Leaner Regulatory Projects:
Leveraging Synergies between various Regulatory Projects

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Regulatory Reporting

An Inflating Burden

Granularity

Frequency

Wider scope

MOODY’S ANALYTICS

Leaner Regulatory Projects, October 2017

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Polling Question 1
Regulations still to be implemented

2018
- New BCBS Pillar 3 (e.g., 40 templates, quarterly reports)

2019
- SA-CCR
- New CCP rules
- Equity investments in funds
- Securitization
- NSFR
- IRRBB (Pillar 2)
- Leverage Ratio
- G-SIBs, (TLAC)
- New Large Exposures regime
- EU only: MREL

2020+
- CVA (IMM dropped, CVA-SA or CVA-BA)
- Revised Operational Risk (AMA dropped, SA only)
- Revised Credit Risk
- Revised Sovereign Risk
- Revised Leverage Ratio
- FRTB (e.g. Revised Market Risk)
Several years implementations
Implementations involve dozens of employees bound to a project for many years

- A COREP or IFRS9 project lasts on average 18 months.
- Teams are dedicated to these projects are often working in silos.
- As a result, synergies that occur between projects are often missed.
An example of IFRS9 Implementation

Involved teams
100% dedicated teams with no interaction with other initiatives (FINREP, AnaCredit, RWA…)
» Credit Risk Model
» Finance Reporting
» IT
» Business Analyst
» Procurement.
The need for more agility and flexibility

» How to identify commonalities between projects? Look for:
  – Similar data points
  – Similar reporting format

» To make the implementation more agile:
  – More tasks should be given to the users/business
  – Less reliance on heavy IT cycle (ETL updates, data warehouse implementation…)

» To make the infrastructure more elastic:
  – More scalability
  – On-demand hardware for cost efficiency
Will the solution come from supervisors?

The Banks’ Integrated Reporting Dictionary (BIRD) initiative

- BIRD is a common language across European Banks which will become a reference for all Regulatory Reporting Requirements.
- This is a dictionary which standardize definition of granular data.
- It also defines transformation and calculation rules; it provides completeness, consistency, integrity and uniqueness checks.

![BIRD Example](image1)

![BIRD Example](image2)

![BIRD Example](image3)
Simplification of reporting environments

Leverage the data as much as possible

» Supervisors might help in simplification with:
  – Integration of supervisory and statistical domains
  – Integration across countries (hence the BIRD initiative)
  – Use of technical standards. For instance, XML has 2 main components:
    › XBRL
    › SDMX

» This is the European Reporting Framework (ERF)
Logical versus Physical Dictionary
Schema-on-read and Unmaterialized Data

» A data dictionary like BIRD can be used as a logical data model on source data:
   – It describes the structure of source files
   – Source data does not have to be transformed physically to BIRD

» Processes can be run on source files directly, applying the dictionary
   – Those processes ‘read’ the dictionary on-the-fly to compute analytics on the source data

» This avoid data duplication:
   – It saves storage
   – It reduces errors
   – It eases data lineage
Source data is everywhere

Data is created every day, on your servers, on the cloud, from the vendors

- As data for regulatory projects can come from many sources, and new sources are created every day, it becomes difficult to physically materialize this data in the regulatory systems.

- Here again, a logical dictionary has many benefits and is flexible (versus a physical ETL).
Ensure consistency of your reports
Reconciliation by design

» If all regulatory projects use the same source data without duplication (schema-on-read), the outputs are reconciled by design.

» If furthermore the source data is reconciled with the General Ledger, we achieve risk and finance reconciliation.
Give Power to the Users
Why users are key in Regulatory Projects

» Business Users know the details of regulations and anticipate updates

» Regulatory Solutions are now ‘Power User’ oriented:
  – Power users know the data dictionary
  – Solutions are not black box, they can be configured with clicks and not scripts

» Therefore, as data is not physically transformed from source systems, Power Users can compute outputs regulatory analytics without any ETL but simply with logical data preparation and configuration

» IT Project cycles are shorten and rely less on the V-cycle (specification by users, development by IT, user acceptance…).
Shorten implementation cycles
Incremental rolling configuration vs. V-cycles

1. **User receives a regulation**
2. **User specifies solution**
3. **IT implements**
4. **User Tests**
5. **IT Tests**
6. **User receives a regulation**
7. **User identifies data**
8. **User configures**
9. **User tests**
10. **User tests**
Beyond Regulatory Requirements

Leverage granular data for better decision making

» Having granular and reconciled data – with completeness, consistency, integrity and uniqueness ensured by a common dictionary (e.g. BIRD) – provides a tool to answer requests beyond regulation:

– Forecasting solution can be used on the top of this data:
  › Capital Planning,
  › Stress Testing,
  › Simulations

– It can be applied on any domain:
  › Credit Risk,
  › Liquidity Risk,
  › Interest Rate Risk,
  › Finance.
Polling Question 4
Register for upcoming webinar


Attend the webinar to find out how to centralize and optimize your ALM, liquidity risk and reporting creating efficiencies throughout

November 7th, 9:00-10:00 AM (London Time)

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Thank You