



## Regulatory platform audit

### Abstract

Avantage Reply was mandated to perform an audit of the entire regulatory data chain, processes and systems of a multi-site private banking regulatory hub that produces Finrep and Corep reports for more than 50 levels of consolidation.

#### THE CLIENT

The client is a well-established private bank with several subsidiaries in the EMEA region. In order to be able to deal with many different regulators and its highly sophisticated supply chain, the Group decided to create a regulatory hub based on an FRS platform in its private banking entity.

#### THE CHALLENGE

The bank started working on a regulatory reporting solution internally, but as they were experiencing delays, they then took on external consultants in order to meet the Finrep regulatory deadline (Q3 2014). These external consultants built a “quick-win” solution in order for the bank to meet the deadline.

The quick solution was very manual and therefore took up a lot of manpower with 20 additional consultants being hired to produce Finrep and Corep reports.

The external consultants were then tasked to build a longer term, automated solution. This was to be phased in gradually, so that the bank’s employees could take over the regulatory reporting. However, this phased implementation was not working, with missed deadlines and end users giving poor feedback about the solution still being very manual. The client was not confident in the handover.

By the time that Avantage Reply was engaged, the 20 FTEs were coming to the end of their contracts and the time had come to fully transition to the longer term automated solution. It was unclear amongst the end users whether it would be possible to run the system and end the contract with the external consultancy firm.

Avantage Reply were hired to audit the process, in order to understand the issues with the software and the set-up of the long-term, automated solution. The client also wanted Avantage Reply to analyze the software and the setup of the solution, in order to give them comfort that they could take over the reporting.

#### APPROACH AND SOLUTION

Our approach was purely audit based and began with interviewing all the stakeholders: users, business analysts, developers, risk and finance sponsors, FRS consultants, project managers and data analysts.

While interviewing these people, we gathered all the existing documentation and compiled it in a knowledge database. As the documentation was often either missing or obsolete, we issued recommendations in our audit report.

We worked with end users, in order to identify the difficulties they were facing and to distinguish between feelings and facts.

The interviews of the project managers from the consulting company highlighted a lack of knowledge transfer and process transfer to the end users and weak project change management. Most of the project had been handed over to the operational teams with project documentation and user guides but without documents for maintenance, parametrization, support lines, upgrades, processes, training and SLAs. This meant that the solution was at this stage a 'black box' for the client and they were therefore reliant on the external consultants who had supplied the FRS solution.

Avantage Reply found that the long-term solution provided contained crucial programming 'short-cuts' that had been in the original, quick solution for Corep reporting. These involved an inappropriate segregation of client and software developer tables. This meant that any change to the software, such as an upgrade, risked changing all the internal data models, without warning. This could have resulted in a regulatory breach, not only putting the client at risk but guaranteeing expensive maintenance going forward.

Having identified the risk and alerted the client to the significance of the architecture choices and their consequences, Avantage Reply issued a report describing the issues and making recommendations.

Avantage Reply also supported the transfer of regulatory reporting from the external consultants to the bank.

## **RESULTS AND BENEFITS**

The client was very satisfied with the outcome, especially as there had been disruptive changes in the management of the bank during this process.

The client was especially impressed with the additional services, beyond the project mandate, that had been provided by Avantage Reply during this time. These included educating the staff on regulatory reporting and demonstrating how the bank's regulatory reporting as a whole could be improved and streamlined.

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