

Regulatory reporting

Now, next and beyond

July 2020



Building a better
working world

Key areas of focus for regulatory reporting



Since the 2008 global financial crisis, financial institutions have endured constant regulatory change. This continuous evolution has imposed heavy burdens on the financial industry, e.g., Basel 3, comprehensive capital analysis and review, liquidity coverage ratio requirements and, more recently, tailored prudential standards. Companies must

continually redesign, implement and sustain complex processes. Now, the COVID-19 pandemic is set to alter the global economy again – and with it, the way financial services firms operate. As firms assess their operating models in the pandemic, they've identified areas ripe for increased efficiency,

particularly improving the data quality and accuracy necessary for management and regulatory decision-making.

The following describes five key areas of focus for regulatory reporting and details how we can help develop strategies to handle what comes next.

Five key areas of focus



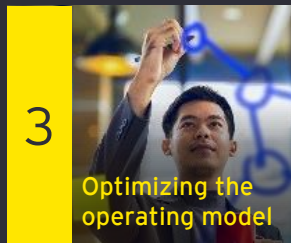
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Innovation and efficiency



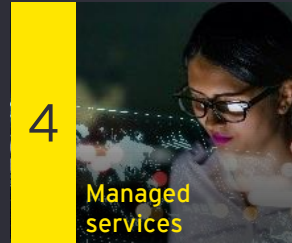
2

Data strategy and analytics



3

Optimizing the operating model



4

Managed services



5

New and evolving regulations and requirements

Five key areas of focus for regulatory reporting

Innovation and efficiency

Innovative technologies can automate and increase the efficiency of the regulatory reporting function, minimizing manual processes, reducing costs and allowing teams to focus on more valuable activities.

Optimizing the operating model

New regulatory requirements, continuously evolving regulations and more frequent reporting standards are forcing regulatory reporting teams to rethink their operating models.

New and evolving regulations and requirements

Regulatory requirements continue to evolve and expand. There are increasing expectations for more frequent reporting, much faster implementation and a focus on sustainability. This is presenting a challenge for the life cycle of reporting and implementation of existing and new requirements.

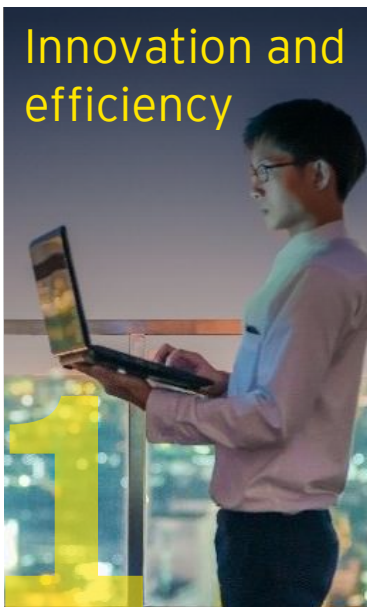
Data strategy and analytics

As the use of data analytics become pervasive, organizations need to increase leveraging data and analytics tools to not only comply with higher regulatory expectations, but also to optimize operational and financial processes and drive better decision-making.

Managed services

Chief financial officers are moving away from manual processes. Instead, they are focusing on technology-enabled production to reduce costs, increase scalability and resiliency and, most importantly, free up their people's time for more valuable activities. The focus has shifted from simply complying with business and regulatory demands to building enhanced analytics and visualizations to derive real-time business insights and support executive decision-making.

Innovation and efficiency



Innovative technologies can automate and increase the efficiency of the regulatory reporting function, minimizing manual processes, reducing costs and allowing teams to focus on more valuable activities.

The next wave of automation must include:

- ▶ New capabilities, such as workflow, advanced database technologies, data visualization and analytics tools.
- ▶ Flexible and intuitive platforms that increase delivery speed, while reducing implementation risks.
- ▶ Assessment of manual process enrichments and adjustments to identify areas for automation with streamlined and improved controls.

Data strategy and analytics



As the use of data analytics become pervasive, organizations need to increase leveraging data and analytics tools to not only comply with higher regulatory expectations, but also to optimize operational and financial processes and drive better decision-making.

An effective data strategy should:

- ▶ Demonstrate end-to-end data capabilities, including a governance framework, roles and responsibilities, standards and policies and procedures.
- ▶ Increase the transparency of data traceability and cross-report impacts, including end-to-end data lineage, drill-down capability and data dictionaries.
- ▶ Highlight risks in the reporting process through quality checks, edit checks, trend analysis and improvements to data quality and data sourcing.

A strong data analytics framework must:

- ▶ Be flexible and efficiently integrate with the institution's existing infrastructure.
- ▶ Pair data analytics with other technologies, such as big data, machine learning, business process management and cloud technology.
- ▶ Integrate statistical analysis techniques to provide a standardized and comprehensive view, including visualizing and interacting with reporting data.
- ▶ Use predictive and prescriptive analytics to enhance and streamline future data capability transformations.

Optimizing the operating model



New regulatory requirements, continuously evolving regulations and more frequent reporting standards are forcing regulatory reporting teams to rethink their operating models.

To tackle increasing regulatory expectations and organizational complexity, firms must focus on:

- ▶ Appropriate geographic allocation of tasks and resources (e.g., onshore, nearshore, offshore).
- ▶ Skill set assessment and enhancement, including increased focus on analytical skills, and alignment of ownership and accountability based on the complexity and reporting requirements of the institution.
- ▶ Stronger governance and internal controls framework to improve ownership and accountability.
- ▶ Optimizing the operating model across a broader set of regulatory reports and supervisory demands, including broker-dealer reporting, financial reporting and other management reporting.

Managed services



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Based on client conversations and demand, we have developed EY Comply, a cost-efficient and transparent end-to-end managed service for regulatory reporting production support that:

- ▶ Augments human effort with intelligent automation capabilities to deliver efficiency and transparency.
- ▶ Automates core data sourcing, enrichment and reporting processes.
- ▶ Uses a task management workflow, advanced data analytics, management dashboards and automated control checks to increase efficiency.

Additionally, there are other managed services to:

- ▶ Provide continuous interpretative support, web-based training and automation of data dictionaries, with a rules-inventory understanding and conformance with Federal Reserve Board requirements.
- ▶ Leverage ongoing services around quality assurance functions with a focus on regulatory reporting control and transaction testing across all lines of defense.



New and evolving regulations and requirements

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To meet the regulatory requirements, firms need to:

- ▶ Demonstrate an end-to-end capability for regulatory reporting, including risk assessment, requirement interpretation, conformance with instructions, gap remediation and business-as-usual design for sustainability.
- ▶ Have an effective risk assessment process to prioritize implementation efforts.
- ▶ Establish change-management processes to identify internal and external changes to improve the overall efficiency and compliance with requirements.
- ▶ Implement an issue-management process to monitor and remediate known issues (e.g., regulatory, internal audit, self-identified) and drive accountability through attestation processes.
- ▶ Prepare for regulatory and internal audit reviews of new and mature reporting requirements, including well-evidenced processes, governance and controls.
- ▶ Create and sustain a formalized and comprehensive regulatory reporting training program to equip people within the data supply chain with competencies needed.

5

Key Ernst & Young LLP contacts

To learn more about how the changing regulatory reporting environment might affect your organization and how we can help, please contact one of our professionals:



Vadim Tovshteyn

Principal, Regulatory Reporting
Solutions Leader
vadim.tovshteyn@ey.com
+1 212 773 3801



Alberto Rosello

Executive Director
alberto.rosello@ey.com
+1 212 773 7714



Abhishek Tiwari

Executive Director
abhishek.tiwari@ey.com
+1 212 773 1268



Christine Burke

Senior Manager
christine.burke@ey.com
+1 212 773 5607



Jenny Chan

Senior Manager
jenny.chan@ey.com
+1 212 773 4673



Joshua Welikson

Senior Manager
joshua.welikson@ey.com
+1 212 773 6160



Sarah Sy

Senior Manager
sarah.sy@ey.com
+ 1 212 773 3811



Emily Zhou

Manager
emily.zhou1@ey.com
+1 212 773 7077



Chris Cardwell

Manager
chris.cardwell@ey.com
+1 212 773 9867



Jonathan Gilbert

Manager
jonathan.gilbert@ey.com
+1 212 773 4409



Gregory Cannella

Manager
gregory.cannella@ey.com
+1 415 984 7275



Lindsay Fortnum

Manager
lindsay.fortnum@ey.com
+1 212 773 7486

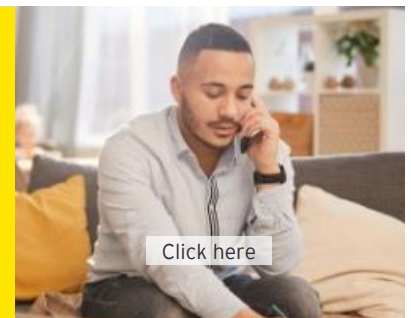


Aditi Sodhi

Manager
aditi.sodhi@ey.com
+1 212 773 5251

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Melanie Carlile, Ann Cheeseman, Stella Grinberg, Rahul Gupta, Jake Jordon, Elizabeth Kettler, John D. Lothman, Michael J. Quinn and Sonal Singh.