

CASE STUDY



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CRS Compliance: Re-engineering Bank's Approach on Data Orchestration



Synopsis

The constant progression and evolution of local and international guidelines is a major driving force in the financial service industry. Financial institutions are strengthening their efforts to enhance compliance efficiency in response to evolving regulatory expectations and the downturn's effects on operational resiliency. The initiation of Common Reporting Standards and the introduction of new tax transparency has a far-reaching implications on the financial institutions, yet the real challenge is more about optimising the regulatory investments than mere complying.

In this case study, we will discuss the practical implications faced by our clients in data enrichment and how Macro Global's CRS Solution simplified the regulatory change management and compliance processes eliminating risks through comprehensive data governance framework with robust auditing capability.

Business Background

"Ensuring compliance in a highly dynamic environment of banking regulation led to almost 20% of the sector's workforce being deployed in governance, risk management, and compliance functions".

The increasing globalisation with the corporate governance, changing laws and regulations, and the constant evolution of financial products create complex situations for banks that operate on a cross border basis. Regulatory expectations on risk validations of technology systems, data governance, and reportable accounts for regulatory purpose are growing. Regulators are renewing their focus on regulatory reporting particularly looking for a timely, accurate, and consistent information on financial accounts and assets of non-tax residents propelling financial institutions to integrate the standardised framework with an automated process for reporting.

On the flip side, financial institutions are still reliant on manual effort due to data quality issues and the quantum of time and resources involved creates inefficiencies as organisations endeavour to comply and report to local tax authorities. Financial institutions must re-engineer their core operational processes and maintain governance within their compliance by centralising their data management framework for operational resiliency. Through data orchestration, the challenges of data fragmentation, organisational data silos can be resolved by identifying inaccuracies and facilitate accurate CRS reporting.



What we did – Obligations to Opportunities

63%

Develop a framework for managing data used for internal operational process & regulatory reporting

59%

Automate end-to-end reporting process from data aggregation to submission

What are the top priorities for improving the regulatory reporting capabilities?

Implement a structured methodology and provide strategic insights, drive remediation planning

45%

Consolidate data elements, develop and design data quality standards across the enterprise data

53%

Barrier 1 – Generating CRS Output file using unstructured data

Problem

Due to lack of robust data infrastructure and unstructured customer and account data, the client faced a challenge in consolidating the data to prepare the mandated XML output file for CRS submission. To collect and extract data to classify the reportable account and for the purpose of reporting was often deemed to be the biggest challenge for the compliance team. Organisations databases are encumbered by data duplication thereby increasing data inconsistencies without proper data management systems.

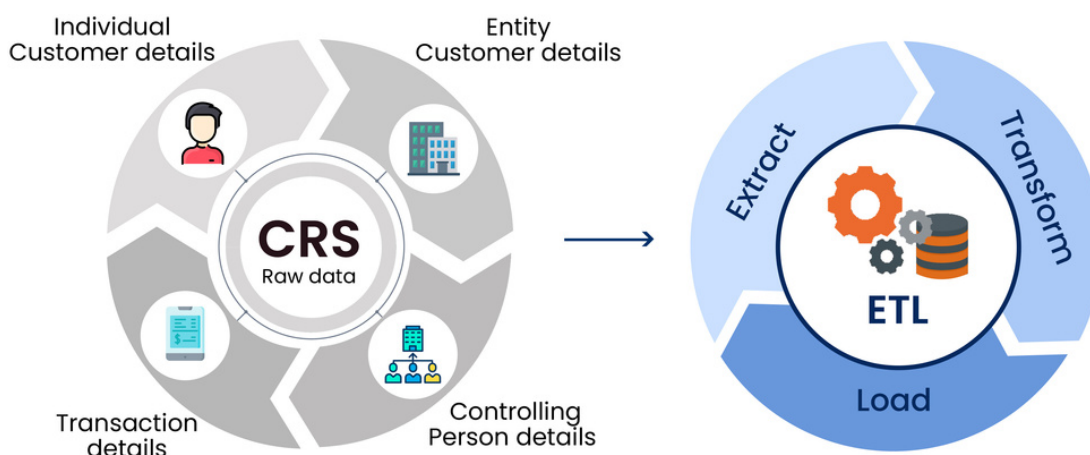


Solution



Our subject matter experts conducted an operational assessment to understand the client's data environment. Based on Macro Global's experience in handling data, the customer and account data were organised and classified through data orchestration process by transforming the data in different formats from multiple datasets into a structured format required for generating the CRS XML file. The structured format (raw data) was imported into Macro Global's CRS Reporting platform integrated with comprehensive data governance framework to maintain compliance mandates and manage the integrity of the enterprise data.

Our platform streamlined the process of data integration, analytics and reporting and simplified the process of data governance generating timely and accurate reports in mandated format. Through an optimised ETL engine, the raw data was processed and converted to a reportable XML format complying with HMRC specifications. The common problem that arises from disjointed datasets were addressed by automation with insights related to data inconsistencies. Our client was able to ensure accurate and timely reporting adhering to the regulatory and compliance requirements with audit validation results segregated based on their risk severity (high, medium, and low) reducing the internal audit effort and compliance risk.



Predefined process for extracting, transforming and loading the source data into the targeted HMRC specified CRS XML file

Barrier 2 - Non-adherence to CRS input specification

Problem

The legacy system and business processes have become outdated leading to additional burdens and with the fragmented infrastructure, the client faced the difficulty in consolidating the customer data and providing the input data either in a structured format or as per the specification expected by Macro Global. Remediation of data issues and implementation of Regulatory amendments was a constant challenge due to implications in the business operational process.

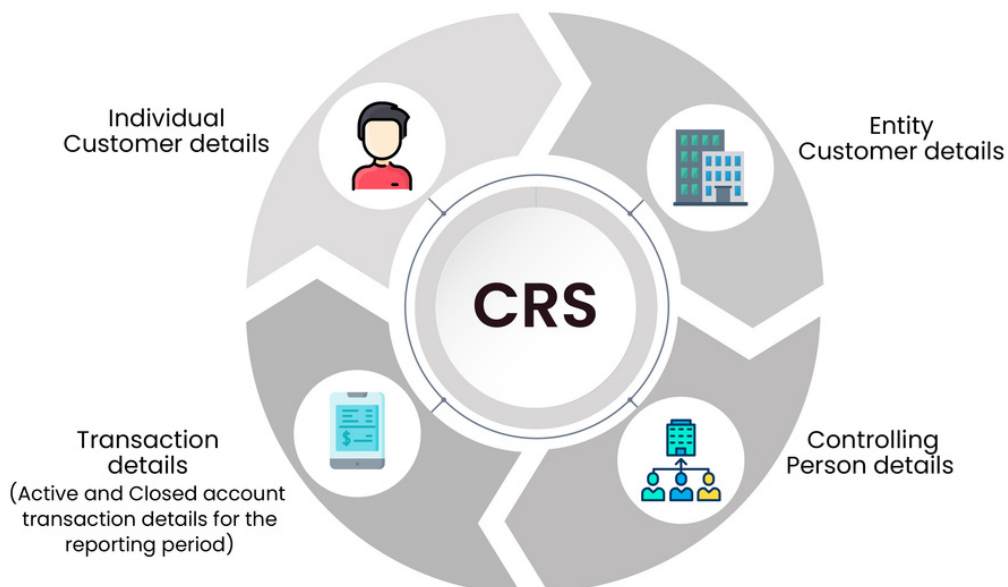


Solution

Macro Global team proposed the client to provide the SCV Output File obtained on the last calendar day of the reporting year and the details of closed accounts as two distinct datasets as a workaround in order to extract and segregate the data mandated for CRS XML generation.



Macro Global with its experience in regulatory reporting extracted the required reportable customer data from the raw SCV file. The raw CRS reportable data were then segregated into an individual, entity, and controlling person datasets. Upon obtaining client's concurrence, the source data along with details of reportable closed accounts were imported into the Macro Global's CRS Reporting Platform for generating the mandated output file. Our internal audit platform is designed to measure the effectiveness of the regulatory reporting controls and the accuracy of the reportable data. The audit report greatly supported the client to amend the inaccurate information and further remediation in customer data and enrich the CRS Output File with near-zero defects prior to submission. In addition, the 'Formatted XML Report' handhold the client to identify and determine the reportable data within the CRS XML file. Based on the audit result, further amendments to customer/transaction data were achieved through the Data Management module which enabled the banks' users to modify the source data directly in the CRS Reporting Platform rather than updating the details in the import file/source data.



Barrier 3 – Manual audit of the output file

Problem

The greater complexity in auditing the CRS XML file is a time-consuming process and is even more complex with information held across disparate systems which creates emerging risks to meet the compliance requirements. Legacy systems are no longer suitable for managing audits as manual process results in significant problems like inconsistent audit output and data integrity issues. Without an automated system, it was difficult for our client to generate a subsequent audit report.



Solution

Macro Global's CRS Reporting Platform is a compliance management audit tool supporting our client in improving business performance by reducing risk and ensuring CRS reporting requirements. Our flagship product integrates regulatory information with an endless array of business algorithms in a single cloud-based platform. The audit findings lead to corrective and preventive actions and were extremely valuable to analyse data inaccuracies and drill-down data issues to any level of granularity.



Identifying Risk – 90+ data validation checks for accuracy and completeness within reporting by eliminating anomalies.

Comprehensive View – Insights on data errors enables to identify inaccuracies and shortfalls in the reportable data at the click of a button.

Reduced Time and Effort – Automated process with increased data integrity.

Our solution addressed the data issue that redefines the Regulatory Reporting and the reporting capability is fully operationalised and tested, resulting in fully compliant with underlying data and aligned to the client's regulatory reporting framework. Audits to assess and review the reportable data of individuals, entities, and controlling persons in respect to HMRC compliance and reported on a risk-based approach. The risk-based detailed report included the potential errors not included in the mandated output file categorised into high, medium, and low-risk data issues.



Extensive Audit validations
to ensure HMRC CRS
requirements are met



Risk-based
Audit Report

Barrier 4 – Managing customer information in CBS adhering to HMRC specification

Problem

With the pace of regulatory change coupled with the increased complexity in reporting requirements, our client faced further pressure due to an improper data management system and recognised that they lacked critical CRS information late in the reporting stage. Updating the customer and account information in the Core Bank System was not feasible on account of operational procedures implications and requires time to enhance system capabilities to handle the data adhering to the HMRC specifications and standards.



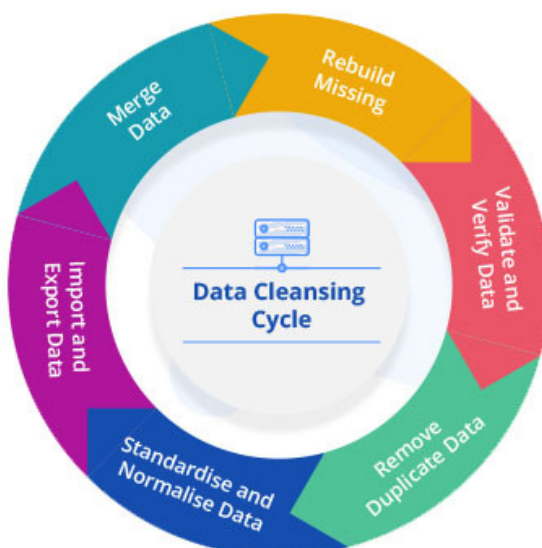
Solution

Macro Global's CRS Reporting Platform is fully compliant with proficient business algorithms eliminating the traditional approach to CRS compliance. An organised and strategic approach to collect and manage regulatory reporting through a data orchestration process enabled a great value proposition for our client. Macro Global's CRS technical team of experts assessed the client data model to identify gaps and provide practical recommendations and implications by improving the data standards at the CBS level as well as for regulatory reporting.



The data orchestration process combines multiple data sets and unifies the data by eliminating duplicates, data errors, and inconsistencies providing optimum results. Data interrogation manages the client's customer and account data adhering to the HMRC specification with specific tagging and data classification. Data enrichment with additional metadata information to further increase the value of CRS reporting by cleansing the data to standardise/normalise specific data types (currency conversion, data formatting).

Our solution is best positioned to manage the compliance transformation through a flexible and scalable solution supporting the CRS reporting requirements. The effective compliance model includes robust procedures and risk identification to mitigate risk with the remediation process and continuous data quality testing.



Our Success Story



With 10+ years of market-leading experience in Regulatory reporting, our intuitive and robust solution delivers accurate CRS reporting with a success rate averaging close to 100%.

Our CRS reporting platform enhances the quality, accuracy, and efficiency of the client's compliance process empowering them to spend more time on core functions and less time on data review.



Our extensive audit report ensures the quality and integrity of the data are consistently high providing control over data.

The automated process enables clients with analytical support and standardised reporting with a reduced risk of misreporting.



With centralised data management and a web-based user interface, organisation of any size and geographical structure can manage the regulatory requirements in a cost-efficient way.

We are here to help you

If you want to learn more about our products or services or just have a question?

If you need advise from our expert team who understand your business better than our peers?

If you want to know how we transformed businesses using our unparalleled industry and domain expertise?

Please click on the web link below to access our sales desk telephone numbers and email and we will be in touch straight back to you.

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