IDC InfoBrief
August 2021

RegTech in Asia/Pacific

Supporting the Trend Towards Granular Data Reporting

IDC Doc. #AP241259IB

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EXECUTIVE SUMMARY

The new mandates issued by central banks within the Asia/Pacific region are a far cry from existing form-based reporting mechanisms, pushing financial institutions to look beyond their conventional systems and tools to comply with the new guidelines.

While many may be considering addressing the new formats in-house, there are many complexities that require a strategic, long-term vision and expert capabilities to streamline in-house analytics and decision-making processes.

This InfoBrief explores GDR trends across the Asia/Pacific region, outlines the far-reaching implications for financial institutions, and offers useful insights on building a successful next-gen GDR platform.

A WATERSHED FOR REGTECH

Ever since the launch of Anacredit Asian regulators have been working to kickstart new requirements on collecting more granular data. The new movement is characterized by comprehensive data collection and shorter time intervals for data reporting.

The Growing Relevance of Granular Data Reporting

Regulators across the globe, including in Asia/Pacific, see high-quality GDR as a route towards greater transparency and better techniques to calibrate financial data.

Why GDR benefits regulatory authorities

- Ensures a strong data governance structure and data-aggregation capabilities, maximizing **data-driven insights**
- Deepens the granularity of data to facilitate **one-time collection** and data **reusability**
- Allows the **timely implementation** of monetary policies, **assessment** of systemic risks and **supervision** of member functions
- Enables **evidence-based, impartial, and objective decisions**, fostering trust among stakeholders
- Predicts the likelihood of **vulnerabilities and adverse incidents** within the system

Source: IDC FutureScape: Worldwide Future of Intelligence 2021 Predictions — Asia/Pacific (Excluding Japan) Implications, Doc #AP45494720, January 2021

GDR: A Turning Point to Overhauling Regulatory Reporting?

In the race to stay resilient, financial institutions in the Asia/Pacific region must brace themselves, like their global counterparts, for the transition to GDR — beginning with how the new reporting standards will affect them.

More reliance on 'Regtech'

Take a holistic, enterprisewide view of automation adoption across technology domains and business operations to avoid creation of automation silos

Higher reporting frequency

Report volumes will rise as dynamic templates and shorter turnaround times become mandatory. Expect more monthly, quarterly or daily reporting

The scale of data granularity is magnified

The scope of reporting will extend beyond aggregated data-based reporting to multiple financial instruments, balance sheets, transactional data by country, currency, and more

Exponential complexity in data extraction and reporting

The inability to enable a seamless exchange of data with regulators in standard data taxonomies and in acceptable formats can lead to penalties

GLOBALLY, central banks are eager to use big data technologies in Suptech and Regtech applications — similarities can be seen with regional regulators such as the Hong Kong Monetary Authority (HKMA; source: IFC Global Survey, 2020)

REGIONALLY, countries are gearing up in 2021 with testing for more granular data reporting, as with the Monetary Authority of Singapore's (MAS') amendments for Notice 610 and the Australian Prudential Regulation Authority's (APRA's) upcoming SDT* reporting submissions

SINGAPORE'S Data Collection Gateway (DCG), Australia's APRA Connect, and Thailand's Regulatory Data Transformation (RDT) have raised the standards for electronic submission of data sets in order to facilitate better data-handling capabilities

*SDT: Superannuation Data Transformation, Australia

GDR in Asia/Pacific: Gathering Momentum

A 'sense of urgency' is already beginning to build among financial institutions in some parts of Asia/Pacific around taking new GDR requirements on board.

AUSTRALIA

- 50+ data points for ARS 220 for ADIs (Source: APRA)
- APRA Connect has been undergoing testing since June 2021, starting with SDT collections
- Reporting data estimated to multiply; scope extended to more financial instruments (Sources: SDT, ARS 220*)
- Authorized institutions must cater to ad-hoc data requests, re-submissions, and additional documentation

HONG KONG

- 500+ data points to be tracked (Source: HKMA)
- Scrutiny over transactional data for mortgage and residential loans
- Push for Regtech for compliance

SINGAPORE

- 300,000+ data points to be tracked (Source: MAS)
- Seems to be heading towards GDR. The regulator has increased the number of data points in their latest balance sheet-based reports
- Data submission in machine-readable format through DCG
- Stress on zero duplication of data

THAILAND

- 600+ data points to be tracked (Source: Bank of Thailand)
- Vigilance on credit risks, counterparty risks, currency
- Review of credit transactions began in January 2021
- DMS for electronic submission of reporting data

*ARS 220: Reporting Standard on Credit Exposures and Provisions

Challenges Along the Journey Towards GDR Compliance

In the majority of financial institutions, relying on existing architectures and data frameworks to tackle GDR in-house will not help them cope with the regulatory demands in the GDR era. Legacy processes and technology can fail institutions particularly when GDR requirements change radically at short notice. In the case of AnaCredit, regulatory changes took 2.5 years to stabilize.

Lack of agility and speed

Most banks planning to address GDR in-house have not factored in the impact of on-going changes in data reporting formats being introduced by regulatory authorities. The ability of existing systems and teams to accommodate the new demands of reporting larger data sets in shorter turnaround times is constrained by a lack of flexibility and limited expertise on GDR

Accrued technical debt

GDR standards are evolving within the region, with growing demand for different data attributes. Financial institutions which continue to invest incrementally around aging legacy systems will struggle to keep pace with the complexity of data reporting, and end up with high technology costs in the long run

Data aggregation: a major bottleneck

When data is siloed across multiple sources by outdated, legacy systems, financial institutions cannot aggregate the data to obtain a single source of truth that will comply with regulatory requirements

Inconsistent data quality

In the absence of adequate data governance and management capabilities, the quality of existing data could be questionable; barring financial institutions from assuring data accuracy, accountability and lineage. This can lead to more errors and the untimely submission of reports

Shortage of in-house skills

Inadequate expertise is a potential barrier to building effective supervisory mechanisms when implementing GDR solutions. According to IDC research*, 70% of financial institutions have acknowledged the need to hire skilled resources to develop processes in risk, compliance, security, and privacy

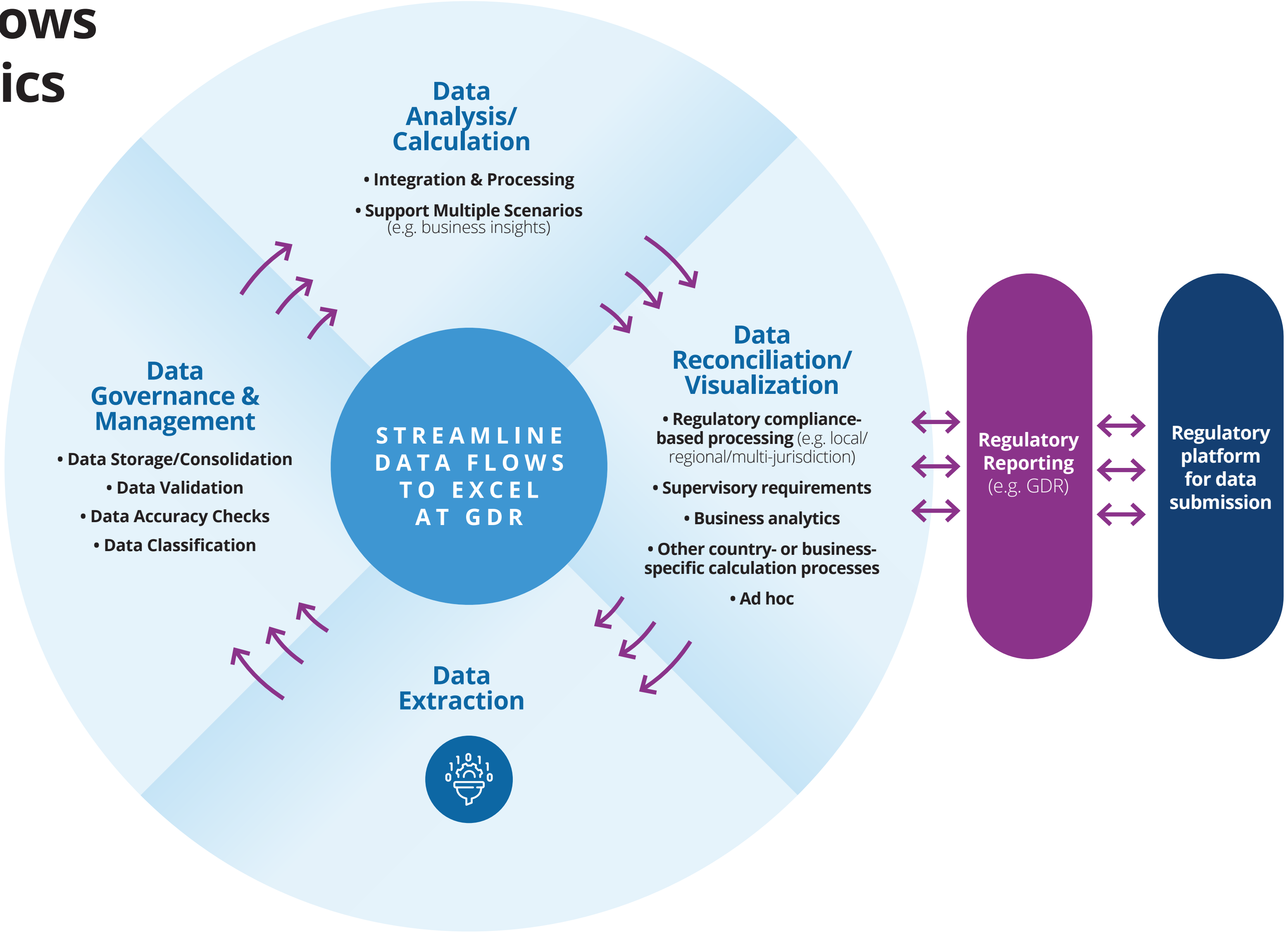
*Source: IDC's Future Enterprise Resiliency Survey, April 2021, APeJ Financial Services

Seamless Data Workflows and Embedded Analytics for On-Demand Data Reporting

As deadlines for GDR compliance approach, financial institutions in Asia/Pacific will need to consider new data models that deliver high-quality data reporting. Such models feature easy-to-integrate architectures that support end-to-end data flows, from data reconciliation to intelligent analytics.

BENEFIT FROM

- **Easy data reconciliation**
- **More data transparency**
- **Clear data lineage**
- **Single source of truth**
- **Support for more reporting formats**



Technology Capabilities that Define the Next-Gen GDR Platform

Strong governance

- On-demand data retrieval & collection
- Cross-validation & verification
- Transparent & auditable
- Ability to trace data lineage

Advanced analytics: AI/ML modeling

- Leverages artificial intelligence/ machine learning (AI/ML) applications and techniques, big data and analytics
- Improves report accuracy
- Supports data reconciliation, additional insights on ROI
- Customized dashboards

Enhanced data extraction capabilities

- Adds flexibility with dynamic data templates
- Compatible with industry-led taxonomy & data classification
- Features built-in models, business logic, and submission formats

Up-to-date architectures/ standards

- On-cloud and on-premise
- Seamless cross-border support

End-to-end functionality

- Supports compliance reporting for any financial function (e.g., payments systems, monetary policy, supervision, and research)
- Out-of-the-box toolkit for better coordination across systems, functions and teams

Future-proofing

- Adapts quickly to change
- Supports configuration & processing of large volumes of data
- Reports produced at high speed
- Regulatory upgrade features to stay up-to-date

Effective interoperability

- One-stop-shop for regulatory reporting
- Backed by APIs/ microservices
- Manage and exchange data between multiple agents as needed

Excellent user experience

- Easy coordination between project teams
- Industry-standard built-in features enable faster, more cost-effective integration

Essential Guidance

Compliance with GDR standards is a fine balancing act for financial institutions. Besides staying compliant, organizations need to build a long-standing infrastructure that is forward-looking, and resilient to new regulatory changes. To start the ball rolling, a big shift in cultural approach is required.

1 Embrace a new cultural mindset

Financial institutions need to develop an agile, collaborative and proactive mindset towards regulatory reporting standards. Compliance can no longer be an expense line item but should be included as part of long-term business and technology strategies

2 Future-proof reporting capabilities

Institutions must prepare for more dynamic reporting obligations. Organizations must take their cue from local regulatory authorities and be prepared to cover more data-sets across multiple instruments, and upgrade supporting infrastructure too

3 Establish strong data governance practices

Ensuring data ownership, source checks or a data audit trail can help to define a robust work-flow and good governance, which will enable timely release of data, rendering compliance functions more transparent

4 Keep technology at the core of compliance strategy

The increasing burden of compliance costs will encourage institutions to integrate technology (e.g. artificial intelligence/machine learning, analytics, cloud) at the core of compliance strategy for the long-term instead of relying on ad hoc investments that suit short-term requirements

5 Adapt and upgrade continuously

Design integrated data flows across multiple systems and processes to enable quick retrieval of accurate data that is of an acceptable quality while ensuring robust data governance to preserve data lineage. Optimize this structure on a continual basis to ensure it remains responsive at all times

MESSAGE FROM THE SPONSOR

Navigate the complexities of your Granular Data Reporting

The regulatory compliance space is undergoing a significant transformation globally, and data granularity is at the forefront. Demands from regulators for banks to dig deeper into their data will drive changes in compliance and reporting covering such elements as data collection, validation, and submission. Eventually this trend will influence the treatment of all financial instruments and the activities of all departments at an institution, adding layers of complexity and raising costs. The evolution of supervisory technologies, or Sup-Tech, adds another challenge. That makes today the right time for banks to take a fresh approach to the regulatory reporting process and to rely on specialists who have helped them undertake such transformational journeys in the past.

Wolters Kluwer© OneSumX for Finance, Risk and Regulatory Reporting is a market leading solution in this space, with more than 500 banking clients globally, including more than 130 in the Asia-Pacific region. OneSumX has a proven track record in granular data repository work, with dozens of OneSumX AnaCredit customers in Europe and with broad experience guiding transformational journeys covering frameworks like MAS 610. Our specialists are well equipped to support you with the emerging challenge of granular data reporting.

Wolters Kluwer

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