

# Leaner Regulatory Projects: Leveraging Synergies between various Regulatory Projects

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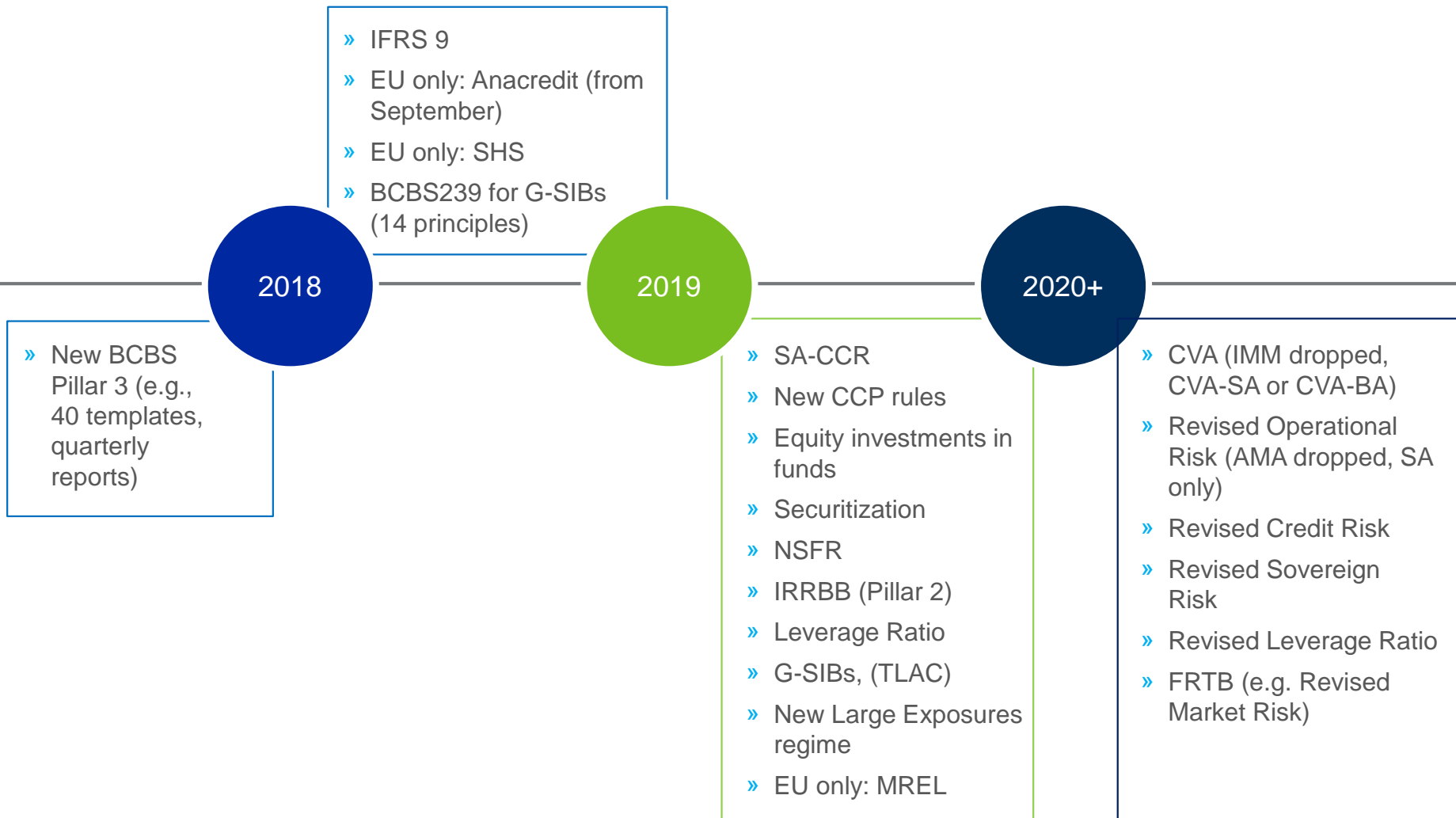
# Regulatory Reporting

An Inflating Burden



# Polling Question 1

# Regulations still to be implemented



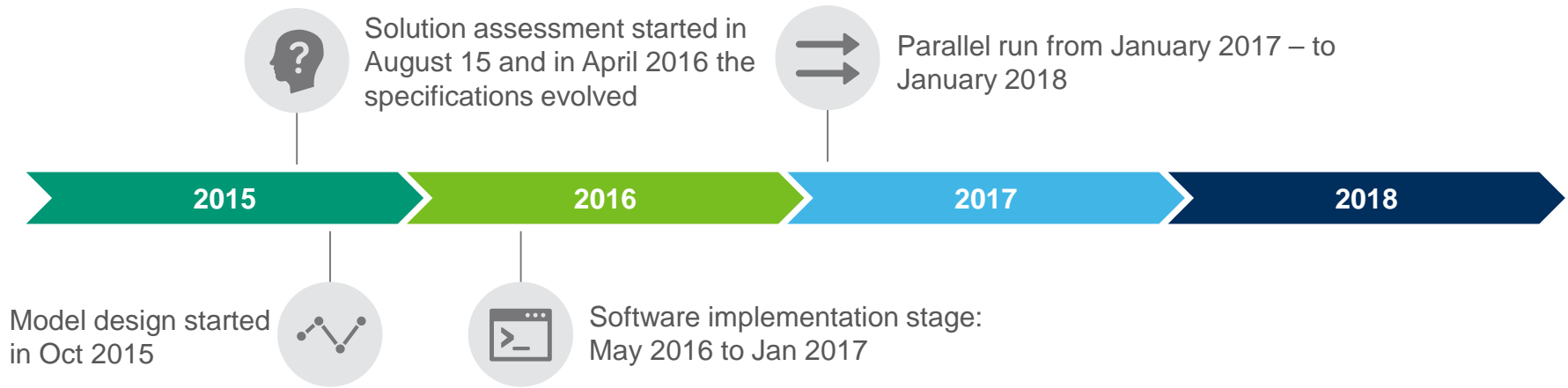
# Several years implementations

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.

# Polling Question 2

# 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

**V\_CNTRPRTY\_RL1**

**Transformation Scheme ID**  
V\_CNTRPRTY\_RL1

**Description**  
Validation whether every instrument has a debtor

**Classification**

PHASE	TYPE	SUBTYPE	RELATED ENTITY
Preparation	Validation	Completeness	TRNSCTNS_CNTRPRTS

**Natural language**  
Validates if:

- for every instance in "instrument cubes" (ones where "RELATED\_ENTITY" of table "CUBE" equals "LN") there exists a related record in cube *Transactions-Counterparties*
- where *Counterparty role in a transaction* is Debtor (1)

**V\_ACCMLTD\_CHNGS\_FV\_CR1**

**Transformation Scheme ID**  
V\_ACCMLTD\_CHNGS\_FV\_CR1

**Description**  
Consistency check of "Accounting classification" and "Accumulated changes in fair value due to credit risk"

**Classification**

PHASE	TYPE	SUBTYPE	RELATED ENTITY
Preparation	Validation	Consistency	LN

**Natural language**  
Applies the datapoint ruleset for:

- *Accounting classification*
- *Accumulated changes in fair value due to credit risk* to the dataset *Loan*

**OTHER LOANS**

**Cube ID**  
OTHR\_LNS

**Instructions**  
Loans as defined in point 5(112) to (138) of Annex A to Regulation (EU) No 549/2013 other than financial leases, reverse repurchase loans, credit card debt, overdrafts, factoring and other trade receivables.

**Cube Structure Items**

VARIABLE	ID	ROLE	SUBDOMAIN
<i>Instrument unique identifier</i>	INSTRMNT_UNO_ID	Dimension	String up to 120 characters limited to letters (capital and lowercase), numbers, dash and underscore
<i>Accumulated changes in fair value</i>			Positive and negative monetary values

# Simplification of reporting environments

Leverage the data as much as possible

- » Supervisors might help in simplification with:
  - Integration of supervisory and statistical domains
  - Integration accross 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

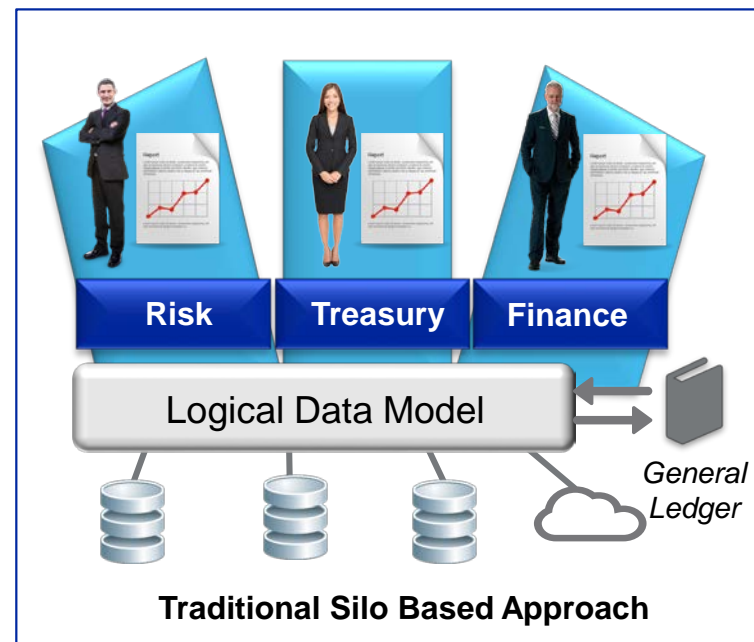
- » As data for regulatory projects can come from many sources, and new sources are created every day, it becomes difficult to physically materialize this data in the regulatory systems
- » Here again, a logical dictionary has many benefits and is flexible (versus a physical ETL).



# 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 designed
- » If furthermore the source data is reconciled with the General Ledger, we achieve risk and finance reconciliation.



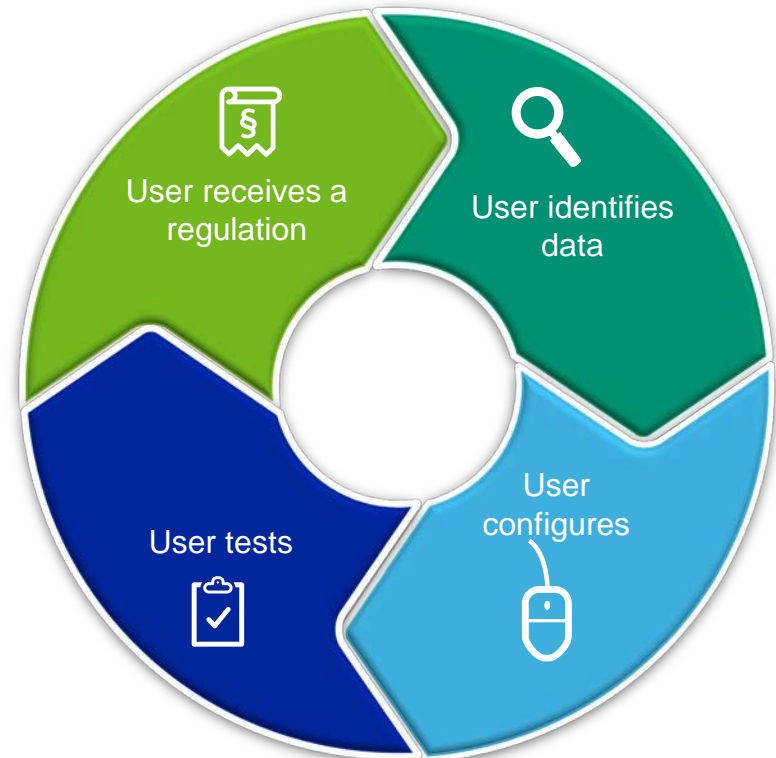
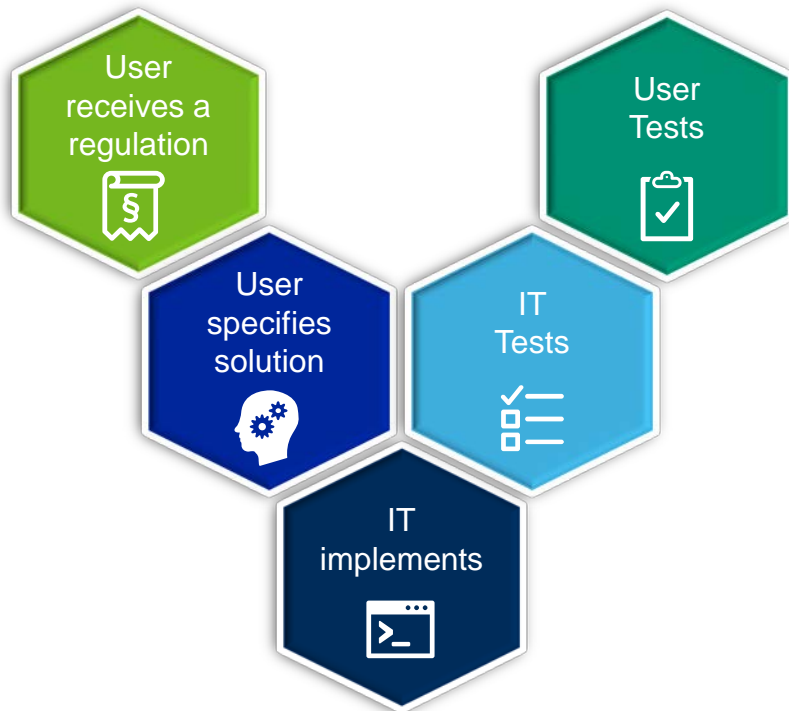
# Give Power to the Users

## 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



# Polling Question 3



# 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

## Bank RegTech Talks:

### The Rise of Integrated Balance Sheet Management

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

November 7<sup>th</sup>, 9:00-10:00 AM (London Time)

**Visit [moodysanalytics.com](http://moodysanalytics.com) for more details**

# Questions & Answers

Thank You



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