



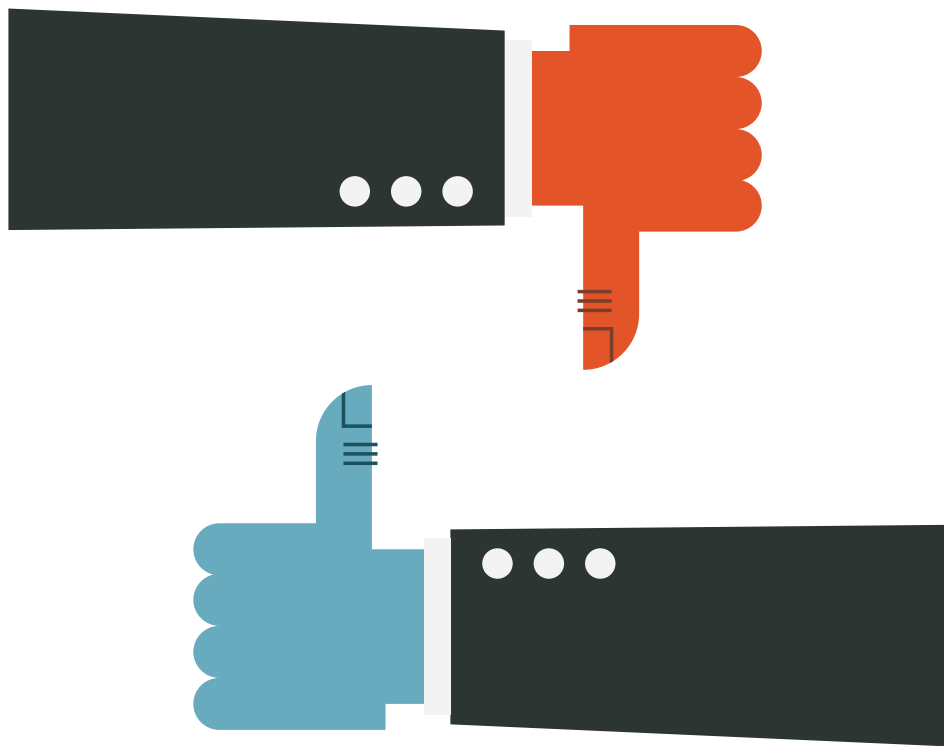
Inside Reference Data

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Regulation & Standards

Special Report



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Editor's Letter



Regulation is Good For You

In the introduction to last year's annual *Regulation & Standards* report, I noted that the Foreign Account Tax Compliance Act (Fatca), Solvency II and Basel III were starting to reap more attention. In this year's virtual roundtable, talk around the implementation of these regulations dominates. Also, the European Market Infrastructure Regulation (EMIR) is prominent on the industry's radar.

Compliance requirements are of course a potential boon for service providers, but as Etienne Deniau of Société Générale observes in our roundtable, these providers must anticipate how firms are going to adapt to the new regulations. The providers, naturally, don't want to commit to offering a service that doesn't catch on. As Citihub's Suzanne Gorman puts it, "The cost of compliance with the regulation can be significant, and there is no ROI [return on investment] for the firms implementing these changes."

Stephen Engdahl of GoldenSource makes the point that firms have to strategically invest in data management capabilities for better quality and decision-making support, which are certainly pre-requisites for regulatory compliance. So ROI may not be there in the traditional sense, but could be derived from the value of those by-products (like technology advances from the US space program).

The London Stock Exchange sees value in the guidance that EMIR's architects, the European Securities and Markets Authority, gives in the form of published dialogues with industry participants. So regulation, if seen this way, can be a guide to deriving value from data governance and management. Analyzing new regulation carefully could yield valuable cues, as all our roundtable participants expound upon in this report.

Yours sincerely,

A handwritten signature in dark ink, reading "Michael Shashoua". The script is fluid and cursive.

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FEATURES

8 Virtual Roundtable

Inside Reference Data gathers together leading data management professionals to discover how they are contending with the tasks made necessary for compliance with upcoming new regulations and standards

22 Q&A

Inside Reference Data Inside Reference Data speaks to Rick Aiere, vice president for IT investment bank architecture, Credit Suisse, about compliance priorities, the effects of the current cost climate and justifying standardization



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NEWS

- 6 Fatca Deadline Delay Aids Smaller Firms
- 6 BNY Mellon Exec: Others Will Enact Own Versions of Fatca
- 7 Regulators Propose Added Guidance on Basel III
- 7 News Download



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Fatca Deadline Delay Aids Smaller Firms

The US Treasury and Internal Revenue Service (IRS) have postponed key requirements of the Foreign Account Tax Compliance Act (Fatca) by six months to allow more time for countries around the world to sign up to implementation agreements. They have also delayed launch of the Fatca registration website.

Requirements that firms perform additional due diligence when onboarding clients and withhold tax at 30% on US-sourced income to non-compliant accounts were due to come into force on January 1, 2014, but have been postponed until July 1, 2014. The web portal firms must use to register for a Global Intermediary Identification Number

was due to be launched on July 15, but was postponed until August 19. The Treasury and IRS said the due diligence and withholding requirements were postponed to allow time for more jurisdictions to enter into the intergovernmental agreements needed due to conflict between Fatca and data protection laws in some countries.

Jon Asprey, vice president, strategic consulting at Trillium Software, says many of the larger firms he works with are ready to do due diligence on new clients, but that the delays will help smaller firms and those operating across of number of jurisdictions.

Nicholas Hamilton

BNY Mellon Exec: Others Will Enact Own Versions of Fatca

The Organization for Economic Co-operation and Development, an international government policy forum, and other relevant bodies, especially in Europe, are talking about a "Global Fatca," according to Amy Harkins, a senior vice-president and managing director at BNY Mellon.

The EU, France and Italy have already proposed or instituted foreign

transaction taxes. And the US Senate is considering allowing its states to tax financial transactions involving entities in other states.

The prospect of intergovernmental agreements (IGAs) that may alleviate complications created by burgeoning national or state transaction taxes remains uncertain, says Harkins.

Michael Shashoua

Regulators Propose Added Guidance on Basel III

The Basel Committee on Banking Supervision has issued proposals concerning leverage ratios and disclosure requirements as an addition to Basel III capital adequacy regulation. The committee will continue to test a minimum of 3% for leverage ratios, which it began doing at the start of 2013, through January 2017, according to the proposals, which also include guidance on netting collateral and calculation of derivatives exposures.

Cash or non-cash collateral firms receive may not be netted against derivatives exposures, according to the proposals. Banks cannot reduce exposures by counting collateral received from counterparties. “The replacement cost must be grossed up by any collateral amount used to reduce its value, including when collateral received by a bank has reduced the derivatives assets reported on-balance sheet under its operative accounting framework,” states one section.

Banks must also increase exposure measures by the amount of derivatives collateral that reduces on-balance sheet assets in their accounting, according to the collateral guidance from the committee. The 3% minimum leverage ratio being tested by the committee is intended to be applied alongside risk-based capital ratios. As a result, banks must hold sufficient capital for both ratios.

Michael Shashoua

Cusip Adds LEI Data to Relieve Mapping Burden

Cusip Global Services (CGS) has added legal entity identifier (LEI) data to its Cusip database files and the Cusip web portal, in a move it says will relieve market participants of the “heavy lifting” involved in mapping to the LEI.

Joel Nadelman, CGS’s New York-based product director, says adding LEI data to the Cusip master and delta database files and the Cusip Access web portal will help firms link to the LEI because many of their internal identifiers are mapped to Cusip numbers and International Securities Identification Numbers.

LSE Goes Live with Pre-LOU

The London Stock Exchange (LSE) has launched its legal entity identifier (LEI) pre-Local Operating Unit (pre-LOU), including a portal with a consolidated view of data from the three other pre-LOUs currently issuing pre-LEIs.

The LSE pre-LOU was launched August 5. It will allocate pre-LEIs called Interim Entity Identifiers and include a process of entity validation, duplication prevention and entity eligibility checks.

Compliance: Be Prepared

Inside Reference Data gathers together leading data management professionals to discover how they are contending with the tasks made necessary for compliance with upcoming new regulations and standards

Of the regulations coming into greater focus this year, such as EMIR and Fatca, which presents the biggest challenge for awareness, action or otherwise?

Suzanne Gorman, associate partner, Citihub: While both sets of policy are almost identical, a myriad of legal and technical challenges must be recognized and overcome in order to comply with both sets of laws. The administrative cost impact is potentially huge, as is the manpower required for proper implementation. System changes would have to be made concurrently for trade reporting, risk mitigation, collateral allo-

cation and mandatory clearing requirements, all of which contain different definitions, rules and legal and technical requirements.

The White House has pushed the deadline back for Fatca to June 2014. This provides additional time for firms to plan and iron out the kinks in know-your-customer strategies. There appears to be push-back from non-US financial institutions to have them incur this financial burden. There is speculation these institutions will tell customers to take their business to a global bank that will have this infrastructure of tax withholding in place.

Michael Barrett, vice president and global head, collateral management services and solutions, Genpact: None of the regulations or reforms can be viewed in isolation—it is the interrelationships of the regulations, reforms and rules that present the biggest challenges. For example, the Fed is implementing tri-party repo reform in the US market, dramatically changing the way the funding markets operate. Independently, the SEC issues a guidance memo for money market funds (MMFs)—the primary source of cash in the tri-party market—that they should consider that they may own the collateral in the tri-party investment at some point, and therefore should align the collateral with the securities in which they are authorized to invest.

The MMFs are fully aware that MMF reforms have been on the SEC agenda, and while a guidance memo is not the same as a rule, it does have an effect. The effect on the market is a further drain on dealers' ability to finance inventory used for market making, which is a drain on market liquidity.

Stephen Engdahl, SVP product strategy, GoldenSource: It is critical that financial services firms prepare themselves for the onslaught of regulation



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that is coming into effect. The tightening of existing regulations such as EMIR, Fatca, Dodd-Frank, AIFMD and Basel III will be profound. Each regulation presents challenges in business process and reporting. Looking at each one in isolation would be a mistake; the opportunity to put in a strategic data platform to support multiple regulatory requirements is compelling. Historically, institutions have looked at data management in a compartment-

"The White House has pushed the deadline back for Fatca to June 2014. This provides additional time for firms to plan and iron out the kinks in the new strategy"

Suzanne Gorman, Citihub

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talized fashion, where each gold copy represents a specific area of data such as securities, customers, or positions; regulations now require linking multiple data sets.

Giles Arbuthnott, head of product management, UnaVista, London Stock Exchange Group: The most exciting challenge has been EMIR, under which we are applying to be a Trade Repository. Technically, we are well positioned to provide a similar service to our transaction reporting system and already have clients testing on our conformance system. However, there are a number of views on how the regulations should be interpreted, as well as critical gaps in suitable reference data, which have resulted in delays to the go-live date. ESMA has proposed to the European Commission a delay in

reporting of exchange-traded derivatives (ETD) until January 2015, but still expects the reporting date for OTC derivatives to be January 2014, so there is urgency for firms to get their reporting systems up and running.

Similarly, there was a delay in confirmation that the official identifier for reporting counterparties would be the globally adopted LEI standard. Although EMIR is reasonably well known, the requirement for firms to obtain a LEI to meet their reporting obligations has been less well known. London Stock Exchange has been sponsored by the Financial Conduct Authority to allocate LEIs, and the new service has been launched on the UnaVista platform, which also provides an entire consolidated LEI dataset.

Jacob Gertel, senior project manager, legal and compliance, SIX Financial Information: 2013 is an interesting year from a regulatory aspect. Fatca is one of the big challenges we are deal-

"It is the interrelationships of the regulations, reforms and rules that present the biggest challenges"

Michael Barrett, Genpact

ing with, but we also support the French Financial Transaction Tax and the Italian Financial Transaction Tax (also called Tobin Tax), and we are carefully monitoring developments concerning the EU FTT initiative. The Dodd-Frank Act is also important regulation that the financial industry is dealing with. The legal entity identifier (LEI), for example, will ease the process of identifying legal entities and their structures. For asset managers and the insurance industry, Solvency II is an important EU directive for which we provide the CIC (Complementary Identification Code), and tailor-made instrument and issuer classifications together with funds look-through data.

Etienne Deniau, head of business development, asset managers/asset owners, for Société Générale Securities Services: The main regulatory challenges for securities services' providers lie in anticipating how their clients adapt to new regulations. As it might take significant time to deliver a new service, the challenge is to avoid taking an investment decision on a service that will not sell. As most new regulations are discussed and published by increments, increased flexibility and inventiveness are required, together with scalability, as new services may have to be offered to all clients at once.

Details of regulations on EMIR that are still due could have drastic effects on market volumes. Clients and providers would have very little time to adjust.

In what ways are these regulations, along with the LEI standard, driving improvement in data management? Are they increasing the complexity or quality of data?

Gorman: Over time, some regulation will drive improvement in data management, such as the LEI, because it provides greater transparency. This universal standard allows regulators to complete accurate global data aggregations for systemic risk. For risk managers, the global LEI system will increase the effectiveness of tools used to identify exposures to counterparties, know who they are doing a trade with, the debt they are buying, the derivatives transaction and transparency into the underlying assets.

Barrett: The regulations and reforms are driving the need to manage data in an accessible, dynamic and near-to-real-time environment. The clearing mandate has moved margin call processing to an intra-day environment, with the numbers of margin calls increasing at an accelerated rate. The collateral eligibility rules and limits derived from agreements with counterparties and CCP margin models

Virtual Roundtable

and rules, which differ among the CCPs and are subject to change at any time, have to be in usable reference data to meet margin obligations within tight timeframes.

This data, along with internal collateral costing models, is used to create collateral optimization algorithms so that firms can derive the most value from their collateral inventory allocations.

The LEIs are critical in being able to comply with the DFA and EMIR reporting requirements for derivatives trades to the TRs—reporting is a legal requirement, and is subject to external audits, allowing no room for error in identifying the counterparty to a trade.

Engdahl: Regulations, LEI, and the requirement for ‘real time’ exposure and risk analysis are driving a fundamental shift away from an isolated, security master-focused data strategy to an integrated approach, which

“Several strategic benefits can be derived from regulatory projects and the adoption of data management best practices”

Stephen Engdahl, GoldenSource

focuses on linkages between instruments, counterparties and issuers, positions, accounts, and transactions.

Several strategic benefits can be derived from regulatory projects and the adoption of data management best practices. Data aggregation, standardization, quality management, and transparency required by many regulatory initiatives can be used for competitive gain.

Leading institutions identify strategic gains from their regulatory initiatives, such as finding ways to get to know their customers better, create new financial products, and improve their investment performance. As the regulations evolve, the challenge for financial institutions is to maintain the data and remain compliant. This requires a platform that is flexible enough to accommodate the requirements of new regulations as well as the changing requirements of existing ones.

Arbuthnott: The LEI standard is critical in driving improvements in measurement and monitoring of systemic risk, as well as allowing firms to improve operational efficiencies, including management of their counterparty exposure. It is only through the provision of LEI as counterparty identifier that many of the position reporting requirements can be fulfilled.

All LEI data is accessible through a single user interface on UnaVista, making it easier for firms with EMIR reporting obligations to access and consume LEI data. All LEI records are cross referenced and validated, to ensure accuracy and reliability, something we have experience in after 20 years as the UK's National Numbering Agency for the provision and maintenance of ISIN and CFI reference data.

The industry still has issues with EMIR in finding a solution to provide relevant taxonomies to classify and identify derivatives product types, and to identify individual contracts. A number of white papers have been written on the subject, but as yet there is no agreement on a solution for all asset types, and both ETD and OTC.

Gertel: Implementation of various regulations, together with the LEI standard, is very challenging to the financial industry. To provide the necessary data, it is essential to have the best possible data coverage and data quality. In effect, the need for regulatory data is being used as a trigger for raising data quality overall. The additional regulatory data, like the LEI, is also challenging from the mapping aspect—for example, to make sure that the LEI and Fatca's Global Intermediary Identification Number (GIIN) are correctly mapped



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to the respective legal entity. The additional regulatory data requires new data fields, which leads to the introduction of new data fields, which in turn raises complexity. For companies, it is essential that their data structure is designed in such a way that additional data can be implemented easily.

Deniau: Introductions of global standards like the LEI are steps to unification and simplification from which everyone will benefit. They can be expected to follow the Pareto principle (80/20 rule). The US and EU are the main drivers, and will enforce it quickly in their own markets, but countries where a national company registrar is still a vague idea will constitute a very long tail. The European Commission is progressively creating a level playing field throughout the EU that may not make it easier for pure domestic players but

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greatly simplifies information management for international players. However, tax-related regulations like FTT or Fatca end up being extremely intricate. Without judging their cost against benefits, they do increase complexity.

What's the status of dialogue with regulators when it comes to shaping and clarifying these new regulations? Are there examples of changes or clarifications you can describe?

Gorman: In a global market, regulators must contend with both cooperative, competitive and culturally differing approaches to legislative mandates, interpretation and enforcement. Certainly it's even more of a challenge for multi-national organizations where internal interests and agendas may not align.

In the US, regulators are not collaborating with the private sector, as illustrated by deadline extension requests as implementation dates approach.

"The LEI standard is critical in driving improvements in measurement and monitoring of systemic risk"

*Giles Arbutnott,
London Stock Exchange Group*

When regulation of this magnitude is rolled out, we always wonder who will be the first firms to be fined?

Barrett: As many of the regulations and rules implementing the major legislative reforms are still being written, the industry trade associations such as ISDA, SIFMA and ICI are actively engaged with the regulators to bring to light the practical implications of proposed rules and regulations. The regulators put out proposed rules for comment by the industry. Examples of changes or modifications would be the end-user exemption from mandatory clearing for non-financial firms using derivatives for hedging purposes, and modification to the liquidity coverage ratio levels 1 & 2 collateral requirements.

Much activity remains around harmonization of rules and regulations among G20 countries.

Engdahl: The implementation details of many of these regulations are continuously evolving. We've seen significant changes in Fatca, where different jurisdictions are working together to resolve conflicting issues between the US-sourced Fatca requirements and non-US requirements concerning customer privacy. For LEI, clarifications for critical elements of how local

operating units will coordinate with global oversight are being provided on an ongoing basis by the Regulatory Oversight Committee (ROC).

Regulators need to understand the waves of data involved. To support their own audit trail and analytics, innovative regulators are investing in industry metadata standards like Financial Industry Business Ontology (FIBO) and corresponding data management platforms. FIBO establishes a common business glossary with unambiguously defined terms, and specifically addresses the issue of how regulators can communicate with financial institutions effectively about what is required with less room for error. This year, GoldenSource 360EDM became the first EDM solution mapped to the FIBO semantic standard.

Arbuthnott: With EMIR, ESMA has published regular Q&As compiled as they receive responses from firms, trade repositories or local regulators. This approach works well to define the finer details of the regulation, usually providing clarity in areas where the text can be interpreted in different ways. However, ESMA is concerned that with so many issues raised by the inclusion of ETDs, a further consultation process concentrating on ETDs is required, which they aim to have finished by the end of the year.



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Gertel: To implement the required regulatory data, the laws, directives and regulations must be analyzed very carefully. When questions are raised, SIX Financial Information's regulatory analysts contact the respective regulator for clarification. Because we employ regulatory subject matter experts, we have been able to correctly formulate our questions and present them to the right people at the local and international regulatory agencies, whom we have found to be helpful.

Deniau: In the EU, the organization of dialogue between central and local regulators, and with central and local associations, is very clear and efficient, with ESMA reporting ambiguities whenever it can. All participants are naturally giving input from their own national perspective and culture; harmonizing

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between systems that are as different as common law and civil law may sometimes feel frustrating for all parties.

How are costs of regulatory compliance matching or exceeding the return on investment that can be gained from taking data initiatives for that compliance?

Gorman: Title VII created a framework for the regulation of swaps markets, to produce more transparency and reduce systemic risk, especially in the OTC markets. The compliance challenge for some organizations has become monumental, from reluctance to adherence, to the immense internal workflow changes that are required. We have clients that found this to be more than arduous, and looked for and found an easier way. They will only do a swap with a firm that is a Major Swap

Participant (MSP), placing the onus of the regulation upon them.

Some organizations are twisting swaps into futures. With a bit of fancy financial engineering, you can turn any swap into a future and be free from the rigors of trading on a Swap Execution Facility (SEF) or having to go through central clearing. It's a clever sidestep of the regulations.

The cost of compliance with the regulation can be significant, and there is no ROI for the firms implementing these changes. Also, there is no proof that the recent regulations will solve all the problems from the financial crisis, but this is still to be determined.

Barrett: The cost of non-compliance and damage to the reputation of the financial enterprise from non-compliance can be significant, as we have seen with the \$1.9 billion fine levied on a major global bank for KYC and AML violations. KYC/AML/BSA compliance in on-boarding clients is a challenge for global financial institutions, and now some of the institutions are going through remediation processes to ensure compliance.

Engdahl: Multiple jurisdictions are asking for more data to support the decisions and positions of financial

institutions. A firm should strategically invest in data management capabilities to improve quality, its own decision making, and its own investment performance. Regulation is providing an additional kick to get things right, and those investing today will come out ahead.

The improvements in data management practices, forced by the new requirements, result in more transparent and comprehensible data for the business users. This results in financial institutions being better prepared to make the right decisions. An example of ROI is the ability to trade OTCs for investment banks, and to offer more complex products embedded in funds for asset managers as well as hedge funds, while fully understanding their risks and exposures. This increased understanding will help banks make the most of what they can do within their regulatory capital requirements.

Arbuthnott: Undoubtedly, the development of new regulations is adding to the cost of compliance. Implementing processes that give senior managers the best control of risk within their firms, as well as fulfilling reporting requirements, should in the long term improve returns on investment.

For small and medium-size firms, the costs can only be kept to a reasonable level through service providers who

can both provide experience and the tools to assist firms in controlling risks, including managing their reference data and reporting requirements.

We recognize the ongoing cost associated with managing the connections and the information that firms need to provide. UnaVista's Rules Engines allows firms to tackle current and future regulations cost-effectively by taking data from the source and managing its validation, enrichment and formatting, to report on the firms' behalf. This also allows firms to get an overview of all their trades and gives them the opportunity to enhance their processes.

Gertel: Implementation of regulatory data is indeed costly, but the quality and structural improvements many firms are making in their reference data repositories should facilitate future changes and reduce the cost of change over the long term, hopefully resulting in a significant ROI. Unfortunately, this is not short-term ROI. We find it interesting that in

"The financial community seems much more open to sharing regulatory interpretation and compliance strategies than in the past"

Jacob Gertel, SIX Financial Information

Virtual Roundtable



*Etienne Deniau,
Société Générale
Securities Services*

this global regulatory discussion, the financial community seems much more open to sharing regulatory interpretation and compliance strategies than in the past. We believe that this spirit of cooperation is positive for the industry as a whole.

Deniau: Solvency II and AIFMD have compliance requirements on portfolio transparency, called the look-through, that are quite intricate, so that insurers, asset managers or service providers will directly benefit from any initiative making data collection and data analysis easier to organize.

What tasks and projects are emerging as necessities for responding to new regulation and standards?

Gorman: Regulation is forcing companies to be more accountable for their trading practices by providing greater transparency and accountability. So participants need to implement systems and processes to efficiently capture and retain information that previously was not required.

Databases are being extended

to capture new data elements (i.e. LEI). Data is being re-classified and re-categorized in order to meet the new reporting standards (i.e. Title VII Swaps classifications). In some cases, entire new workflows and systems are being developed from scratch. For example, Fatca requires that hedge funds build systems to act as tax collection agents for the US government. Trading systems are being modified to transact on centralized OTC exchange-type venues, and accounting systems are being modified to reconcile with central clearing agents.

Once the data is captured, it needs to be periodically reported. We are engaged with clients creating systems to produce the standardized reports to the regulators. These projects often require a component of data aggregation and manipulation to produce the correct format. There is also the need for audit and security to ensure that the data is not being manipulated without raising the necessary alerts.

Barrett: In the absence of unsecured, clean credit exposure, virtually every financial transaction taking place today in the global markets carries a collateral component with the transaction. Collateral is a finite resource and has a cost. Enterprises must be able to get the best value for the uses of collateral.

al assets in meeting the needs of their clients and in ensuring that the enterprise itself is protected. Basel III for the first time regulates bank liquidity via the Liquidity Coverage Ratio. Collateral assets deployed to the LCR cannot be encumbered or re-used.

These requirements, meeting client needs and protecting the enterprise, mean all collateral rules—counterparty, market infrastructure and the firm's own RWA rules—must be known and available in usable reference data across the enterprise. The cost of collateral assets has to be modeled and allocated to collateral users.

The collateral inventory is now dynamic, and moving intraday—it is no longer static data but consists of inbound and outbound collateral assets, and must be managed across multiple geographies, settlement venues and cycles. This means collateral optimization algorithms must be used to consider all the rules and costs of collateral deployment and use. This can now only be done effectively and efficiently on an enterprise-wide basis.

Engdahl: Though the objectives and the specific implementation details of the new regulations are different from one another, there are fundamental principles which all of them are driving toward—the concepts of transpar-

“In the EU, the organization of dialogue between central and local regulators, and with central and local associations, is very clear and efficient”

*Etienne Deniau,
Société Générale Securities Services*

ency and cross-enterprise information aggregation. Transparency translates into sound data governance practices and clear data lineage. Understanding where information originated, its quality and how it was used in business decisions is a necessity that facilitates regulatory compliance, and translates into opportunities for financial institutions to operate more efficiently, and make accurate decisions. Enterprise information aggregation requires an institution to understand its data assets, standardize them, and link them together effectively, which provides a means for institutions to know their customers better and their exposure, and to be more effective in any function that requires a 360-degree view of the business.

Arbuthnott: The project firms are looking at now is finding the most efficient solution to facilitate risk management, maintain critical reference data systems and fulfil myriad reporting require-

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"It is essential that firms closely monitor the ongoing developments in the national and international regulatory environment"

Jacob Gertel, SIX Financial Information

ments. Many see the ultimate goal as the provision of data from as close to source as possible (avoiding transformation or mapping errors) to a central data hub, from which dashboards can be designed, reference data maintained and the relevant regulatory reports built and sent.

Through relatively straightforward initial data mapping projects, an engine can be applied using rules that are common to multiple firms, thereby sharing not only service provider resources, but also peer resources, to ensure compliance on a common system. We see more clients using our rules engine and regulatory reporting suite.

Gertel: It is essential that firms closely monitor the ongoing developments in the national and international regulatory environment so they can promptly begin analysis of changes immediately upon publication, digest the informa-

tion and then communicate the requirements to their project teams without delay. Companies should designate a "regulatory team" that analyzes the regulators' pronouncements and the internal impact of changes to ensure correct and prompt implementation. In our own experience building data structures for the various regulations, having such a team in place has absolutely helped us speed implementation time and reduce costs. Companies are also realizing that reference data needs to be extensible in structure. When new fields are required and cross-reference is needed (e.g. mapping the LEI to the GIIN and most likely also to an internal or vendor-supplied entity identifier), the implementation will be as simple as possible. In both cases, training is important to keep staff up to speed on what data and reporting are required, and how to comply with regulation.

Deniau: Clearly a stronger enforcement of standards would help. For instance, making the LEI unique would be even better, improving data dissemination for OTC trades, whether on FX IR equities or other asset types, would improve pricing and benchmarking obligations, and fund composition dispatch would also facilitate look-through. And this is true for both clients and services providers.

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Cost-Benefit Analysis

Inside Reference Data speaks to **Rick Aiery**, vice president for IT investment bank architecture, Credit Suisse, about compliance priorities, the effects of the current cost climate and justifying standardization



*Rick Aiery,
Credit Suisse*

What's at the top of your agenda this year in regulatory compliance efforts, and why?

Basel III and Dodd-Frank have been at the forefront from an information management perspective. Dodd-Frank has stabilized with some fine-tuning of processes. The focus is shifting to the legal entity identifier (LEI) and Basel III. Both are gathering momentum and provide a better, more transparent environment for lowering risk.

Are standards adoption efforts or regulatory compliance efforts getting more traction?

Standardization was getting some traction, but ROI is not very evident in the short term and overheads for migration and adoption have caused concerns. While the long-term standardization objectives remain, the focus has shifted to regulatory compliance, which is more definitive. Standards come to be viewed as "nice to have." Standards

driven by regulatory requirements are easier to focus on due to their specificity. Regulatory compliance initiatives are at the forefront as the cost of non-compliance is greater penalties and reputational risk. Often, standards adoptions across a large organization are challenging and not sustainable on a large scale, so when they are part of regulatory initiatives, they gain focus.

Has the cost climate for regulatory compliance efforts remained the same as it was a year ago?

With organizations tightening their belts, budgets for regulatory compliance have remained flat. Effectively, this is an increase in allocation as a percentage of the total budget. There is added infrastructure cost and cost of adoption, so the overall cost may be flat, but the proportional cost is much higher as regulatory initiatives are higher priorities. Increased regulatory compliance demands have led to a higher cost of doing business.

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