Executive Briefing

Regulatory Compliance across Multiple Platforms and Sources

Regulatory compliance in an organizational growth scenario

The ever changing landscape of global financial regulations is challenging in itself for any financial firm. However, for firms that have a history of growth predominantly via acquisition rather than organic, and have, as a result, employed a “best of breed” approach to its core technology platforms, the challenge of overall regulatory compliance may grow exponentially.

Rapid growth through acquisition compounding the problem of consolidated regulatory compliance

Due to government policies on both a domestic and international level, consolidation within the financial industry has had a consistent presence for decades. As a result of these policies, many institutions enjoyed non-organic growth: an opportunity for quickly increasing shareholder value but perhaps posing a strain for internal operations and technical teams. Each of these entities – whether acquirer or acquired – needed systems in place for regulatory and internal audit compliance. Some of the larger firms allowed the acquired entities to continue to deploy their internal systems, simply building end-of-day interfaces into the main core ledger system for consolidated reporting. This decentralized method avoided a potentially cumbersome migration project. However, the evolving demands of regulatory reporting now require more granular levels of detail that go beyond account balances and positions. In the meantime, additional regulatory compliance was introduced to larger financial firms that expanded into new regional and product markets via acquisition.

In the US alone, securities and derivatives markets participants have to comply with up to 6 separate regulatory agencies, depending upon the makeup of their respective portfolios. These include: the local state regulator of securities; the Securities Exchange Commission (SEC); the Commodities Futures Trading Commission (CFTC); Financial Industry Regulatory Authority (FINRA); Municipal Securities Rules Making Board (MSRB); and the National Futures Association (NFA). Back-office and portfolio accounting systems need the flexibility to generate the individual compliance requirements of each of these regulatory entities. For a financial firm with a decentralized technology structure, reporting across platforms adds another layer of complexity. Regulatory compliance for a multi-jurisdictional and multi-product institution across disparate systems can pose many operational risks, as well as technical challenges.

Considering effective and dynamic regulatory compliance solutions across disparate systems

There are a number of specialist providers of regulatory reporting solutions in the market. The typical approach is to map data from an application via an Automated Programming Interface (API) or directly from the system’s database. This is usually a one-to-one application as opposed to a one-to-many solution. While it would generate compliant regulatory reporting, the application may not be able to consolidate across multiple systems. Added to this are the nuances of different message and data standards and formats that exist in the operations.
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For a pure technical approach, there are middleware providers that can map several databases across disparate systems for various uses, including regulatory reporting. Some are limited however, by dependence on published APIs, and lack rules for routing or orchestration, normalization, and data integrity checking. Few of the available solutions offer data enrichment capabilities, and others are database-dependent and have limited inherent scope for message and data formats integration. These vendors may also not understand the underlying message standards required for communication of the regulatory data such as ISO 20022, FpML and XBRL.

**Volante: consolidating compliance reporting across systems**

Volante Designer is a development platform dedicated to the creation of financial message and data integration, processing and orchestration. The solution has been used globally to specifically assist financial firms with complying with regulations such as Dodd-Frank and EMIR. Designer is database and platform agnostic. This means that code is automatically generated along with associated documentation and can be deployed anywhere, either as a standalone application or as a callable service. Designer offers a solution that provides a comprehensive data management framework across an enterprise with advanced data integration capability enabling accelerated implementations. Through configuration rather than coding, and with an inbuilt testing harness, Designer offers a rules-based solution with the flexibility that can cater to any external and internal reporting requirements. Data from any source or from multiple sources, can be transformed into any format at any destination. Designer can access Volante’s growing library of over 330 standards formats and customizable, bidirectional transformations.

Volante’s approach to consolidating regulatory compliance across disparate systems has been successfully deployed by several of its clients, making Designer a proven solution.