

PARTNERING TECHNOLOGIES OFFER AGILE APPROACH TO TACKLING TRANSACTION REPORTING REQUIREMENTS HEAD-ON



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MiFID II/MiFIR came into force on January 3rd 2018, adding to the catalogue of regulatory reporting demands already in place which currently includes Dodd-Frank, EMIR, HKMA, JFSA, Canada, MAS and ASIC. The impact of these new regulations has been felt across the whole financial services landscape, requiring many firms to re-think and re-organise their business operations. Within the regulatory reporting requirements alone, MiFIR sets out not just the reporting data requirement, it also mandates an operational model to ensure the delivery of good quality data, requiring a systematic approach to compiling valid and accurate data. The reported data is to be reconciled against the original booked trades, and a test regime it to be put in place to confirm compliance. This requirement goes beyond previous regulatory reporting demands and adds overhead to a firm's operational costs. The regulation demands more than the tactical reporting effort many firms have applied to other trade and transaction reporting regulations. Built on the experience regulators have had with other reporting jurisdictions, MiFID II/MiFIR aims to ensure only valid and high-quality data is reported, a pre-requisite to regulators being able to meet their mandate of safer, more transparent markets.

MiFID II/MiFIR is the latest of the increasing list of trade and transaction reporting requirements with which financial services firms must comply. The tactical approach followed by many firms is to resource each reporting requirement in turn, adding to operating costs. The originating trade data for the many reporting regulations has a significant degree of overlap, not only in the width of asset types, but also in the reporting attributes. However, key differences in symbology, nomenclature, codes and flags, as well as report formats, differentiate the necessary reports. It is therefore uneconomic to take a tactical approach and separately resource each. A centralised reporting mechanism delivers cost and operational efficiency through economies of scale, and expertise in understanding the nuances and context of the qualifying asset types, trades and data attributes.

RegTek.Solutions and SmartStream have brought their global leading software and operations together to deliver a unique service, providing a centralised control for all G20 regulatory reporting, combining: quality, completeness and accuracy assurance with the identification and resolution of errors and resubmission into an

efficient low-cost platform that addresses the ease of deployment and on-going cost of maintenance. Deployable as secure services on the cloud or in a firm's data centre, the service offers complete flexibility for the client.

This leading edge service is the result of a collaboration between SmartStream's global leading TLM Reconciliations Premium, delivering built-in, regulation-aware reconciliation models and integrated error and omission analytics, and RegTek.Solutions' modular regulatory reporting software, providing data quality assurance, independent reporting eligibility, and secure connectivity to trade repositories (SDR / TR) or Approved reporting Mechanisms (ARM).

The service delivers a unique turnkey platform. It alleviates its subscribers of the costly challenge of tracking and maintaining the specific regulatory and repository rules and standards, making transformations and mappings intuitive and predictable, while offering connectivity to a wide range of regulated venues, backed up by fully-configured and maintained regulatory reconciliations per required jurisdiction.

RegTek.Solutions' software is in-built, with a comprehensive library of report formats to cover a wide range of trade repositories, including UnaVista, DTCC GTR and REGIS-TR. RegTek.Solutions maintains the rules library to current standards at all times and makes upcoming format modifications proactively available before their release cut-over, enabling compliance testing ahead of go-live. Seamless transition to a new revision is critical to an efficient service.

Compliance through reconciliation is delivered by SmartStream's TLM Reconciliations Premium, which is deployed with regulatory ready reconciliations models. TLM Premium's integrated workflow automates the distribution of resolution actions to upstream lines of business, technical teams and external parties. Resolution actions are tracked to completion with robust audit trail to evidence corrective action to the regulators.

The pairing of the reported transactions, with expected reporting activity generated by RegTek.Solutions' proprietary reporting eligibility engine, identifies over- and under-reported reported trades, while SmartStreams' rich matching engine detects errors in the data attributes between the regulatory view and front office systems. The service's built-in root cause analysis system provides statistical analysis of the distribution of data errors from the original different sources within a firm, and monitors the performance of a firm's counterparties. The toolset enhances a firm's ability to identify poor performance and enables the firm to take the necessary steps to improve data quality once and for all.

Direct reporting firms are required to reconcile their trading activity against the reports returned from their NCA. For many reporting firms using an ARM, a three-way reconciliation between the firm's trading activity, ARM and NCA will be required. All these reconciliation models are provided seamlessly by the service. Moreover, the service will update the models in line with changing regulatory requirements.

Uptake of the service is further simplified through its Cloud deployment: a fully integrated virtual instance with standard data load endpoints. The service provides production, test and user acceptance (UAT) environments as required to meet regulatory requirements. Hosting in the cloud considerably reduces the cost when compared to a traditional on-premise installation and on-going maintenance costs. New subscription to the service is quick, with low on-boarding project costs. The in-built test facilities, that



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are provided with the service, provide assurance of compliance at throughout the project. The service software can, however, be deployed as an in house solution on the end user's infrastructure where so required. The service will continue to provide maintenance of the data format and report layouts when regulators publish updates.

By consolidating parallel and duplicitous reporting operations into a centralised platform, subscribers maximise operational efficiency. They also substantially save on cost by off-setting risk, and assuring not only reportable data quality, but also delivering evidence to regulators of a systematic approach to the reporting operation, de-risking punitive action against them. Statistical analytics, built into the service, enables data issues to be quickly identified and root causes eliminated, delivering opportunity for continuous improvement in operations and continuous cost savings.



SmartStream