RECONCILIATION SIMPLIFIED

Rethinking reconciliation for securities and investments

Find out more

CONTENTS

ARE YOU KEEPING ON TOP OF COSTS?

Operational costs are a major challenge for securities and investment firms. Of course, you need to keep infrastructure costs under control – but you also need to support a growing business without adding more headcount.

At the same time, your organization needs to comply with changing regulations – but with the sheer volume of directives and statutory obligations continuing to grow, the cost of keeping on top of regulation has never been higher. Additionally, internal governance rules and third-party commitments add to the complexity of running smooth back-office operations.

With every new regulatory demand comes the need to validate more cash, position and trade data. Month after month, firms are tasked to meet tight deadlines with complete and accurate data – an operational challenge that's becoming undefeatable with current cost pressures and limited specialist skills.

Regulation continues either emerge or evolve, creating a substantial threat of fines and reputational damage. Firms are turning to managed reconciliation services to drive operational performance and combat cost pressures.

Here's how a managed reconciliation service can help:

Save time

Time is money, especially in today's fast-paced world. Although you hired your technology experts for their talents, the reality is that many of their hours are spent on routine day-to-day tasks and ongoing management and maintenance, so your reconcilers can work without disruption.

Save money

Firms that outsource reconciliation can significantly reduce technology costs. You also have access to flexible deployment options and variable pricing models, so you can keep costs under control while meeting market demands and speeding up time to market.

Get ahead

Technology changes as quickly as the markets, so if you're not up on the latest and greatest, you'll soon fall behind the competition. Staying ahead with managed reconciliation service means lower overhead costs and no recurring investment in technology.

EMIR, MIFID, DODD-FRANK, MAS, FINRA, CFTC and TRACE

Inaccurate reporting has consequences for any of these regulations. Not only will you risk the penalties of non-compliance, but you'll also expose your organization to the very risks that regulation is meant to mitigate.

ARE YOUR RECONCILIATIONS READY FOR A MULTI-REGULATORY WORLD?

For many security and investment firms, regulation is still a necessary evil and firms don't often welcome the constant change in rules, directives and statutory obligations. Most of the regulations are difficult to implement because they are industry firsts, and you end up scrambling to create an efficient reconciliation environment to keep you compliant.

It's no secret that firms must maintain a high pace of change to keep up with regulatory changes. But forget for a moment the unique complexities and nuances of each mandate and remember that deep down, all regulations share a common goal. However, legacy technology and fragmented processes will hold you back from a single, consistent view of your data across different regulations. Will you be able to guarantee accurate, timely and complete reporting across multiple regulations?

Irrespective of the regulatory regime and jurisdiction, regulators want assurance that you know exactly what you've done and will take full responsibility for doing it. And to provide that assurance, you need to be able to do just one thing – **trust the integrity of your data.**

DO YOU KNOW HOW TO MAP THE PATH TO T+1?

As trade settlement moves from the current T+2 to T+1 in the U.S. and Canada, it becomes increasingly obvious that data integrity is in the spotlight. As we get closer to the September 2024 deadline. How will firms respond in the midst of other regulatory priorities? The move to the T+1 settlement significantly reduces market risk and margin requirements but puts immense pressure on back-office operations in light of increased workloads and current cost pressures.

"Research estimates 81% of brokers & banks in the US & Canada are using manual processes or home-grown systems to support their post-trade processes."

Torstone Technology, 2023

What can you do now to prepare for T+1?

Assess current reconciliations and identify any manual or inefficient processes.

Analyze the speed, quality and accuracy of your end-to-end data feeds starting with collection, aggregation and normalization, and enrichment.

Take a closer look at your counterparties by identifying potential sources of exceptions and the counterparties that may be responsible.

Understand the root cause of trade fails, such as settlement instructions, price differences, instrument setup, etc.

WHAT ARE TODAY'S DATA INTEGRITY CHALLENGES?

1. Lack of governance

Without organizational oversight, demonstratable controls over operational processes and a clear division of responsibilities, you compromise data accuracy and accountability.

2. Complex data landscape

Data comes from a wide range of sources. When no data standards exist between different systems and volumes are growing, it takes a lot of time and effort to manually extract, transform and enrich data for reporting.

3. Poor recordkeeping

Fragmented systems and processes can prevent you from creating comprehensive audit trails and demonstrating control that is vital for regulatory reporting and ongoing compliance. Without a joined-up approach to recordkeeping, you'll struggle to show auditors and regulators that a robust control regime is in place.

4. Manual processes

When you work manually from spreadsheets or paper, processes are not sustainable, scalable or auditable – and STP is impossible to achieve. And because you can't work in a repeatable manner, you'll waste time sourcing the same data for different regulatory reports with less confidence in that data's accuracy, consistency and overall integrity.

5. Broken workflows

Today's high-volume trading and transactional environment can make risk more complicated to manage and issues challenging to track. With a complete and automated workflow for managing and escalating breaks and exceptions, you are in a stronger position to identify issues before they become breaches and eliminate errors and fraud.

6. Ineffective oversight

Accurate, timely management information is key to demonstrating oversight, but spreadsheets may not provide the required depth and breadth of data with sufficient speed. Every employee involved in the process needs access to the right information at the right time, with a sound understanding of what your organization is doing, why it is doing it and the ramifications if something goes wrong.

7. Knowledge gaps

In an increasingly regulated financial services industry, there is high demand for compliance-related expertise, with subject matter experts often in short supply. Technical competence is a must, but so is a detailed understanding of operations and how to apply regulations appropriately.

HOW CAN YOU OVERCOME REGULATORY OBSTACLES?

As regulations continue to multiply, so do the challenges for reconciliation. The answer is surprisingly simple – a centralized, standardized control framework for managing all reconciliations.

Rather than having multiple systems to manage the data demands of different regulations, you can build one consistent reconciliation strategy to provide the visibility and control required by new asset classes and regulations.

At the foundation of your control framework should be the ability to collect, transform and validate data across the trade life cycle. That way, you'll be better placed to support reconciliation for any regulation and any asset.

Take a two-pronged approach to regulatory data management

For the **visibility** that regulators and customers demand, you'll need to establish a rigorous reconciliation or validation process to ensure data accuracy.

For **control,** you must make sure that the people responsible for creating your reports are accountable for the data they provide through robust approval processes.

NEED HELP BUILDING A COMPLETE FRAMEWORK FOR REGULATORY CONTROL?

Three technology components will help you gain complete control over your regulatory data:

1. Data integrity management

A sophisticated, highly automated solution for reconciling and validating all kinds of data points will be key to guaranteeing the accuracy and quality of your data and flagging discrepancies and potential errors.

2. Exception workflow

An exception management platform or service will help you automatically track and resolve discrepancies. Even if you don't have perfect data, you'll be aware of the issues and have controls in place to manage them – which is key to compliance.

3. Approvals management

With a checklist and approvals workflow engine, you can assign responsibility for reviewing and approving data, track the execution of tasks, and enforce accountability and control.
to apply regulations appropriately.

Crack the reconciliation code once and for all

With your data integrity framework in position, you can more easily evaluate and reconcile the critical data that your many systems produce for reporting purposes, rapidly resolve discrepancies and firmly govern the entire review and approval process.

And with the total confidence that the data integrity framework provides, you can consistently meet any requirement now and in the future.

You can't achieve compliance without accurate data

FIS® managed reconciliation services automatically collect, transform and validate data across the trade life cycle in the cloud, allowing you to demonstrate complete and accurate data for every regulatory requirement across all elements of the data management spectrum. With a single technology partner and a standard control framework for regulations, you can rapidly respond to new regulations, gain economies of scale and stay competitive in a changing global market.

DO YOU HAVE THE RIGHT RECONCILIATION STRATEGY IN PLACE TO KEEP UP?

Whether you are preparing for T+1, or ramping up your automation capabilities, you need the right reconciliation strategy. Get in touch to find out more about FIS managed reconciliation services.

About FIS

FIS is a leading provider of technology solutions for financial institutions and businesses of all sizes and across any industry globally. We enable the movement of commerce by unlocking the financial technology that powers the world's economy. Our employees are dedicated to advancing the way the world pays, banks and invests through our trusted innovation, absolute performance and flexible architecture. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS ranks #241 on the 2021 Fortune 500 and is a member of Standard & Poor's 500® Index. To learn more, visit www.fisglobal.com. Follow FIS on Facebook, LinkedIn and Twitter and Twitter (@FISGlobal).

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