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Focus on regulatory reporting intensifies

Headlines continue to raise questions about the quality of data that financial institutions use in the reports they file with the regulatory authorities. These reports are leveraged in the analysis regulators perform on individual institutions, as well as the industry as a whole. They are also used to form the basis of many public disclosures. Yet, these questions are not new. They serve to highlight long-standing challenges. Recent news reports offer glimpses into the challenges financial institutions continue to face around producing core regulatory reports and highlight specific issues that still remain across the banking industry. These challenges include (1) large numbers of manual processes and reconciliations; (2) data integrity issues; (3) systems limitations; (4) analytical challenges; (5) resource and time constraints; and (6) governance weaknesses, including those pertaining to the second and third lines of defense.¹

In addition to unflattering news reports, regulators have also publicly released feedback revealing their continued concerns regarding long-standing regulatory reporting findings. For instance, the joint announcement and feedback letters issued by the Federal Reserve Board and the Federal Deposit Insurance Corporation (collectively, the Agencies) on April 13, 2016, regarding deficiencies and shortcomings in the 2015 resolution plans of eight systemically important, domestic banking institutions, identified specific data- and reporting-related concerns as Figure 1 illustrates.² Based on this feedback, covered institutions will need to significantly improve their management information system (MIS) capabilities in order to ensure these systems can credibly capture key legal entity and business line data at multiple levels of granularity.

The Agencies are also continuing to express concerns that certain trading activities of the major broker-dealer firms could pose particular challenges to their orderly resolution. To remediate this, regulators will likely continue encouraging institutions to streamline their derivatives booking models,

¹ The “three lines of defense” model provides a construct for management control, risk control and compliance oversight, and independent assurance by defining clear roles and responsibilities within an organization’s wider governance framework. The “first line” includes operational management, the “second line” includes the risk management and compliance functions, and the “third line” includes internal audit. The Institute of Internal Auditors, *IIA Position Paper: The Three Lines of Defense in Effective Risk Management and Control*, January 2013.

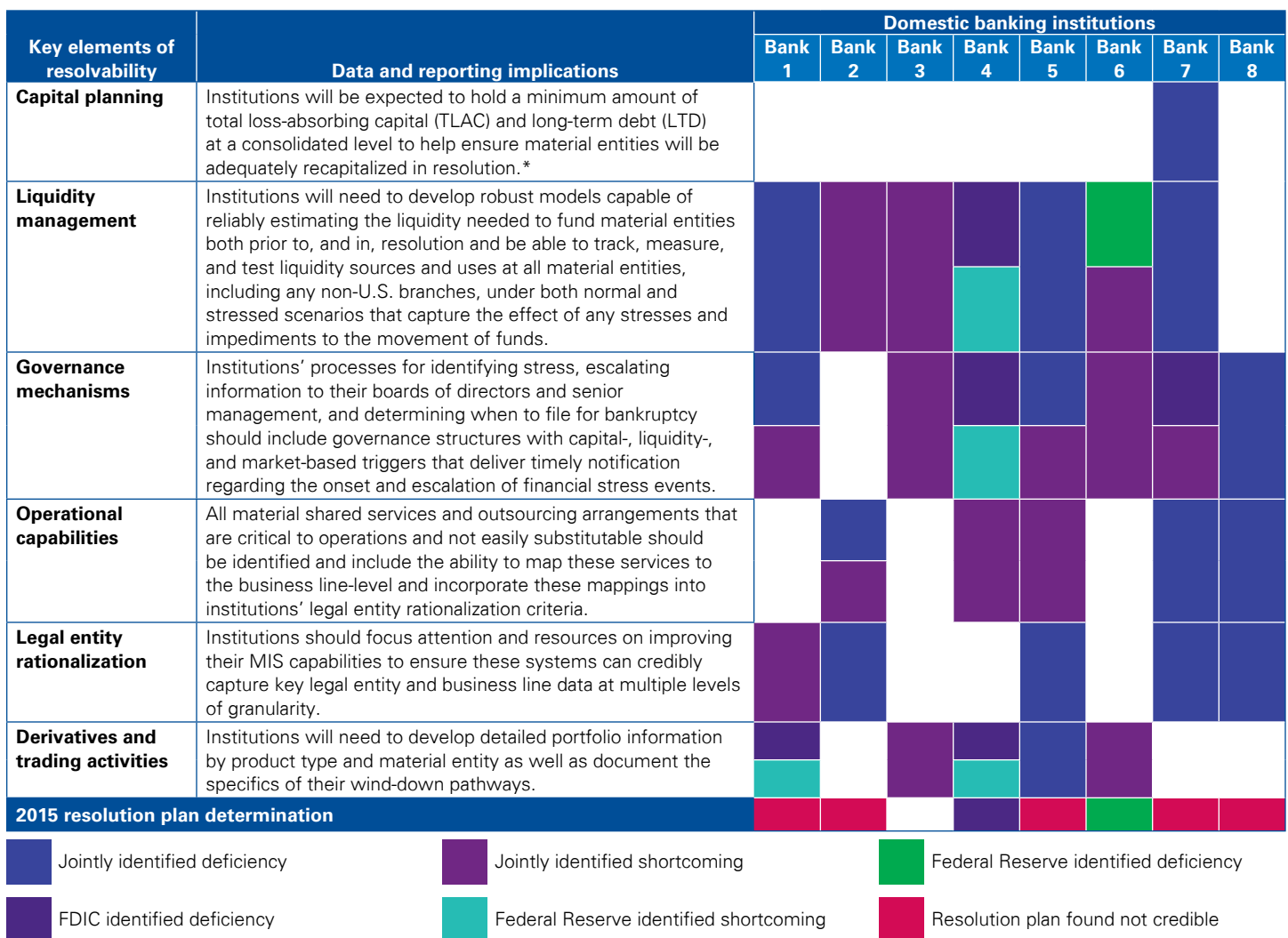
² See *Agencies Announce Determinations and Provide Feedback on Resolution Plans of Eight Systemically Important, Domestic Banking Institutions*.

including reducing the number of internal transactions that transfer risk between legal entities, and opting into global coordination efforts such as the annual International Swaps and Derivatives Association Universal Resolution Stay Protocol. In addition, institutions with resolution strategies

that include wind downs of their derivatives portfolios will need to develop detailed portfolio information by product type and material entity as well as document the specifics of their wind-down pathways.

Figure 1: Domestic institutions are in varying stages of progress towards addressing key regulatory elements of resolvability

The deficiencies and shortcomings raised by the Agencies raise significant data and reporting issues that institutions should consider in their resolution planning processes. In developing future resolution plans, institutions will need to carefully consider their strategies for incorporating Agency feedback, as regulators are signalling they are growing weary of lingering open issues and concerns that remain unaddressed.



Source: Agency institution-specific feedback letters and KPMG analysis

* See *KPMG's Client Alert* on the Federal Reserve's October 2015 TLAC and LTD proposed rule for global systemically important bank holding companies and U.S. intermediate holding companies of FBOs.

A growing number of regulatory criticisms are directed at well-established reports, such as the FR Y-9C (Consolidated Financial Statements for Bank Holding Companies), FR Y11/2314 (Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies/ Financial statements of Foreign Subsidiaries of U.S. Banking Organizations), and FR Y-10 (Report of Changes in Organization Structure). However, additional reporting requirements, such as the enhanced FR Y-14 (Capital Assessments and Stress Testing) and FR Y-15 (Banking Organization Systemic Risk Report), have compounded the issue, particularly given the increased complexity of this series.

Intermediate holding companies (IHCs) of foreign banking organizations formed under *Regulation YY* (Enhanced Prudential Standards) are also expected to have similar reporting requirements as bank holding companies (BHCs), but will have the added pressure of incorporating their other legal entities, such as broker-dealers, that were not previously subject to the BHC reporting requirements, into their aggregate submissions. Additionally, with more firms now under Federal Reserve oversight, nonbank financial institutions will need to continue developing the requisite processes, systems, governance, and data in order to file accurate and timely regulatory reports such as the proposed FR 2085 (Consolidated Financial Statements for Insurance Nonbank Financial Companies) and its supporting schedules.

Although the continued focus on financial reporting is receiving the most public attention, a regulatory focus is also developing with respect to nonfinancial regulatory reporting requirements. This is developing into a very broad spectrum of reports, such as the Home Mortgage Disclosure Act (HMDA), as both depository institutions and nondepository institutions are required to report HMDA data if they meet the regulatory criteria for coverage. Going forward, regulators will likely consider further refinements to the HMDA reporting requirements and expand their analytics to use these reporting data as tools to assess more accurately how effectively institutions have

addressed community housing needs in their service areas. As regulators continue to place pressure on all financial institutions to improve their financial and nonfinancial reporting capabilities, strategic solutions will be needed that take into consideration the end-to-end process for filing all regulatory reports.


These strategic considerations should also be tied into broader standards, including the Basel Committee on Banking Supervision's (BCBS) principles for effective risk data aggregation (RDA) and risk reporting.³ Regulators continue to express concern about the inadequacy of financial and risk data systems and processes plaguing the industry, impeding the ability of banks and other financial intermediaries to manage risk, investors to confidently assess the accuracy and integrity of banks' financial reporting, and regulators to mandate adequate capital and liquidity provisions in order to limit systemic risk. The challenge to get this right continues and remains pressing, even as regulatory authorities appear to be growing impatient with the industry's lack of progress. Many financial institutions are simply failing to address the magnitude of the problems they face around RDA. We believe it is likely that the underlying cultural issue of who owns the data generally and who is accountable for its quality and integrity are key root causes for the industry's struggle to date.

The financial industry must work towards a holistic approach to data governance – not a siloed approach targeted at specific datasets associated with individual directives. Data management cannot be solely about meeting regulatory requirements. Instead, it needs to address more important cultural changes that are necessary if the industry is to view data management as the foundation for comprehensive, accurate, and timely reporting. Adopting an integrated and dynamic approach would enable financial firms to harness the full potential of their data and assist their boards of directors and executives in making informed decisions based on reliable and actionable intelligence.

³ Basel Committee on Banking Supervision, *Principles for effective risk data aggregation and risk reporting*, January 2013.



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Continued expansion of the examination process

Regulatory reporting examinations continue to garner significant attention, with the Federal Reserve's FR Y-14 horizontal reviews of a sub-segment of financial institutions, conducted in 2016, providing the latest example. These horizontal examinations covered detailed reviews of institutions' program governance, data governance, and internal controls as well as transaction-level testing of their FR Y-14 schedules. These and other regulatory reporting examinations are customarily carried out by the Statistics Functions within the Federal Reserve Banks.

For larger, more complex institutions, these examinations represent very detailed assessments of the accuracy of their regulatory reporting processes based on a thorough assessment of a range of reports. In-scope reports, for example, may include the FR Y-9C, FR Y-9LP (Parent Company Only Financial Statements for Large Bank Holding Companies), FR Y-10, FR Y-11/FR Y-11S, FR Y-12 (Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies), FR 2314/FR 2314S, FR 2900 (Commercial Bank Report of Transaction Accounts, Other Deposits, and Vault Cash), and the FFIEC 041 (Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only).


As a part of the supervisory process conducted at large, complex institutions, examiners seek to validate the filed balance in a given report's line item by tracing its data back to the source system, specifically to the discrete transactions, such as an individual trade or loan transaction. For example, examiners may review loan documents in order to validate that the slotting of the data into a particular category is correct on the basis of the loan's collateral or stated purpose. They may also inspect trade confirmations in order to verify certain trading activity. Examiners will also trace individual transactions through different reports to ensure consistency is achieved at both the parent and subsidiary levels. In addition, examiners will review all work papers used to prepare in-scope reports. This requires banks to document clearly all processes, including explanations for manual adjustments, in order to avoid unwanted criticism.

Accordingly, preparation for these reviews is a substantial undertaking. The required data requests are onerous and often result in tens of thousands of pages of documentation that must be prepared in advance of the examination start date. For most institutions, these reports require significant coordination between the lines of business, who are the data users and data providers, and the regulatory reporting filers. This is a critically important, ongoing area of concern, as the report filers do not necessarily have a clear line of sight into the source data. In addition, data providers often do not fully understand reporting parameters and definitions. This frequently results in misinterpretations regarding what exactly needs to be provided to regulators for a given line item.

In conducting exams, the Federal Reserve Board and the respective Federal Reserve Banks will typically assess an institution's policies and procedures, processes, systems, data, and governance as a part of the supervisory review of accuracy. Most institutions rely on significant manual processes and resultant reconciliations in their report preparation process. However, the Federal Reserve, and other regulators more generally, have become less tolerant of an overreliance on manual solutions and "work arounds," especially in instances that lack sufficient oversight and documentation. In addition, materiality is often not factored into the examination process for various reports. This can result in regulatory findings for errors that may be immaterial when compared to the size of the institution's overall balance sheet. Management must also be prepared for the possibility that the institution's regulatory reporting examination may expand to cover more traditional safety and soundness-related control issues, which may then be identified as part of the original regulatory reporting exam.



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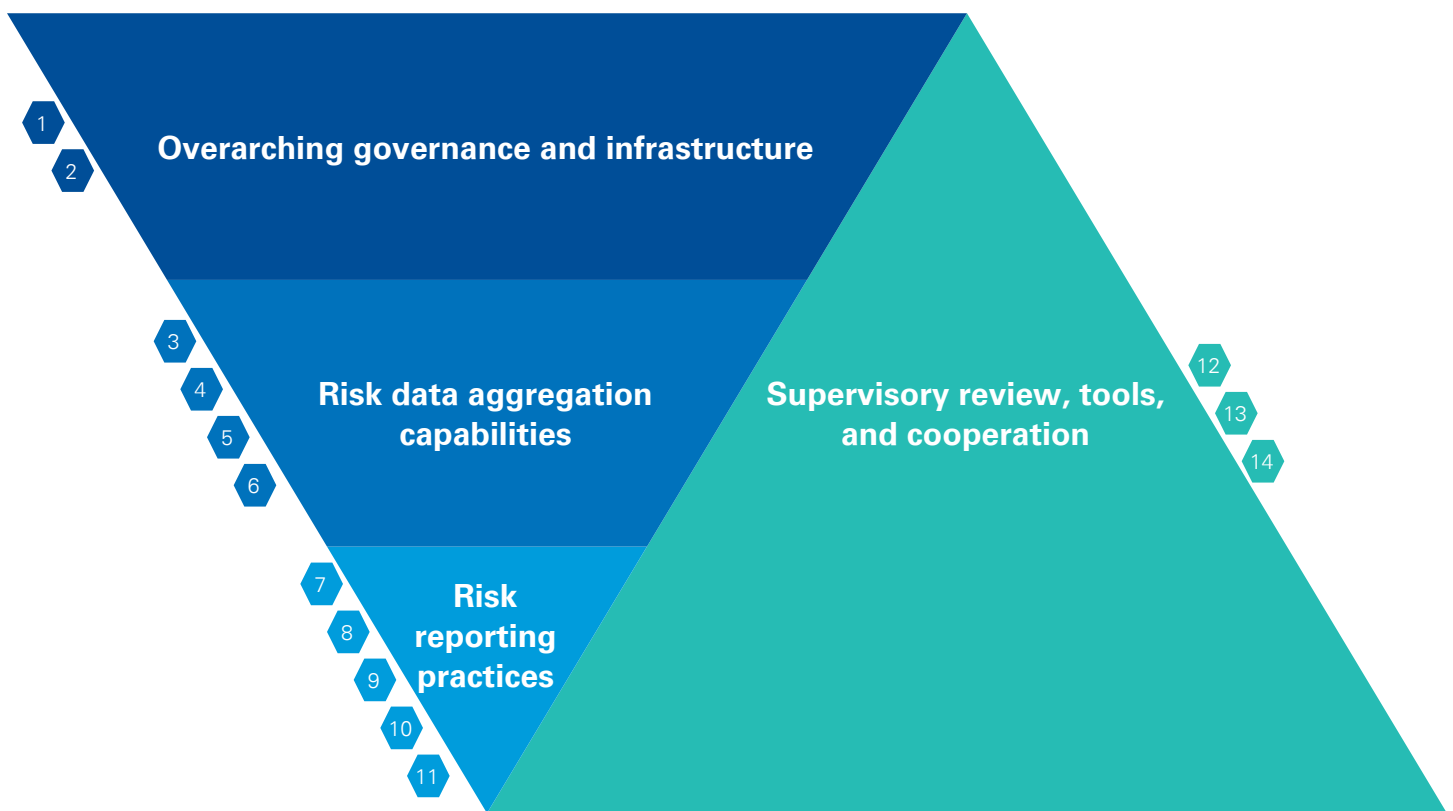
Where to start when tackling the data dilemma

Since the financial crisis, regulators have expressed concerns that financial institutions have inadequate insight into the risks they are undertaking due to insufficient controls around their risk data. Enhanced data quality, reporting, and MIS requirements have thus gained more prominence and their role in capital, liquidity, and risk management has intensified.

The BCBS's principles, illustrated in Figure 2, sought to strengthen RDA capabilities and internal risk reporting practices at banks. Subsequent guidance on the implementation of the principles provides a solid framework for enhancing an institution's reporting capabilities.⁴ Although these principles, which apply at both the group level and at all material business unit and entity levels within the group, are addressed to the largest, most systemically important and globally interconnected banks, national supervisors have signaled that they plan to apply the concepts outlined in the principles to a wider range of financial institutions in the future.

⁴ Ibid.

Figure 2:
The fourteen BCBS principles for effective RDA and risk reporting



- 1 Governance
- 2 Data architecture and IT infrastructure
- 3 Accuracy and integrity
- 4 Completeness
- 5 Timeliness
- 6 Adaptability
- 7 Accuracy
- 8 Comprehensiveness
- 9 Clarity and usefulness
- 10 Frequency
- 11 Distribution
- 12 Review
- 13 Remedial actions and supervisory measures
- 14 Home/host cooperation

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Banks struggling to meet the data challenge

In December 2015, the BCBS published its third review of banks' progress toward implementing the principles, which included a self-assessment questionnaire completed by global systemically important banks (G-SIBs).⁵ The results of the self-assessment showed that, while encouraging headway has been made, a number of core challenges prevent G-SIBs from achieving full compliance. These deficiencies need to be addressed. Specifically, significant gaps related to both the risk data accuracy and integrity and data aggregation adaptability principles were noted, with the BCBS recommending improvements in three key areas:

- **Balancing automated systems and manual processes appropriately**, as supervisors are signaling that a higher degree of automation will be essential to reaching compliance.
- **Documenting processes to improve consistency**, formulate a common language across different frameworks, and align finance and risk terminology. This is particularly challenging for G-SIBs operating in multiple jurisdictions with different accounting regimes.
- **Adapting established data processes to address *ad hoc* requests**, as G-SIBs are still struggling to deliver timely, high-quality data capable of being aggregated and decomposed in different ways.

Regulators will likely continue to press firms to enhance their risk-taking identification, quantification, aggregation, and reporting capabilities in order to demonstrate they have a sufficient understanding of their true exposure to a given industry and defend their decisions to take on additional risk in a specific sector.

⁵ Basel Committee on Banking Supervision, *Progress in adopting the Principles for effective risk data aggregation and risk reporting*, December 2015.



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Primary U.S. trade, transaction, and position reporting expectations have increased exponentially

Reporting requirements are growing in scope and granularity in the securities sector as well. Significant recent expansions include the Financial Industry Regulatory Authority (FINRA) Order Audit Trail System (OATS) reporting requirements for Alternative Trading Systems as well as the Commodity Futures Trading Commission's (CFTC's) Large Trader Reporting and its Ownership and Control Reporting requirements. Market participants are thus increasingly concerned about the effectiveness and capabilities of their regulatory reporting, trade surveillance, and automated trading controls.

Regulators have also expanded the application of certain reporting requirements where firms must meet new standards. For example, FINRA now requires more member firms to report the Derivatives and Other Off-Balance Sheet Items Schedule, adding to the reporting burden of these market participants. Adding to resource constraints, regulators are still imposing new reporting obligations such as the Securities and Exchange Commission's (SEC's) Rule 613 (Consolidated Audit Trail or CAT) which requires real-time reporting and the SEC's Tick Size Pilot Order which obligates market participants to mobilize staff to understand the requirements and timely implement the changes necessary to achieve compliance.

Firms are now required to establish robust processes to ensure they are meeting their reporting obligations and designate internal contacts who are responsible for these processes. In certain instances, firms must notify regulators in a timely manner when a regulatory rule violation is discovered. Regulators also are increasingly requiring Chief Executive

Officers (CEOs) and/or Chief Compliance Officers (CCOs) to attest that their firms' compliance programs, such as those established for the Volcker Rule and rules for Swap Dealers and Security-Based Swap Dealers, are effective and working as designed. In many instances, current control and data gaps have the potential to threaten a firm's ability to conduct complete and accurate trade surveillance and meet its regulatory reporting obligations.

Creating a strong linkage and enhancing the consistency between the sources and tools used by firms for trade reporting with the tools used to conduct surveillance is consistent with the move by securities regulators away from oversight focused on periodic firm visits or multiple rounds of inquiries and towards more continuous monitoring practices that emphasize the principles of data governance, quality, granularity, and timeliness. This supervisory trend will likely continue, as regulatory authorities build their proficiency in collecting and analyzing these data and move towards a real time, "birds-eye view surveillance" model.

Financial institutions naturally need automated, repeatable, and sustainable processes to ensure that their surveillance, reporting, and control capabilities are operating efficiently and accurately. However, the current regulatory environment creates an opportunity to integrate structured (e.g., trade data) and unstructured (e.g., loan documentation) data sources in order to gain critical insights into the effectiveness of firms' regulatory reporting capabilities. It also creates an opportunity to break the cycle of regulatory reporting enforcement disruption, negative press, and fines.

SEC Seeks to Modernize and Enhance Information Reported by Investment Companies and Investment Advisers

The SEC proposed rules, forms, and amendments intended to modernize and enhance the reporting and disclosure of information by registered investment companies and investment advisers on May 20, 2015. The proposed rules seek to improve the quality of information available to investors and would allow the SEC to enhance its collection and use of data provided by investment companies and investment advisers. The investment company proposals would enhance data reporting for mutual funds, exchange-traded funds, and other registered investment companies. Among other enhancements, the proposals would require a new monthly portfolio reporting form (Form N-PORT) and a new annual reporting form (Form N-CEN) that would require "census-type" information. The information in each of the proposed forms would be reported in a structured data format, which would allow the SEC and investors to analyze the information better.

A new portfolio reporting form, Form N-PORT, would require non-money market registered funds to provide portfolio-wide and position-level holdings data to the SEC. The form would require monthly reporting of the fund's investments, including:

- Data related to the pricing of portfolio securities;
- Information regarding repurchase agreements, securities lending activities, and counterparty exposures;
- Terms of derivatives contracts; and
- Discrete portfolio level and position level risk measures to better understand fund exposure to changes in market conditions.

Information contained on reports for the last month of each fund's fiscal quarter would be publicly disclosed. The SEC states that it will consider rescinding Form N-Q, which is currently used by funds to report certain portfolio holdings for the first and third fiscal quarters.

If adopted as outlined, Form N-PORT would require additional identifying information that includes the name and Legal Entity Identifier (LEI) of a covered company's counterparty that also includes the central counterparty. This LEI would be a unique identifier for a single corporate entity that is intended to provide a uniform international standard for identifying counterparties to a transaction. Form N-PORT would also require funds to report additional information about each derivative contract in their portfolios, such as the category of derivative that most closely represents the investment (e.g., forward, future, option, swap, swaption, or warrant).



Continued focus on stress testing and CCAR reporting

Supervisory stress testing remains a cornerstone of the Federal Reserve Board's approach to the regulation and supervision of the largest financial institutions.⁶ However, stress testing mandates, such as the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) exercise, and the related regulatory reporting requirements, create an additional layer of complexity for institutions. Specifically, the scope, volume, and granularity of data that banks must now submit to regulators represent a sea change in how financial institutions are being regulated. Indeed, regulators are expecting firms to demonstrate that they have a thorough understanding of their processes for managing, testing, and controlling their data, including:

- Knowing the lineage of the data used for regulatory reporting,
- Establishing quality controls in place that are complete and accurate,
- Being able to reconcile data back to the prior output, and
- Exhibiting robust data governance standards regarding reporting processes where data ownership and control is not the sole responsibility of the information technology (IT) function.

Mistakes in this process can be expensive and time consuming, as the Federal Reserve has expanded its efforts to validate the completeness and accuracy of reported CCAR data and requested costly resubmissions of data where errors have been identified.⁷ In addition to evaluating data quality sufficiency, supervisors will likely be looking for institutions to demonstrate they are integrating their capital planning into both their strategic planning and risk appetite setting processes. Going forward, institutions will also likely need to consider how new and proposed rulemakings can be incorporated into their CCAR stress testing processes. Large banking organizations in particular will need to consider how best to factor in the Federal Reserve's GSIB Capital Surcharge and Single-Counterparty Credit Limits (SCCL) repropose rule.⁸

⁶ Other countries have since followed suit. Most BCBS members are now conducting some form of stress testing. Basel Committee on Banking Supervision, *Peer review of supervisory authorities' implementation of stress testing principles*, April 2012.

⁷ Federal Reserve Board, *Dodd-Frank Act Stress Test 2016: Supervisory Stress Test Methodology and Results*, June 2016.

⁸ See *KPMG's Client Alert* on the Federal Reserve's repurposed rule on SCCLs for large banking organizations.

Federal Reserve Requires CFO Attestation of Capital Assessment and Stress Testing Results

Under the Federal Reserve's final rule modifying the FR Y-14A/Q/M forms, the first Chief Financial Officer (CFO) attestations will be required for reports with a December 31, 2016 as-of date. These initial attestations will relate solely to the effectiveness of internal controls over submissions as of December 31, 2016, rather than the submissions throughout the year. However, for the monthly, quarterly, and semiannual FR Y-14 reports submitted as of January 31, 2017, and thereafter, CFOs will be required to attest to conformance with the FR Y-14 instructions and to the material correctness of the data to the best of their knowledge. They will also be required to agree to report material weaknesses and any material errors in the data as they are identified starting January 1, 2017. Effective December 31, 2017, and for all future reporting periods, CFOs' attestations to the effectiveness of their institutions' internal controls will be for FR Y-14 submissions filed throughout the year. Covered BHCs will be required to have policies in place for determining materiality in the context of quantitative and qualitative considerations for their firm.

The final rule's attestation requirement currently applies to financial institutions overseen by the Federal Reserve's Large Institution Supervision Coordinating Committee framework (the "LISCC firms"). For IHCs, the Federal Reserve has stated it will consider proposing additional reporting requirements in the future and that it will be evaluating the particular circumstances and challenges surrounding IHC formation with respect to the full spectrum of Federal Reserve's regulatory reporting requirements.



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While CCAR is certainly data intensive, it is not the only complex reporting requirement in the post-crisis supervisory world, as Figure 3 demonstrates. The increasing breadth and depth of these new data reporting requirements coincide with a growing array of *ad hoc* requests from regulatory authorities. We expect

regulators will continue to assess actively whether banks' data architectures and MIS capabilities are capable both of supporting the myriad of new reporting requirements and producing accurate results on a timely basis, particularly during stress situations.

Figure 3:
Regulators continuously assess whether institutions' data capabilities can support ongoing stress-testing and new reporting requirements



These enhanced expectations and additional oversight requirements are being mandated as the industry continues to feel pressure from regulators for improved data and reporting capabilities. Given the rapid pace and complexity of managing this regulatory change centered squarely on data concerns, it does not appear that this

trend will abate anytime soon. In fact, this pressure will likely only intensify, as institutions are required to not only conduct additional stress testing on a more frequent basis, but also increase the transparency around their data production and reporting documentation processes.



Key challenges to meeting heightened regulatory expectations

Despite attempts to rationalize and simplify their structures, legal entity reporting continues to pose a strategic challenge for institutions. The number of reports has increased exponentially against a fixed revenue line. Firms are also experiencing difficulty as they integrate legacy systems from various mergers and acquisitions.

For most financial institutions, data quality remains an ongoing challenge. Data integrity continues to be degraded by inconsistent taxonomies, inaccuracy, incompleteness, and duplication. With poor-quality data, the effectiveness of risk management can be seriously compromised. Datasets also typically reside in different silos that are often owned by different functions, all with different incentives, attitudes, and approaches to managing data.

For many organizations, the reporting architecture is a patchwork of data extraction, manual calculation, and reporting components that is focused on individual reports by business area. This rarely allows for calculating and reporting risks across legal entities, geographies, or by product mix, and may not easily facilitate the kind of *ad hoc* analysis or granularity needed to understand emerging trends or issues. Plagued by multiple, discrete systems and possibly incompatible, inconsistent datasets, risk professionals spend too much time and effort on data aggregation, reconciliation, and manual adjustments and too little time on analyzing and applying the results in order to achieve better risk management and decision making.

As financial institutions refine their processes around data management, a true test of a successfully implemented data architecture and MIS infrastructure will likely come in the form of a scenario or stress test that requires these institutions to respond to an impromptu regulatory request for certain information. This will allow regulators to determine whether the banks' self-assessments are consistent with the information they are able to produce on demand. Meeting this test in a timely fashion would likely pose a challenge for most firms today. Indeed, the deficiencies and shortcomings identified in the most recent resolution plans, as noted above, have made it clear that regulators continue to be concerned about the industry's ability to produce reliable and actionable information on demand.



A way forward

Regulatory reporting scrutiny is expected to continue to grow with a particular focus on the importance of a firm's data quality, systems integration, and reporting capabilities in order to ensure accurate and timely filings and facilitate enhanced decision-making capabilities. Along with it, reporting complexity will increase exponentially with mandates, such as CCAR, CFO attestations, resolution planning, Volcker, liquidity, and SCCL, continuing to raise the bar for financial institutions.

Expectations regarding independent data validation, including whether this validation can be undertaken by internal audit or a third party, also require further clarification from regulators. In addition, the oversight of third parties assisting firms with their regulatory report filings continues to be examined closely. Adequately monitoring these activities may require further enhancements to firms' MIS capabilities.

The types of reporting weaknesses being identified by regulators provide some insights into the areas of supervisory focus in the coming years. Specifically, firms will need to ensure that the scope and robustness of their reporting encompasses not only the group level, but also takes into account each material business unit or entity within the group.

Financial institutions will also need to quantify, aggregate, and report all types of material risk, such as liquidity and operational, in a more comprehensive manner. Covering credit and market risks alone will likely no longer be sufficient. Additionally, clearly articulating risk tolerance levels for manual adjustments versus automated processes for data aggregation and reporting will be critically important going forward. Lastly, achieving compliance with the BCBS principles related to governance will initiate an iterative process that will yield improved data quality and reporting usefulness that will evolve as the institution evolves, develops new products, and conducts new business.

When enhancing regulatory reporting processes, management must consider strategic initiatives, such as RDA and regulatory change management programs, with natural linkages to reporting as well as more tactical solutions. While these strategic initiatives will support their regulatory reporting processes longer-term, management should not lose focus on important tactical initiatives, such as tightening governance, increasing training, and preparing effectively for examinations. Overall, we believe that the current regulatory reporting regime requires far more attention and resources than in the past. Like other key initiatives, the risks of getting it wrong are now the highest they have ever been.

How KPMG can help

KPMG LLP (KPMG) offers a suite of services from building out a new infrastructure to assisting with the preparation of report filings. Our services will help enhance your institution's capabilities around risk, infrastructure, governance, architecture, aggregation, reporting, and data quality.

Our services include:

KPMG's Financial Institutions Reporting Engine

KPMG has developed the Financial Institutions Reporting Engine, an automated reporting platform with related services, in order to help financial institutions increase efficiency, simplify reporting, and improve their compliance programs. The KPMG Financial Institutions Reporting Engine applies ontology tool capabilities to support the production of regulatory reports, automate schedule line item reconciliations and controls, assess and distribute new regulatory rules, assign and store key attributes to schedules and schedule line items, and perform Federal Reserve-required XML edit checks.

Governance

Expectations for governance around the regulatory reporting function continue to grow. This includes the structure of the groups responsible for the function, policies and procedures, as well as controls around the function. With KPMG's industry experience, we can work with our clients to help design and implement governance structures tailored to each clients' unique needs.

CFO attestation assistance

The largest banks must now attest to the integrity of their actual and projected stress test data and report any material weaknesses and errors. KPMG can assist CFOs with meeting the demands of these new reporting requirements and the phased implementation of the CFO attestation requirements.

Enhanced Prudential Standards and Intermediate Holding Company reporting

Regulation YY continues to pose significant regulatory and structural considerations for covered bank holding companies (BHCs) and intermediate holding companies (IHCs) of foreign banking organizations that are subject to new reporting requirements. KPMG can provide recommendations for implementing policies, procedures, and processes considering the requirements of these rulemakings that will continue to introduce a multitude of detailed data capture, recordkeeping, and reporting specifications for covered institutions.

Liquidity reporting

Prompted by growing regulatory demands, financial institutions continue to focus closely on managing liquidity risk. KPMG can assist institutions with accelerating their efforts toward compliance with mandates such as the liquidity coverage ratio (LCR), liquidity monitoring reporting (FR 2052), and the G-SIB capital surcharge that incorporates short-term wholesale funding considerations, while preparing for forthcoming requirements such as the U.S. implementation of the net stable funding ratio (NSFR).

Examination preparation

As regulators continue to focus and expand their examinations in this space, the preparation for these reviews becomes critical for a successful result. KPMG has assisted clients in all stages of examination preparation from preexamination analysis of reports in scope, responses to the first day letter, and the on-site portion of the regulatory examination.

Examination remediation

KPMG can provide assistance with evaluating the requirements outlined by the regulators as well as help design and implement new procedures and practices to help address Matters Requiring Attention (MRAs) and Matters Requiring Immediate Attention (MRIAs).

Gap analysis

We perform tactical reviews of individual reports and processes as well as strategic reviews of the overall regulatory reporting function. We review current-state operations and compare to our understanding of regulatory requirements and expectations as well as industry practices.

Mapping data from systems to regulatory reports

Getting data from internal systems into regulatory reports is a challenge that many clients face. KPMG has designed mapping templates and used client software to map their systems to various regulatory reports, including point of origin to report filing assessments.

Interpretation of regulatory reporting instructions

Many clients seek help interpreting ambiguous or unclear reporting instructions. Many of our professionals have worked for a regulatory agency prior to joining KPMG and can provide insight into expectations around report instructions.

Data scrubbing

Many institutions have various data sources and systems that may not contain the same data elements, presenting a challenge for aggregation. KPMG can review data sources and data characteristics and provide recommendations on how clients need to scrub the information to achieve a more consistent usable dataset.

Assistance with system selection and implementation

Expectations for automation of the regulatory reporting process continue to be a priority for institutions. KPMG can assist with evaluating software options, including providing industry perspectives and implementation of new reporting tools.

Report production

KPMG can provide resources to assist institutions with their report production in the event they are short staffed, require specific skills, or need to supplement resources with respect to new reporting requirements as they arise.

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