



Synechron

TRANSACTION REPORTING

Synechron Overview Deck

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The changing world of transaction reporting

Reasons why firms might want to reassess their reporting landscape

Transaction reporting has over the years focused on meeting the next regulatory deadline which often resulted in a snowball effect on the initial process and in absence of full-service vendor-based transaction reporting solutions, firms developed their own reporting solutions. There is a shift in the market participants and the regulator to a focus on quality and efficiency. Key challenge for firms to keep on complying with regulatory requirements while at the same time keeping their processes efficient. A reassessment of the current reporting strategy and solutions could help organizations to tackle these challenges.

1

Challenging to keep inhouse reporting solutions up to date to constant changes

- Reporting solutions initially build for a single reporting regime, organically grew to accommodate a growing number of regimes.
- Each regime brings its own specifics and is continuously evolving. The identification and translation of regulatory changes into the reporting solution places a heavy burden on the organization, whilst this is not their core business. Also, incorrect interpretations can lead to errors in transaction reports.
- Nowadays different vendor-based transaction reporting solutions are available in the market, which gives firms the opportunity to outsource reporting to specialized reporting service providers.

2

Proactive approach towards controls and potential errors needed

- Many firms have a reactive approach towards reporting errors, solving them as they occur instead of having a proactive approach to prevent issues from happening in the first place or to detect them in an early stage to minimize the impact on reports or even regulatory breaches.
- A clear and structured control framework (potentially supported by external validation services) ensures controls are embedded and tracked at critical points in the process minimizing their impact on the reports.
- Well-defined issue remediation processes ensure issues are properly prioritized and solved at their root cause, so they are prevented from happening again.

3

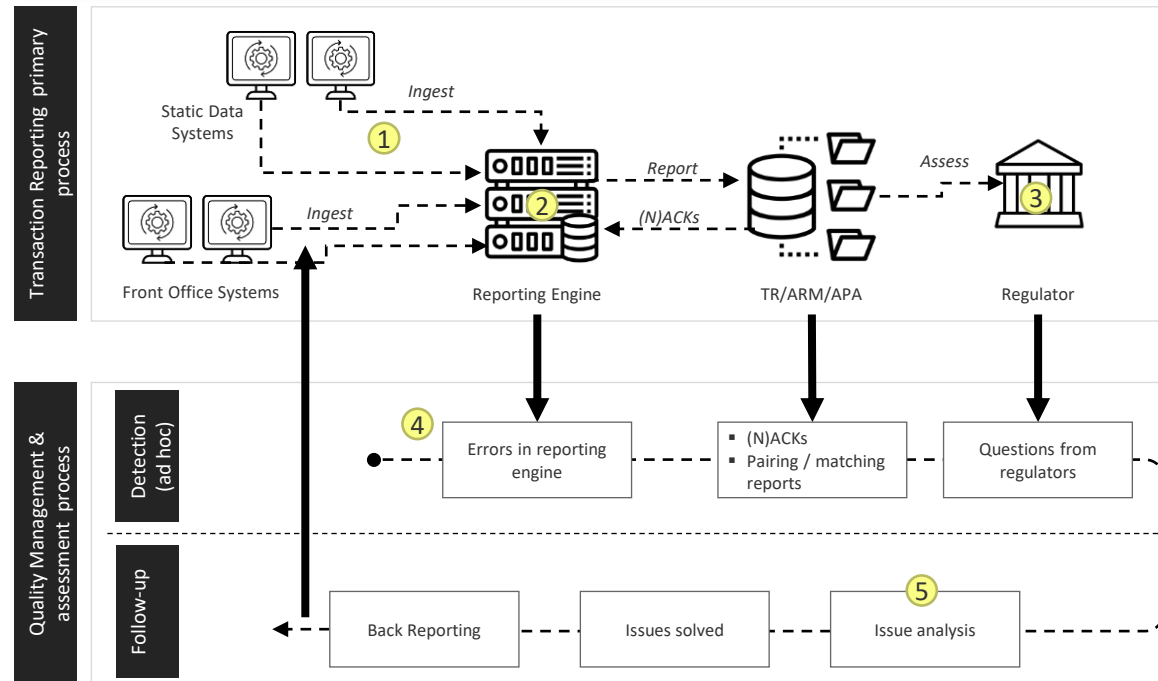
Regulators pay more attention to reporting quality

- Regulators are increasingly focusing on quality of reporting and are exploring new technologies to enable the processing and assessment of reported data.
- In April 2021 ESMA published their first "Data Quality Report" on EMIR and SFTR. Aim: to provide an overview of the state of play under these two reporting regimes and to provide insights on the ongoing efforts to improve the quality of the data.
- The fact that regulators are placing more emphasis on reporting quality, shows that organisations really have to make reporting quality a priority.

Transaction reporting challenges firms are facing

Complexity, inflexibility and reactive approach to errors and issues

Current transaction reporting frameworks might not provide the flexibility needed to swiftly respond to changes. In the absence of a structured control framework firms act reactively on errors and struggle to determine their in-control status with regards to transaction reporting requirements, whilst quality is becoming more important.



- 1 Complex reporting infrastructure with in-house build reporting solution(s), connected to multiple source and reference data systems.
- 2 Challenging to keep in-house build reporting engines up to date with constantly changing regulations, resulting in reporting errors.
- 3 Regulators focus more on data quality, whilst firms not have a clear view on their 'in control' status. Trades and events accepted by the Trade Repository can still contain accuracy issues.
- 4 Reactive approach towards errors and issues. No solid control framework to proactively detect potential reporting errors and inconsistencies.
- 5 Reporting issues solved on case-by-case basis. Deeper complex and/or related issues might remain uncovered.

How to tackle these challenges

Move towards a more controlled reporting environment

❌ Complex reporting infrastructure with multiple source systems feeding the reporting engine(s).

✅ Central data-hub feeding downstream reporting solution(s) with appropriate data management processes and clear ownership.

❌ Continuous obligation to track and update regulatory changes to in-house build reporting solutions.

✅ External vendor responsible for tracking, maintaining and updating the regulatory rules engine to ensure compliance.

❌ Higher need for data quality, no visibility on own 'in control' status.

✅ Reconciliations between source systems and reported data to timely detect and solve potential breaks and issues.

❌ Reactive approach towards errors and issues.

✅ End-to-end control framework to proactively detect issues and assess quality, with clear responsibilities assigned through the full value chain.

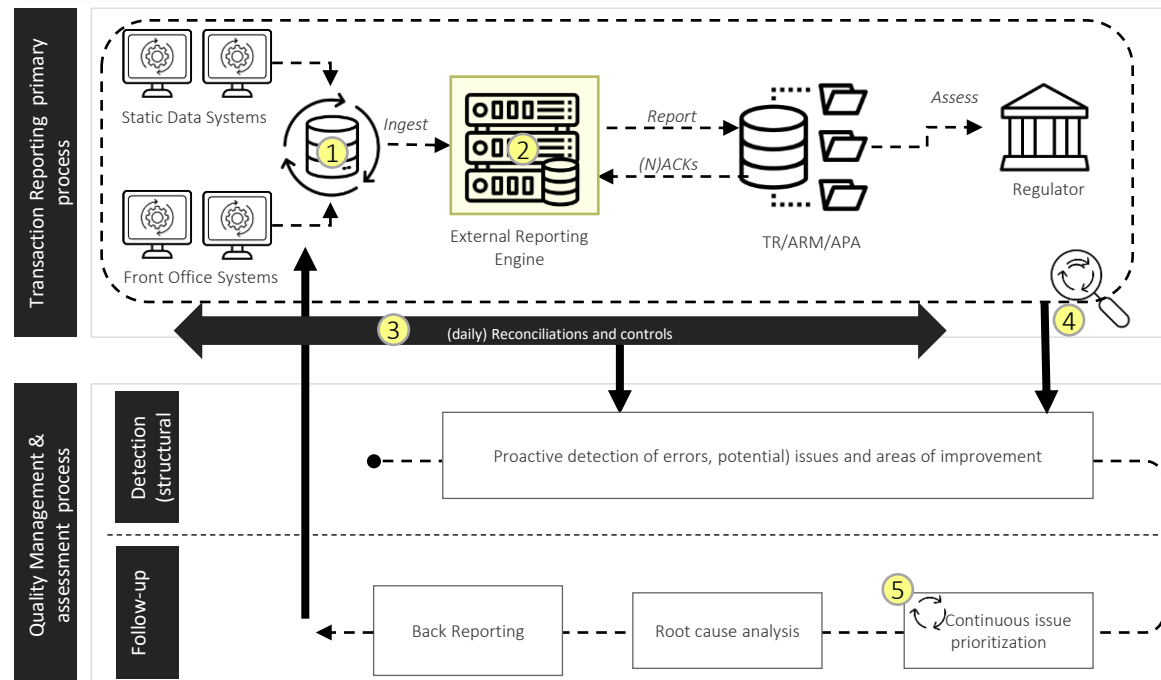
❌ Reporting issues solved on case-by-case basis

✅ Overall issue management framework to identify and solve structural underlying issues

How the transaction reporting chain could look like

Structured framework, in-control, pro-active, flexible

Strong control framework enables firms to be in control of their own reporting process. Dedicated controls offer the transparency firms require. Specialized vendor-based reporting solutions provide flexibility and ensure regulatory compliancy, even with the constant changes financial institutions have to deal with.



- ① A central data-hub feeding the downstream reporting solution(s) with appropriate data management models/processes and ownership in the value chain.
- ② Reporting Engine outsourced to external vendor, responsible for continuous tracking and updating according to the latest updates and requirements to ensure regulatory compliance.
- ③ Daily reconciliations between Front Office systems and the data reported to the regulator to timely detect and solve potential breaks and issues.
- ④ Aligned end-to-end control framework with clear responsibilities, documentation, regular quality assessments and targeted MIS to enable proactive issue detection and quality assessment.
- ⑤ Overall issue management framework, focusing on identifying and solving structural underlying issues instead of ah-hoc incidents, enabling structural improvement in the reporting chain.

How Synechron can support you with your reporting challenges

We combine regulatory expertise with programme and technological capabilities

Synechron is your key partner of choice to support you with your transaction reporting challenges. Our experts can guide your regulatory implementations and can support you in becoming or regaining control over your full transaction reporting chain. We help you to bring your control framework up to the standards the current market desires, while keeping an eye on the efficiency of the full transaction reporting process.

1

Regulatory change and programmes management

Synechron has extensive experience in guiding and managing regulatory change programmes:

- Programme management and delivery, programme structure definition and progress reporting.
- Analysis, impact assessment and implementation of new regulations or updates to current regulations, such as the CFTC rewrite and the EMIR refit.
- Delivery of data lineage documentation describing the mapping of data from Front Office systems to data reported to the regulator.

2

Control Framework assessment, specialized quality Control and Issue Management

Synechron can support in improving the quality of your Transaction Reporting:

- Perform a health check of your existing control framework to determine effectiveness of controls and to identify areas of improvement.
- Provide insight in regulatory reporting solutions (a.o. reporting engine, quality assessment solutions) and guide a vendor selection process if applicable.
- Improve issue management processes and support in issue prioritization, issue solving and back reporting.

3

Technical support on your reporting solution and framework

Synechron can provide technology leadership for the architecture and delivery of the reporting landscape based on latest developments such as NoSQL:

- Define the architecture vision and guidance of the current and future reporting landscape. Focusing on future state technology (Cloud, data lakes and CI/CD).
- Build, deliver and maintain the data-hub, reporting solution and supporting architecture.
- Support Cloud migration and system integration activities.

Use cases

Regulatory implementations

Guide the selection of a new vendor-based Reporting Engine

A tier-1 Dutch bank wanted to improve their agility and speed of their global reporting process. Their current in-house built solution was complex, hard to maintain and not in control, for which Synechron was asked to support an RFP to find a suitable vendor solution to (partially) take over their in-house built solution.

Support the RFP process with in-depth analysis of the functional requirements and guidance on the process. Ultimately ensuring the stakeholders were involved, informed and on-board with the process and results.

- Setting up a POC with a vendor with analysis and a decision method for the organization.
- Setting up and leading the implementation team, including planning, stakeholder management and hand-over to BAU.
- Synechron ensured a suitable vendor was selected to take over the entire global transaction reporting obligation from the in-house solution, based on the detailed firms' requirements .
- Synechron set up the requirements for the RFP, provided analysis on the RFP and POC results and provided the organization with advice on the implementation approach.
- Synechron led the implementation and provided technological support for the implementation team.

Business context

Approach

Result

Implementation of Securities Financing Transaction Reporting

The new Security Finance Transaction Regulation (SFTR) came into effect on July 13th 2020. Synechron was asked to manage the SFTR implementation project providing in-depth knowledge of the regulation and related products (Repo, Buy-sellback, Securities Lending and Margin lending) and to coordinate the overall implementation.

- We brought in-depth knowledge of transaction reporting regulations and (Treasury) products involved in SFTR.
- We coordinated the (transaction reporting) vendor selection process and advised in the subsequent Design Partnership with the selected vendor to design/develop their solution.
- We managed the overall implementation from a business (Front Office and Operations) and IT perspective, securing alignment between Legal, Compliance, Treasury Business and FO- & BO IT departments

- Successful implementation of the SFTR regulation leading to compliant transaction reporting.
- A new (Target) Operating Model was implemented for the Operations Team performing the daily monitoring, matching, reconciliation and exception handling.

Use cases

Quality Assurance

Regulatory Transaction Reporting Review and Remediation

A major bank's Transaction Reporting and Control group needed to mobilize a team to take forward a number of FCA regulatory requirements remediating existing processes and data. The program designed a control framework to meet the firms' regulatory obligations under the FCA regulations.

- Together with the client, Synechron defined and implemented Testing and Control services by identifying the key data reporting risks and current state technical issues.
- We developed a detailed plan for change which covered the bank's key people, processes and technology.
- Design/agreement on approach to evidence required data.
- Oversight of testing, evidence of data accuracy, and sign-off

Helped client ensure reporting accuracy, completeness, and governance by delivering a crucial FCA report and technical Transaction Reporting Solution Design into the internal improvement programme.

Key value indicators included :

- Production of a quantitative report of Transaction Reporting issues
- Positive feedback and acknowledgement from the FCA.
- Embedded testing, reporting, due diligence and documentation process, with clear lines of responsibility and accountability.

Business context

Approach

Result

Root Cause Analysis to solve Transaction Reporting issues

A Tier-1 Dutch bank with a global presence sought support in augmenting the maturity of its control environment for transaction reporting compliance processes. Synechron was retained to carry out root cause analyses of 'transaction reporting process incidents' where process deficiencies had led to reporting errors and regulatory breaches, across a range of financial markets products, regulatory regimes and geographical markets.

- We brought our expertise of technical transaction reporting regulations, complex financial market products, and system and process expertise. Issues were also complicated by the range of internal stakeholders spread across geographical areas and business units
- We brought our technical expertise and facilitation skillsets to work with stakeholders to identify root causes and to devise solutions , to 'future-proof' the processes.
- Synechron supported the client in addressing a significant proportion of its open process deficiencies leading to the overall maturity of the control environment maturing.
- The client was able to demonstrate to stakeholders, including regulators, that appropriate corrective actions had been taken and that its control environment was more robust.

Use cases

Cloud and technology

Realizing a regulatory Data Lake to support Transaction Reporting

A Tier-1 Swiss bank, required a new regulatory reporting platform that would also provide analytics and insight for end business users. Business units previously built their own overlapping solutions. The bank wanted to unify to one platform.

- Provided the lead architect to design and build the reporting solution.
- Leading the client's own off shored technical squads to deliver the solution.
- The work was built on foundational analysis performed by our analysis team, working from regulatory text to producing business requirements.

- We performed a full lifecycle engagement from reading the regulatory text, producing business requirements, architecture design and build of the datalake solution
- Successful delivery for meeting regulatory reporting requirements as part of MiFID II best execution reporting
- Demonstrated a successful use of a data lake relying on multiple new technologies being used together at the firm including Spark, Hadoop, and Cassandra & Hive

Business context

Approach

Result

Delivery of a Transaction Reporting engine for Dodd-Frank and EMIR

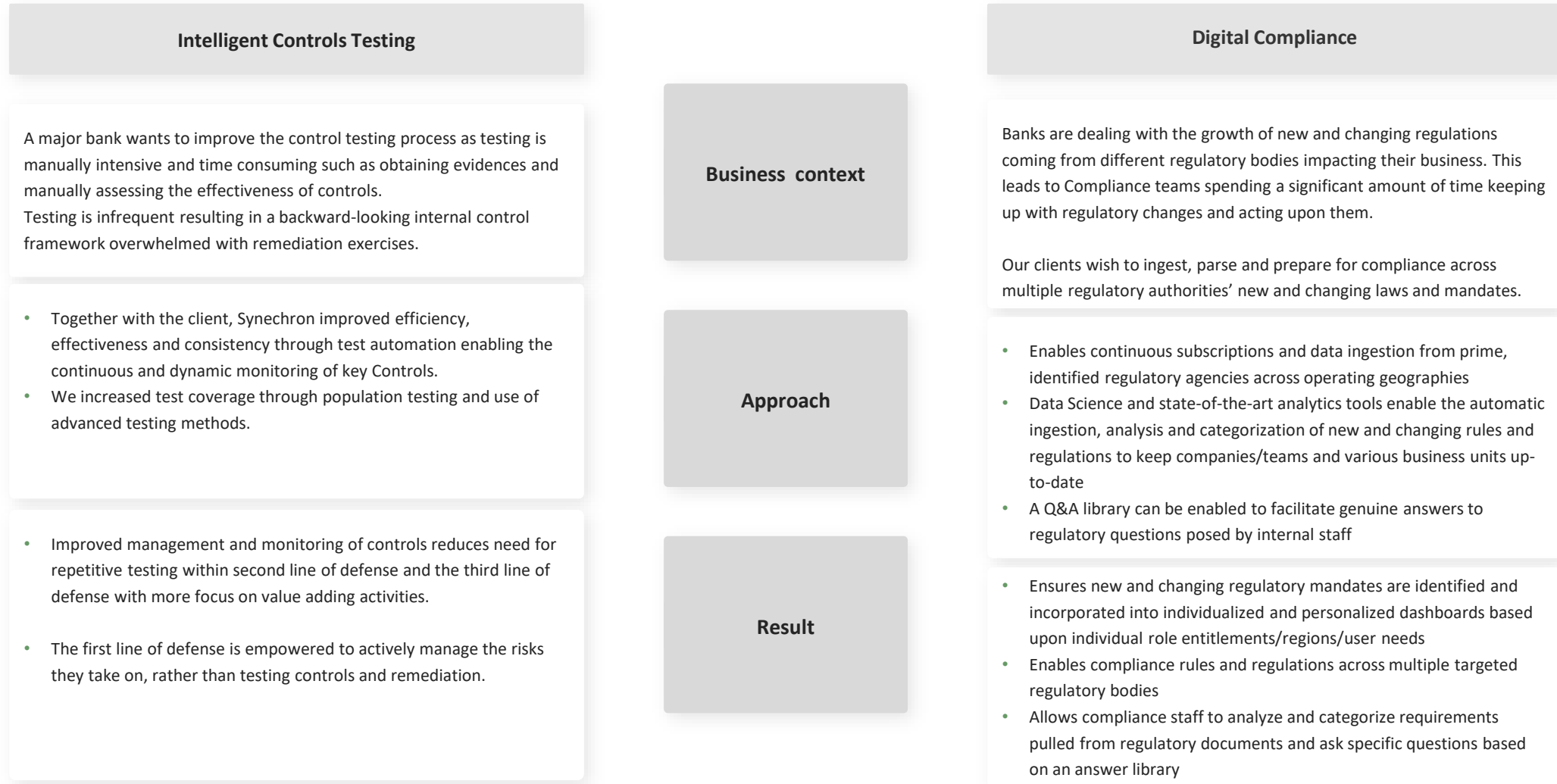
A Tier-1 Dutch bank with presence in the USA sought the assistance of Synechron for the implementation of new G20 regulation concerning (OTC) derivatives. This included EMIR in Europe and Dodd-Frank in the USA, with a likely requirement to register as a Swap Dealer. Synechron was asked to design and build a reporting engine from scratch and to manage the entire program over multiple business units of the bank.

- As Dodd-Frank and EMIR were regulations for different jurisdictions implementing the same G20 agreements, we set up work streams for overlapping topics (reporting, clearing, business conduct etc.). Each work stream had to implement both Dodd-Frank and EMIR rules.
- A rule management function was established to follow the release of new rules and the amendment of existing rules.
- A reporting engine was developed with incoming interfaces from Murex and Sophis, and an outgoing interface to DTCC.

- Our client is compliant with all applicable Dodd-Frank and EMIR requirements.
- Relevant staff has been educated about the new regulations and is able to understand the underlying regulatory requirements relating to their business processes.
- A RASCI matrix and a control framework have been delivered as part of the implementation.

Use cases

Synechron's accelerators



Meet our transaction reporting experts

Erik te Selle and Andrew O'Connor



Andrew O'Connor
Senior Manager

Highlights:

Andrew is a Senior Manager in the Regulatory Change & Compliance practice in Amsterdam.

He has 15 years of financial services experience, across risk, compliance supervisory and consulting roles, including working as a Prudential Supervisor at the Central Bank of Ireland.

Worked on consulting projects for top tier clients to implement new regulations and address existing transaction reporting process deficiencies, impacting a range of systems, products and regulatory regimes (regimes include EMIR, DFA, MiFID II, SFTR, ASIC, MAS and MMSR).

Highlights:

Over 10 years of experience within the financial services industry (Mortgages, Payments, Markets and Treasury and CDD/KYC) with a focus on regulation and compliance related implementations

Led multiple implementations of G20 regulations focusing on transaction reporting, from business analysis, to solution design and IT implementation

Experienced Product Owner leading on- and off-shore development teams

A strong stakeholder manager working with both Front Office, Compliance, IT, and Operations as well as Third Party Vendors, Trade Repositories and ARM/APA's



Erik te Selle
Senior Manager

Meet our transaction reporting experts

Rick Bonhof and Joost ter Welle



Rick Bonhof
Head of Regulatory
Change & Compliance

Highlights:

Rick has 15 years of experience in the regulatory change and compliance domain having worked as regulator at the Dutch Authority for the Financial Markets and as a regulatory change and compliance consultant at Synechron.

Rick has 8 years of consultancy experience advising on the impact of regulations, implementing of regulatory requirements, and leading regulatory change initiatives for Synechron's clients across the financial services domain.

Rick is Synechron's leading regulatory SME heading up the Amsterdam Regulatory Change & Compliance practice (10+ fte), having led the development of Synechron's RegTech accelerators as part of our FinLabs suite, is product of owner of the Intelligent Control Testing accelerator, and co-contributor to the Digital Compliance accelerator.

Highlights:

17 years of experience in financial services across the Markets and Treasury domain
Lead of the Amsterdam Delivery Management Practice focused on implementing change within large international financial institutions

Expert in (scaled) Scrum/Agile project- and programme implementation
Multiple years of experience implementing regulatory projects (FATCA, EMIR, DFA, MiFIDII, SFTR) with a focus on transaction reporting

Excellent communicator and stakeholder manager both internal (Front Office, Compliance, Legal, Operations, Vendor/Contract Mgt) and external (Trade repositories, Trading Venues, CCP's, ARM/APA's, reporting vendors)



Joost ter Welle
Associate Director
– Synechron
Business Consulting