relevant attributes and applying transformation scripts to convert the datasets into a format that is consumable by report-generating systems.

It is important to note that automation workflows should be size-agnostic. In other words, they should not be limited to a certain number of funds or rows in order to function. This is a prerequisite for making the process forward-looking and scalable.

If source data must be retrieved manually, the outsourcing or managed services team needs to design a thorough data format and process checklist to ensure data is delivered at the right time and in the required format.

Best Practices

- » **Document attributes:** Automation should be guided by a well-documented list of required attributes as well as supporting details, such as data type, mandatory/optional status, data length, and others. These attributes set the stage for standardization and automation.
- » **Ensure proper archiving:** After every automated data pull, an archiving system should store the underlying raw datasets for future reference or reconciliation.
- » **Cross-file key data:** Select datasets — such as positions, transactions, performance, and risk — are common requirements in regulatory filings such as AIFMD, Form PF, and CPO-PQR. Cross-filing allows them to be sourced once and used in multiple filings to increase operational efficiency.

2. SETUP AND CONFIGURATION

It is important to validate incoming data with respect to regulatory requirements. In addition, there are several static parameters — such as fund structure, fund codes, reporting start and end dates, jurisdiction information, and share class details — which must be acquired and fed into the report generating system. Together, these actions ensure that the final regulatory report is complete and accurate.

Managed services teams can assist with these steps as well as help firms set up various jurisdictions, calculate reporting frequencies, and resolve queries with respect to interpretation of questions and calculation methods.

To kick off the filing process, the managed services team will share a detailed timeline of steps with stakeholders in the firm. This timeline should also highlight stakeholders and deadlines for each interim step or phase of the filing cycle.

Best Practices

- » **One-time static data setup:** Static information refers to details that remain largely unchanged. The reporting system must be able to store static information once and continue to use it as new reports are generated. Of course, firms will need to update or delete this information in the future. But after the initial setup, static data should be ready to integrate in a variety of reports.
- » **Flag data quality breaches:** If the quality of automated or manually sourced data is inadequate, the reporting system should alert on this immediately after data upload. These alerts allow the managed services team to escalate any issues and source fresh data for priority processing.
- » **Create a filing process runbook:** The managed services team should maintain an exhaustive runbook that details every single step of the filing process, including stakeholders for each step and timelines for each filing. The runbook serves as a process checklist as well as a ready-made reference for complete transparency about how reports are generated.

3. DATA POPULATION AND REPORT GENERATION

In order to generate the report, the correct format needs to be created and populated with relevant data to create the final submission document or XML file

Best Practices

- » **Create configurable calculation and transformation rules:** All data calculation and transformation should be done with comprehensive rules that can be configured through an all-purpose interface, as opposed to customized code. Rules should be designed to match regulatory requirements while providing flexibility for users to customize them within regulatory limits.
- » **Provide a calculation tree and underlying data:** Calculation and transformation rules are central to regulatory reporting because they govern the final data that is reported. Reporting systems should provide a question-wise calculation tree linking the final data to the underlying raw datasets.
- » **Allow manual editing:** To accommodate additional inputs or modifications, manual edits must be allowed and tracked closely. Any change should be time stamped in an audit trail.

4. VALIDATION, REVIEW, AND SIGNOFF

Ensuring there are no XML validations in the form should be done by the managed services team as part of an internal 2-Tier signoff process. The first round of internal review covers data reconciliation and elimination of validation errors. The second round, however, needs to be done by a compliance analyst who can review the filing in light of regulatory requirements and identify any changes or updates in filing frequency or obligations.

Once internal 2-Tier review and signoff are complete, the filing is shared with the firm for final signoff. This is the only part of the process that requires active engagement for firm stakeholders.

Best Practices

- » **Flag validation errors:** The reporting system must be able to highlight any missing data or validation errors that could arise when submitting the final report to the regulator. The managed services team must resolve conspicuous errors and highlight those that require additional data to resolve, providing guidance on possible solutions.
- » **Create an audit trail:** With an outsourcing engagement, the entire end-to-end report generation process is handled by an outside managed services team. As a result, it is absolutely essential for the reporting system to include rigorous audit capabilities that not only track data upload and population but also record manual updates and approvals.
- » **Perform test filings:** After final signoff, the managed services team should do a mock submission on test or pre-production regulator platforms to ensure there are no surprises upon final submission.

5. FINAL SUBMISSION AND FEEDBACK

When files are ready for final submission, the managed services team can perform this step on the firm's behalf or help the firm submit the file through the regulator's portal. If final submission is done by the managed services team, a screenshot or submission confirmation message must be shared with the firm as proof of successful submission.

After every reporting cycle, the managed services team should schedule a detailed feedback session with firm stakeholders to identify any process gaps or areas for improvement. Continuous, high-quality feedback ensures that the regulatory reporting process continues to evolve over time and keep up with the firm's expectations.

Best Practices

- » **Update documentation:** At the end of each reporting and feedback cycle, all process documents, including the runbook, must be reviewed, updated, and shared across the firm.
- » **Update submission checklist:** The runbook's checklist of filings, frequency of submission, and jurisdictions must also be revisited to confirm the steps at the beginning of each reporting cycle.

6. ANALYTICS AND REPORTING

In an outsourcing arrangement, it is impossible to underestimate the importance of comprehensive analytics and reporting. It is vital for the firm as well as the managed services team to have a portal where all stakeholders can see a snapshot of progress and assess operational risks at a glance, increasing overall efficiency through early discovery of potential issues.

Best Practices

- » **Use compliance dashboards:** Dashboards should display high-level consolidated filing information along with open exceptions or validation errors. They must also provide trend analysis to identify any irregularities in data. Intuitive views of fund structure, macro data summary, jurisdictional distribution, and other metrics can make the filing process more transparent for the firm with minimal involvement. Dashboards should also be configurable to suit the firm's specific needs.
- » **Generate insights:** In addition to filings, the reporting system should be able to generate insightful information about the reporting process in the form of QoQ comparisons or data type reports.

CONCLUSION

Outsourcing is growing in popularity and quickly becoming essential to the regulatory reporting ecosystem. It is safe to say that the traditional approach — investing in multiple systems and resources for periodic filings — is neither efficient nor sustainable. In fact, it is a severe competitive disadvantage in the long run. Ideally, firms should look for a fully automated, well-organized, and proven managed services process that combines the best practices discussed here with best-of-breed reporting software.

Take the Next Step

To learn more about regulatory reporting solutions from IVP, contact us at : sales@ivp.in | [p +1-201-984-1045](tel:+1-201-984-1045) | [f +1-212-214-0463](tel:+1-212-214-0463) or Visit us at: www.ivp.in